

# South Tyneside Council Financial Statements | 2021-22



South Tyneside Council

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## Further Information

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 2022 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. 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 underspent its budget by £1.461m 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>			
Children, Adults and Health Group	103.909	105.816	1.907
Business and Resources Group	(2.320)	(7.768)	(5.448)
Governance and Corporate Affairs Group	5.069	5.334	0.265
Regeneration and Environment Group	23.065	24.880	1.815
<b>Net cost of services and operating expenditure</b>	<b>129.723</b>	<b>128.262</b>	<b>(1.461)</b>
<b>Funding sources</b>			
General government grants	(49.925)	(49.925)	-
Non-domestic rates retained	(14.053)	(14.053)	-
Contribution to Collection Fund	5.869	5.869	-
Contribution from earmarked reserves	(6.069)	(6.069)	-
Council tax payers	(65.545)	(65.545)	-
<b>Total revenue funding</b>	<b>(129.723)</b>	<b>(129.723)</b>	<b>-</b>
<b>Contribution to General Fund balance for the year</b>	<b>-</b>	<b>(1.461)</b>	<b>(1.461)</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.

## Children, Adults and Health Group

The major services provided by the Children, Adults and Health Group include public health, social care for elderly and vulnerable adults, protection of children at risk from abuse or neglect, support to children and adults with disabilities, as well as 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 £1.7m in the year. The Council continues to manage these demand-led pressures through pro-active intervention to support families, increased 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 effectiveness of the Council's children's services has been recognised nationally through its status as a Partner in Practice.
- Within the Learning and Early Help service there were cost pressures of £0.8m primarily relating to an increase in the number of pupils with special educational

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

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.

- Despite significant pressures from hospital discharges, adult social care spending was maintained within budget. This was assisted by temporary Government funding provided due to the impact of the Covid pandemic which has now been withdrawn. Consequently, greater spending pressures are expected to emerge in 2022-23.

### Business and Resources Group

The major services provided by the Business and Resources Group 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:

- There was a pressure of £0.6m relating to the increased cost of insurance following a review of risk and provisions undertaken in year.
- The Council maintained a reasonable income collection performance despite the impact of the Covid-19 pandemic. During the year, 93% of council tax income due was collected in year (93% in 2020/21). Most of the amounts outstanding will be received after the year-end. The comparative figure for business rates collection was 97% (97% in 2020/21).

### Regeneration and Environment Group

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 cost pressures of £1.026m primarily relating to waste disposal costs and fleet. Waste disposal costs have increased due to higher levels of waste being produced and the increased costs of recycling waste. Fleet cost pressures relate to the hire costs of vehicles which are due to be replaced under the vehicle replacement programme.
- Within Regeneration & Housing, there was a cost pressure of £0.318m relating to energy costs increases across the property portfolio as a result of the global increase in gas prices.

## 3. Capital Investment Financial Summary for the Year

The following table summarises capital investment of £65.3m during the year and the capital funding the Council has used to finance this spending. The original capital budget,

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

agreed as part of the 2021-26 MTFP, has been revised to reflect the full impact of known contractual commitments from the previous year and new funding approvals received in year. £51.7m 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.

<b>Capital investment summary</b>	<b>Revised budget</b>	<b>Actual outturn</b>	<b>Carry forward</b>	<b>Variance from budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Children, Adults and Health Group	5.625	2.200	3.419	(0.006)
Business and Resources Group	4.478	4.033	0.445	-
Regeneration and Environment Group	84.877	38.125	45.520	(1.232)
Public sector housing	23.293	20.934	2.359	-
<b>Total capital investment</b>	<b>118.273</b>	<b>65.292</b>	<b>51.743</b>	<b>(1.238)</b>

<b>Capital financing summary</b>	<b>Actual funding</b>
	<b>£m</b>
Unsupported borrowing	(17.333)
Capital receipts	(2.642)
Funding from the General Fund and HRA	(2.291)
Funding from the major repairs reserve	(20.790)
Government grant and other contributions	(22.236)
<b>Total capital funding</b>	<b>(65.292)</b>

The capital investment highlights during the year were as follows:

### Children, Adults and Health Group

- £1.3m 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.
- £0.8m was spent during the year on school improvements funded from devolved formula and other specific education capital grants.

### Business and Resources Group

- £3.5m 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.

### Regeneration and Environment Group

- £10m has been invested in a variety of infrastructure schemes ranging from road safety measures, flood prevention measures, resurfacing highways, renewal of footbridges and improved footpaths throughout the borough.



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

- £16.1m 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.
- £4.5m 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.
- £4.2m has been invested in the regeneration of town centres.
- £1.1m has been invested in land at Holborn, South Shields to support regeneration of the riverside.

### Public Sector Housing

- £12.6m has been spent on improving 2,198 homes to the South Tyneside decent homes standard.
- £0.5m was spent on the development of new social housing stock for the Borough, with 6 properties completed on Henderson Road, South Shields.
- A further £0.5m was spent on dwellings primarily on improving the non-traditional stock and updating fire safety measures within high rise blocks.
- £1.4m was spent on improvements to vacant properties to bring them back into occupation, £0.5m invested in adaptations to properties for tenants with special needs, £1.0m on improvements to infrastructure, £1m to support demolitions and area redevelopment schemes and £0.8m on local estate improvements.

## 4. Significant Matters

### Government Funding and Strategic Planning

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 £183m. 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 2021 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% per year over three years, which falls to a 1.8% real terms uplift per annum after taking account of new statutory adult social care responsibilities. Despite requests for certainty over our funding, the funding allocation received from Government to individual Councils was for 2022/23 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 historic high levels of inflation, substantially increasing the level of future financial risk faced by councils.

# Section 1 – Narrative Statement by Director Business and Resources

The context for future financial planning is challenging. The Covid-19 pandemic continues to impact significantly upon the delivery of local services especially social care. There remains huge uncertainty around the financial impact of Government plans to radically overhaul the funding arrangements for adult social care. Amid very fluid circumstances, the Council will continue to chart a steady and prudent course on its strategic and financial plans.

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 across the whole service.

## **Defined Benefit Obligation**

As at year end the Council had a defined benefit obligation to the Tyne and Wear Pension Fund of £322.6m (£449.2m in 2020/21). If the Council ceased operations, this liability would have to be taken over by the successor body or ultimately funded by Central Government.

## **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. £0.3m was loaned or advanced during the year (£0.1m in 2020/21). 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.

## **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 (£6.2m in 2020/21).

## **5. Material Movements in Assets and Liabilities**

The value of Council dwellings has increased by £3.2m primarily as a result of an upturn in property values as demand for housing has increased as we emerged from the lockdowns imposed due to the Covid-19 pandemic.

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

The value of other property plant and equipment increased by £42.9m primarily due to the investment in assets through the capital investment programme.

Long term investments have increased by £1.7m as a result of a revaluation in our shareholding in Newcastle Airport.

Cash and cash equivalents reduced by £6.1m during the year as more cash was held at the end of 20-21 to meet the additional costs arising from Covid-19. Due to the greater certainty this year the Council has been able to invest on a longer-term basis such that there was an increase in short term investments of £35m.

The value of short-term debtors increased by £9.2m during the year, mainly due to an increase in Council tax debtors as recovery action was suspended during the Covid-19 pandemic.

The value of short-term creditors increased by £11.5m during the year which mostly relates to additional ringfenced Government Covid-19 funding received in year but carried forward into 2022/23.

Short term borrowing has reduced by £7.5m because of more cash being available in year so no short-term loans were required to cover cash flow. Long term borrowing increased by £37.6m to reflect in-year capital spending.

Capital grants received in advance reduced by £4.6m during the year due to spending of those grants as part of the capital investment programme in 2021/22.

The liability relating to the defined benefit obligation has reduced by £126.6m or 28.2% compared to the previous year. This is primarily due to changes in the financial assumptions that underpin the liability.

### 6. Reserves and Balances

As at year end the Council held earmarked reserves of £66.4m (£58.0m in 2020/21). School balances have a surplus of £7.2m (£0.2m deficit in 2020/21). 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 2.3% of net budget in this reserve (£3.0m and 2.4% in 2020/21).

Another key reserve that we hold to deal with our specific risks is the future funding reserve. As at year end the Council held £16.2m in this reserve (£15.2m in 2020/21). Throughout the Covid-19 pandemic the Council has been provided with grants from central Government to assist with the additional costs as well as provide financial support to local businesses and individuals. We hold a temporary reserve from the unspent balances of these grants of £19.3m (£21.0m in 2020/21) which will be applied in the course of 2022/23 and beyond including the funding of additional investment and to help meet future budget pressures arising from the legacy of the Covid-19 pandemic.

As at year end the Council held £1.6m (£3.9m in 2020/21) in capital receipts for the purposes of investing in our assets in future years.

# Section 1 – Narrative Statement by Director Business and Resources

## 7. 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 106 of these accounts. The Group results revealed a deficit for the year of £20.5m (£14.5m in 2020/21) incorporating a net deficit of £7.8m (£4.4m in 2020/21) from STHL and CHL. The net assets of the Group stood at £233.8m at year end (£27.3m in 2020/21).

## 8. 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 £1.7m (increase of £0.8m in 2020/21). Revenue reserves at year end stood at £23.3m (£21.6m in 2020/21) which will be used to support future years' expenditure on housing including anticipated liabilities to meet longer-term stock maintenance requirements.

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

Net expenditure on PFI schemes during the year was £23.6m (£22.8m in 2020/21). Revenue contributions provided funding of £12.5m (£11.7m in 2020/21), or 53%, and the remaining £11.1m (£11.1m in 2020/21) was funded using PFI credits from Government.

## 10. 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 increased its debt having taken long term loans totalling £50m (£5.0m in 2020/21) from the Public Works Loan Board (PWLB) at historically low interest rates with no new loans from the public or private sector (£nil in 2020/21). At 31 March 2022 the Council had £0.1m borrowing repayable within twelve months (£0.1m in 2020/21) from other local authorities, pension funds and the private sector and £16.5m with the PWLB (£23.8m in 2020/21). Loans to the value of £20m were repaid during the year (£44.5m in 2020/21).

## 11. Spread the Word - This is South Tyneside

Our vision is for South Tyneside to be **an outstanding place to live, invest and bring up families**. We are delivering on ambitious plans to regenerate our towns, homes and communities that will help us to attract investment, create jobs, improve health and support greater opportunity in the borough for years to come. The Covid-19 pandemic has accelerated the need for further plans and delivery to support economic and social recovery, reduce inequality, combat climate change and strengthen engagement and collaborative working so that future services can be shaped with residents and businesses at the forefront. This is being driven through a range of programmes and strategies indicative of a confident and aspirational Borough which is enthusiastic about spreading the word about the place which is South Tyneside.

# Section 1 – Narrative Statement by Director Business and Resources

In order to provide greater focus in emerging from the pandemic, new community priorities have been identified that will make the biggest difference to our residents namely:

- **Support our Young People in Need**
- **Support Families and Older or Vulnerable Populations**
- **Create the Conditions for Economic Recovery and Investment**
- **Invest in our Natural and Built Environment**
- **Support town centres, villages, high streets and hospitality**

Following a recent independent peer review of the Council, we are in consultation through our “South Tyneside Conversation” with a range of stakeholders such as residents, public and private sector partners and the voluntary sector in developing a refreshed longer-term vision underpinned by a new set of organisational values and agreed set of behaviours. This will form the bedrock of our new strategic planning framework establishing our priorities over the medium and long-term enabling a further re-alignment of resources to help meet our agreed objectives and pro-active management of strategic risks.

Knowing where we are going, being clear about what needs to be done most urgently and taking tough decisions when we have to – this is how we remain focused on our priorities.

We continued during 21-22 to respond to the impact of the Covid-19 pandemic. This included the prompt provision of financial support to residents and businesses as well as advice and guidance and working closely with partners in the social care sector to keep clients as safe as possible.

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.

## 12. Medium Term Prospects

Our MTFP for 2022 to 2027 was approved by Council and published in March 2021. Our key stakeholders, including our trades union, 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



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

funding and additional costs pressures arising from higher rates of inflation which is expected to peak at 11%, revenue savings will need to continue to be delivered over the medium-term.

In emerging from the Covid-19 pandemic, we are reviewing our future financial forecasts in detail. Temporary streams of funding provided during the period of the pandemic have now ceased. These planning assumptions will evolve dependent upon anticipation of future risks and indications of future Government financial support.

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

There have been two major presentational changes to the Statement of Accounts.

- **Infrastructure Assets** – an update to the Code on infrastructure assets has resulted in a change to the presentation of the property, plant and equipment note. Infrastructure assets are obliged to be reported at their net valuation, rather than gross, and are now shown separately within the overall PPE note, alongside further detail to explain the change.
- **Dedicated Schools Grant deficits** – DLUHC have made regulations regarding the accounting treatment of DSG deficits meaning the Council must charge the amount of the deficit to an account established, charged and used solely for the purpose of recognising deficits in respect of its schools' budget. The impact of this change can be seen in the movement in reserves statement, the reserves notes and the adjustments between accounting basis and funding basis under regulations note.

The Covid-19 pandemic continues to impact on the figures presented although there have been no significant changes compared to last year other than property valuations are no longer subject to any material valuation uncertainty clause.

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 17 to 174. They consist of the following statements that are required to be prepared under the Code of Practice:

- **Statement of Responsibilities for the Accounts** (page 17) 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 18) 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 23) 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 24) 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 25) 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 26) 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 27 to 96). 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 97 to 102) 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 103 to 104) 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 105 to 120) 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 121 to 174) 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**

**29 July 2022 and 15 May 2024**

## Section 2 – Statement of Responsibilities for the Accounts

### 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 17 to 174, 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 2022.



Signed:

Date: 15 May 2024

Stuart Reid, [Director Business and Resources](#)

# Section 3 – Independent Auditors’ Report

## Independent auditors’ report to the Members of South Tyneside Council

### Opinion

We have audited the financial statements of South Tyneside Council of (‘the Council’) and its subsidiaries (the ‘Group’) for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- the related notes to the core financial statements 1 to 43,
- the related notes to the Group financial statements 1 to 14,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 9,
- Collection Fund 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of South Tyneside Council and the Group as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard and 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 Group and the Council’s ability to continue as a going concern for a period up to December 2025.

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 Group’s ability to continue as a going concern.



## **Section 3 – Independent Auditors’ Report**

### **Other information**

The other information comprises the information included in the Narrative report, other than the financial statements and our auditor’s report thereon. The Chief Financial Officer is responsible for the other information contained within the Narrative report.

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.

### **Matters on which we report by exception**

We report to you if:

- in our opinion 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 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)
- 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 2022.

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 page 17, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Group financial statements and the Tyne and Wear 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 2021/22 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 Chief Financial Officer 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 Chief Financial Officer 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 authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor’s responsibilities for the 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

## Section 3 – Independent Auditors’ Report

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.

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 both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are:

- Local Government Act 1972,
- School Standards and Framework Act 1998,
- Local Government and Housing Act 1989 (England and Wales),
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Education Act 2002 and school Standards and Framework Act 1998 (England),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- National Health Service Act 2006,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Group and the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how South Tyneside Council is complying with those frameworks by understanding the incentive, opportunities, and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Group and the Council's committee minutes, through enquiry of employees to confirm Group and the Council's 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 had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Group and the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk around inappropriate recognition of grants with terms and conditions, we tested a sample of grant income with terms and conditions to check that where management judgements were made relating to the recognition of the income, all terms and conditions were satisfied.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested a sample of capital expenditure incurred to ensure that it was correctly classified as capital in nature and should not instead have been recognised as revenue.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific

## Section 3 – Independent Auditors’ Report

transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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.

### ***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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the 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 the 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 2022.

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, the 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 Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

### **Pension Fund financial statements**

On 15 May 2024 we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2022 included within the Statement of Accounts.

### **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 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.

Maria Grindley (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Reading  
15<sup>th</sup> May 2024

## 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 2020 brought forward</b>		<b>(40.616)</b>	<b>(20.842)</b>	<b>(1.111)</b>	<b>(4.200)</b>	<b>(66.769)</b>	<b>(69.423)</b>	<b>(136.192)</b>
<b>Movement in reserves during 2020/21</b>								
Total comprehensive (income) and expenditure		14.684	(4.524)	-	-	10.160	27.392	37.552
Adjustments between accounting basis and funding basis under regulations	3	(38.296)	3.770	(2.791)	(2.910)	(40.227)	40.227	-
<b>(Increase) or decrease in 2020/21</b>		<b>(23.612)</b>	<b>(0.754)</b>	<b>(2.791)</b>	<b>(2.910)</b>	<b>(30.067)</b>	<b>67.619</b>	<b>37.552</b>
<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>

## 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.

2020/21 Gross expenditure £m	2020/21 Gross income £m	2020/21 Net expenditure £m		Note	2021/22 Gross expenditure £m	2021/22 Gross income £m	2021/22 Net expenditure £m
94.782	(56.318)	38.464	Adult social care		104.221	(58.101)	46.120
31.115	(6.177)	24.938	Children and families social care		34.530	(7.021)	27.509
139.352	(118.217)	21.135	Learning and early help		138.247	(120.967)	17.280
15.052	(14.086)	0.966	Public health		15.580	(15.490)	0.090
5.975	(2.570)	3.405	Other children, adults and health services		2.662	(0.864)	1.798
<b>286.276</b>	<b>(197.368)</b>	<b>88.908</b>	<b>Sub total children, adults and health</b>		<b>295.240</b>	<b>(202.443)</b>	<b>92.797</b>
27.879	(12.738)	15.141	Regeneration and housing		31.789	(13.308)	18.481
23.660	(7.781)	15.879	Environment		24.689	(9.098)	15.591
14.238	(8.280)	5.958	Transport and infrastructure		15.916	(9.244)	6.672
3.982	(3.507)	0.475	Other regeneration and environment services		7.847	(5.192)	2.655
<b>69.759</b>	<b>(32.306)</b>	<b>37.453</b>	<b>Sub total regeneration and environment</b>		<b>80.241</b>	<b>(36.842)</b>	<b>43.399</b>
81.375	(75.753)	5.622	Corporate finance		75.412	(70.018)	5.394
9.387	(1.429)	7.958	Leisure, libraries and community facilities		8.451	(3.409)	5.042
6.190	(1.200)	4.990	Digital and ICT services		7.129	(1.301)	5.828
7.258	(2.423)	4.835	Other business and resources services		7.602	(2.443)	5.159
<b>104.210</b>	<b>(80.805)</b>	<b>23.405</b>	<b>Sub total business and resources</b>		<b>98.594</b>	<b>(77.171)</b>	<b>21.423</b>
5.800	(1.140)	4.660	Strategy and performance		6.139	(0.800)	5.339
2.486	(1.016)	1.470	Corporate Governance		2.943	(1.215)	1.728
<b>8.286</b>	<b>(2.156)</b>	<b>6.130</b>	<b>Sub total governance and corporate affairs</b>		<b>9.082</b>	<b>(2.015)</b>	<b>7.067</b>
<b>51.284</b>	<b>(65.641)</b>	<b>(14.357)</b>	<b>Local authority housing (HRA)</b>		<b>47.509</b>	<b>(66.129)</b>	<b>(18.620)</b>
<b>519.815</b>	<b>(378.276)</b>	<b>141.539</b>	<b>Cost of services</b>		<b>530.666</b>	<b>(384.600)</b>	<b>146.066</b>
15.550	(5.243)	10.307	Other operating income and expenditure	8	18.451	(5.764)	12.687
40.722	(2.655)	38.067	Financing and investment income and expenditure	9	41.572	(2.800)	38.772
-	(179.753)	(179.753)	Taxation and non-specific grant income	10	-	(184.876)	(184.876)
<b>576.087</b>	<b>(565.927)</b>	<b>10.160</b>	<b>Deficit on the provision of services</b>		<b>590.689</b>	<b>(578.040)</b>	<b>12.649</b>
			<b>Items that will not be reclassified to the deficit on the provision of services</b>				
		(38.236)	Surplus on revaluation of property, plant and equipment				(46.152)
		(0.455)	Deficit or (surplus) from investments in equity instruments designated as fair value through other comprehensive income				(1.725)
		10.243	Impairment losses on non-current assets charged to the revaluation reserve				11.207
		55.840	Remeasurements of the defined benefit obligation	41			(157.520)
		<b>27.392</b>	<b>Other comprehensive (income) and expenditure</b>				<b>(194.190)</b>
		<b>37.552</b>	<b>Total comprehensive (income) and expenditure</b>				<b>(181.541)</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 15 May 2024.

*S Reid*

31 March 2021 £m		Note	31 March 2022 £m
	<b>Non-current assets</b>		
528.723	Council dwellings	11	531.890
642.075	Other property, plant and equipment	11	684.899
3.252	Heritage assets		3.170
2.300	Investment properties		2.300
1.678	Intangible assets	12	1.426
6.387	Long term investments	13	8.112
58.083	Long term debtors	13	58.511
<b>1,242.498</b>	<b>Total non-current assets</b>		<b>1,290.308</b>
	<b>Current assets</b>		
29.335	Short term investments	13	64.385
0.647	Inventories		0.808
37.498	Short term debtors	14	46.720
37.956	Cash and cash equivalents	15	31.830
0.413	Assets held for sale	16	1.586
<b>105.849</b>	<b>Total current assets</b>		<b>145.329</b>
	<b>Current liabilities</b>		
(57.098)	Short term creditors	17	(68.645)
(23.889)	Short term borrowing	13	(16.341)
(4.806)	PFI liability due in less than one year	19	(4.650)
(18.322)	Capital grants receipts in advance	31	(13.653)
(2.030)	Short term provisions	18	(0.983)
<b>(106.145)</b>	<b>Total current liabilities</b>		<b>(104.272)</b>
<b>(0.296)</b>	<b>Total net current assets or (liabilities)</b>		<b>41.057</b>
	<b>Non-current liabilities</b>		
(0.479)	Long term creditors	13	(0.550)
(1.326)	Long term provisions	18	(2.578)
(606.124)	Long term borrowing	13	(643.770)
(84.743)	Long term PFI liability	19	(80.093)
(449.190)	Liability related to defined benefit obligation	41	(322.570)
(1.700)	Other long term liabilities	13	(1.623)
<b>(1,143.562)</b>	<b>Total non-current liabilities</b>		<b>(1,051.184)</b>
<b>98.640</b>	<b>Total net assets</b>		<b>280.181</b>
	<b>Reserves</b>		
(96.836)	Usable reserves	20	(104.401)
(1.804)	Unusable reserves	21	(175.780)
<b>(98.640)</b>	<b>Total reserves</b>		<b>(280.181)</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.

2020/21 £m		Note	2021/22 £m
<b>(10.160)</b>	<b>Cash and non-cash outflow from the provision of services</b>		<b>(12.649)</b>
98.395	Adjustment to the deficit on the provision of services for non-cash movements	22	114.638
(19.310)	Adjustment for items included in the deficit on the provision of services that are investing and financing activities	22	(63.218)
<b>68.925</b>	<b>Net cash flow from operating activities</b>		<b>38.771</b>
(29.822)	Investing activities	23	(74.119)
(50.675)	Financing activities	24	29.222
<b>(11.572)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(6.126)</b>
<b>49.528</b>	<b>Cash and cash equivalents at the start of the year</b>		<b>37.956</b>
<b>37.956</b>	<b>Cash and cash equivalents at the end of the year</b>		<b>31.830</b>

The notes to the core financial statements are presented on pages 26 to 96 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.

2020/21	2020/21	2020/21		2021/22	2021/22	2021/22	2021/22	2021/22
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
44.560	(6.096)	38.464	Adult social care	52.587	(0.539)	52.048	(5.928)	46.120
23.062	1.876	24.938	Children and families social care	24.629	(0.346)	24.283	3.226	27.509
8.017	13.118	21.135	Learning and early help	13.816	(2.992)	10.824	6.456	17.280
13.944	(12.978)	0.966	Public health	13.438	(0.546)	12.892	(12.802)	0.090
2.820	0.585	3.405	Other children, adults and health services	1.346	(0.051)	1.295	0.503	1.798
<b>92.403</b>	<b>(3.495)</b>	<b>88.908</b>	<b>Sub total children, adults and health</b>	<b>105.816</b>	<b>(4.474)</b>	<b>101.342</b>	<b>(8.545)</b>	<b>92.797</b>
9.859	5.282	15.141	Regeneration and housing	11.153	0.304	11.457	7.024	18.481
12.103	3.776	15.879	Environment	13.835	0.500	14.335	1.256	15.591
(1.144)	7.102	5.958	Highways and transport	(0.746)	-	(0.746)	7.418	6.672
0.475	-	0.475	Other regeneration and environment services	0.638	0.304	0.942	1.713	2.655
<b>21.293</b>	<b>16.160</b>	<b>37.453</b>	<b>Sub total regeneration and environment</b>	<b>24.880</b>	<b>1.108</b>	<b>25.988</b>	<b>17.411</b>	<b>43.399</b>
(22.714)	28.336	5.622	Corporate finance	(17.670)	(0.586)	(18.256)	23.650	5.394
0.715	7.243	7.958	Leisure, libraries and community facilities	1.488	(0.058)	1.430	3.612	5.042
4.067	0.923	4.990	Digital and ICT services	4.517	(0.100)	4.417	1.411	5.828
3.252	1.583	4.835	Other business and resources services	3.897	-	3.897	1.262	5.159
<b>(14.680)</b>	<b>38.085</b>	<b>23.405</b>	<b>Sub total business and resources</b>	<b>(7.768)</b>	<b>(0.744)</b>	<b>(8.512)</b>	<b>29.935</b>	<b>21.423</b>
3.986	0.674	4.660	Strategy and performance	4.112	0.150	4.262	1.077	5.339
1.035	0.435	1.470	Corporate Governance	1.222	-	1.222	0.506	1.728
<b>5.021</b>	<b>1.109</b>	<b>6.130</b>	<b>Sub total governance and corporate affairs</b>	<b>5.334</b>	<b>0.150</b>	<b>5.484</b>	<b>1.583</b>	<b>7.067</b>
<b>(0.754)</b>	<b>(13.603)</b>	<b>(14.357)</b>	<b>Local authority housing (HRA)</b>	<b>(1.694)</b>	<b>-</b>	<b>(1.694)</b>	<b>(16.926)</b>	<b>(18.620)</b>
<b>103.283</b>	<b>38.256</b>	<b>141.539</b>	<b>Cost of services</b>	<b>126.568</b>	<b>(3.960)</b>	<b>122.608</b>	<b>23.458</b>	<b>146.066</b>
-	10.307	10.307	Other operating income and expenditure	-	-	-	12.687	12.687
-	38.067	38.067	Financing and investment income and expenditure	-	-	-	38.772	38.772
(127.648)	(52.105)	(179.753)	Taxation and non-specific grant income	(129.723)	-	(129.723)	(55.153)	(184.876)
<b>(24.365)</b>	<b>34.525</b>	<b>10.160</b>	<b>Deficit on the provision of services</b>	<b>(3.155)</b>	<b>(3.960)</b>	<b>(7.115)</b>	<b>19.764</b>	<b>12.649</b>
(20.842)			HRA balance at start of year			(21.596)		
(4.898)			General Fund unallocated balance at start of year			(6.260)		
<b>(25.740)</b>			<b>Total balances at start of year</b>			<b>(27.856)</b>		
(0.754)			Movement in HRA balance in year			(1.694)		
(1.362)			Movement in General Fund unallocated balance in year			(1.461)		
<b>(2.116)</b>			<b>Total movement in balances for the year</b>			<b>(3.155)</b>		
(21.596)			HRA balance at end of year			(23.290)		
(6.260)			General Fund unallocated balance at end of year			(7.722)		
<b>(27.856)</b>			<b>Total balances at end of year</b>			<b>(31.012)</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 2022:

	Nursery, Primary or Special	Secondary
Community	34	3
VA	4	0
Academy	14	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 £98.858m (£96.109m in 2020/21) 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 2022 of £8.607m (£8.955m in 2020/21).

The Council owns assets leased to third parties e.g. factory and retail units, with a value at 31 March 2022 of £33.174m (£33.764m in 2020/21). 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.

Due to the impact of the Covid-19 pandemic the operations of the airport have been severely curtailed. As a result, an impairment of the shareholding was recognised in the 2019/20 accounts which was reversed in part in 2020/21. The formal valuation in 2021/22 has further reversed the original impairment. 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 2022 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 (249 in 2020/21). Property values are affected by several factors and a 1% movement on the assumed valuation would change the reported value of dwellings by £5.318m (£5.287m in 2020/21) and other land and buildings by £0.467m (£0.413m in 2020/21).

### 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

## Section 4 – Notes to the Core Financial Statements

2021 would change the reported value of other land and buildings and surplus assets by £2.225m (£2.355m in 2020/21).

### 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 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 £3.034m (£4.601m in 2020/21) 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. This valuation has substantially reversed the impairment recognised in 2019/20. A further 10% movement in the value of the shareholding would adjust the balance sheet by £0.811m (£0.638m in 2020/21).

### 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 74 and 75.

However, the assumptions interact in complex ways. During 2021/22 the Council's actuaries advised that the defined benefit obligation for funded liabilities had decreased by £11.880m (£12.430m in 2020/21) as a result of estimates being corrected for experience and decreased by £83.670m (increased by £222.060m in 2020/21) due to updating of financial and demographic assumptions. Re-measurement of Fund assets led to a £36.960m decrease (£154.270m decrease in 2020/21).

### 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

2021/22	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	(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	(2.556)	-	2.404
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	-	-	(0.002)	-	0.002
<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>

## Section 4 – Notes to the Core Financial Statements

The equivalent figures for the previous year are as follows:

2020/21	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	(28.124)	(22.997)	-	-	51.121
Contribution towards the major repairs reserve	-	18.552	-	(18.552)	-
Revaluation (losses) or gains on property, plant and equipment	(9.579)	7.345	-	-	2.234
Amortisation of intangible assets	(0.622)	-	-	-	0.622
Capital grants and contributions applied	12.835	0.136	-	-	(12.971)
Capital receipts not linked to non-current assets	0.045	0.053	(0.466)	-	0.368
Revenue expenditure funded from capital under statute	(1.409)	(0.270)	-	-	1.679
Amounts of current and non-current assets written off as part of the loss on disposal	(1.074)	(5.214)	-	-	6.288
Other movements	0.001	-	-	-	(0.001)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Provision for the financing of capital investment	15.350	-	-	-	(15.350)
Capital expenditure charged against balances	1.332	0.165	-	-	(1.497)
<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	1.321	6.137	(7.458)	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	2.770	-	(2.770)
Use of the capital receipts reserve in lieu of debt set aside	-	-	0.369	-	(0.369)
Contribution towards administrative costs of non-current asset disposals	(0.001)	(0.137)	0.138	-	-
Contribution towards the payments to the Government capital receipts pool	(1.856)	-	1.856	-	-
Use of the major repairs reserve to finance new capital expenditure	-	-	-	15.642	(15.642)
<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)	(36.740)	-	-	-	36.740
Employer's pensions contributions and direct payments to pensioners payable in the year	17.110	-	-	-	(17.110)
<b>Other adjustments to unusable reserves:</b>					
Amount by which finance costs charged are different from finance costs chargeable in accordance with statutory requirements	0.136	-	-	-	(0.136)
Amount by which council tax and non-domestic rates are different from income in accordance with statutory requirements	(6.119)	-	-	-	6.119
Employee benefits accrued during the year	(0.902)	-	-	-	0.902
<b>Total adjustments</b>	<b>(38.296)</b>	<b>3.770</b>	<b>(2.791)</b>	<b>(2.910)</b>	<b>40.227</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.

### 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

## Section 4 – Notes to the Core Financial Statements

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 2020/21 £10.253m 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 2021/22 is £10.143m.

## Note 5. Expenditure and Funding Analysis Note

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)
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
Public health	-	0.209	-	(13.010)	(12.802)
Other children, adults and health services	0.001	0.400	-	0.102	0.503
<b>Sub total children, adults and health</b>	<b>5.683</b>	<b>11.641</b>	<b>(6.099)</b>	<b>(19.767)</b>	<b>(8.545)</b>
Regeneration and housing	7.594	1.670	(2.599)	0.360	7.024
Environment	4.839	1.427	(5.742)	0.732	1.256
Highways and transport	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>
Corporate finance	0.001	0.321	11.126	12.202	23.650
Leisure, libraries and community facilities	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>
Strategy and performance	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>
<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 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

## Section 4 – Notes to the Core Financial Statements

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 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:

## Section 4 – Notes to the Core Financial Statements

2020/21	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	0.219	1.173	-	(7.488)	(6.096)
Children and families social care	0.175	1.192	-	0.509	1.876
Learning and early help	11.794	3.934	(6.304)	3.694	13.118
Public health	-	0.093	-	(13.071)	(12.978)
Other children, adults and health services	0.001	0.195	-	0.389	0.585
<b>Sub total children, adults and health</b>	<b>12.189</b>	<b>6.587</b>	<b>(6.304)</b>	<b>(15.967)</b>	<b>(3.495)</b>
Regeneration and housing	6.655	0.874	(2.951)	0.704	5.282
Environment	6.849	0.821	(5.359)	1.465	3.776
Highways and transport	5.639	0.483	-	0.980	7.102
Other regeneration and environment services	0.187	0.149	-	(0.336)	-
<b>Sub total economic regeneration</b>	<b>19.330</b>	<b>2.327</b>	<b>(8.310)</b>	<b>2.813</b>	<b>16.160</b>
Corporate finance	0.002	(0.871)	(0.938)	30.143	28.336
Leisure, libraries and community facilities	4.444	0.718	(0.227)	2.308	7.243
Digital and ICT services	1.362	0.339	-	(0.778)	0.923
Other business and resources services	0.952	0.370	-	0.261	1.583
<b>Sub total business and resources</b>	<b>6.760</b>	<b>0.556</b>	<b>(1.165)</b>	<b>31.934</b>	<b>38.085</b>
Strategy and performance	0.004	0.509	-	0.161	0.674
Corporate Governance	0.034	0.213	-	0.188	0.435
Sub total governance and corporate affairs	0.038	0.722	-	0.349	1.109
<b>Local authority housing (HRA)</b>	<b>(13.603)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13.603)</b>
<b>Cost of services</b>	<b>24.714</b>	<b>10.192</b>	<b>(15.779)</b>	<b>19.129</b>	<b>38.256</b>
Other operating income and expenditure	(0.285)	1.038	-	9.554	10.307
Financing and investment income and expenditure	-	8.400	10.020	19.647	38.067
Taxation and non-specific grant income	(11.426)	-	-	(40.679)	(52.105)
<b>Deficit on the provision of services</b>	<b>13.003</b>	<b>19.630</b>	<b>(5.759)</b>	<b>7.651</b>	<b>34.525</b>

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

2020/21		2021/22
£m		£m
173.992	Employee benefit expenses	184.754
9.719	Support services recharges	9.647
288.881	Other service expenses	300.333
53.983	Depreciation, revaluations, amortisation and impairment	43.363
40.483	Interest payments	41.290
8.206	Precepts and levies	8.051
1.856	Payments to housing receipts pool	2.168
(1.033)	Loss or (profit) on disposal of current and non-current assets	1.083
<b>576.087</b>	<b>Total expenditure</b>	<b>590.689</b>
(177.299)	Fees, charges and other service income	(184.430)
(2.425)	Interest and investment income	(2.570)
(71.687)	Income from council tax and non domestic rates	(77.838)
(314.516)	Grants and contributions	(313.202)
<b>(565.927)</b>	<b>Total income</b>	<b>(578.040)</b>
<b>10.160</b>	<b>Deficit on the provision of services</b>	<b>12.649</b>

### 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.

## Section 4 – Notes to the Core Financial Statements

	Balance at 31 March 2020	Transfers out 2020/21	Transfers in 2020/21	Balance at 31 March 2021	Transfers out 2021/22	Transfers in 2021/22	Balance at 31 March 2022
	£m	£m	£m	£m	£m	£m	£m
Strategic reserve	(3.021)	-	-	(3.021)	-	-	(3.021)
School balances	2.185	1.820	(3.821)	0.184	(2.664)	(4.729)	(7.209)
Insurance reserve	(2.567)	-	-	(2.567)	-	-	(2.567)
Future funding reserve	(14.159)	-	(1.041)	(15.200)	-	(1.012)	(16.212)
Emergency reserve	(6.034)	-	(14.997)	(21.031)	4.358	(2.598)	(19.271)
Other reserves	(12.122)	0.233	(4.444)	(16.333)	1.825	(3.620)	(18.128)
<b>Total earmarked reserves</b>	<b>(35.718)</b>	<b>2.053</b>	<b>(24.303)</b>	<b>(57.968)</b>	<b>3.519</b>	<b>(11.959)</b>	<b>(66.408)</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. Overspent balances are moved into the DSG adjustment account and are held as an unusable reserve.

### 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 29 July 2022. 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 2022.

The triennial valuation of the Council's pension liability as at 31<sup>st</sup> March 2022 was carried out before the 2021/22 audit was completed. As a result of obtaining these updated figures pertinent to the 2021/22 Statement of Accounts in advance of the final audit report, the 2021/22 financial statements have been updated to reflect the revised liability.

One school has converted to academy status after the Balance Sheet date.

## Note 8. Other Operating Income and Expenditure

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



## Section 4 – Notes to the Core Financial Statements

2020/21 £m		2021/22 £m
8.205	Levies	8.051
1.856	Payments to the Government housing capital receipts pool	2.168
1.278	Deficit on trading undertakings	1.384
(1.032)	Loss or (profit) on the disposal of current and non-current assets	1.084
<b>10.307</b>	<b>Total other operating income and expenditure</b>	<b>12.687</b>

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

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

2020/21 £m		2021/22 £m
32.082	Interest payable and similar charges	32.030
0.240	Impairment of financial and non-financial assets	0.282
8.400	Net interest expense of defined benefit liability and interest income on scheme assets	9.260
(2.421)	Interest receivable	(2.570)
(0.004)	Dividends receivable	-
(0.230)	Income in relation to investment properties	(0.230)
<b>38.067</b>	<b>Total financing and investment income and expenditure</b>	<b>38.772</b>

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

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

2020/21 £m		2021/22 £m
(63.664)	Council tax income	(65.965)
(8.022)	Non-domestic rates	(11.883)
(45.747)	Non-domestic rates Government grants	(41.215)
(50.894)	Other unringfenced Government revenue grants	(45.654)
(11.426)	Capital grants and contributions	(20.159)
<b>(179.753)</b>	<b>Total taxation and non-specific grant income</b>	<b>(184.876)</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
2021/22	£m	£m	£m	£m	£m	£m	£m	£m	£m
<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>

The value shown for other land and buildings at 31 March 2022 includes £3.491m in respect of leased assets (£3.241m in 2020/21).

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
2020/21	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost or valuation</b>									
<b>At 1 April 2020</b>	<b>596.323</b>	<b>434.315</b>	<b>50.838</b>	<b>53.123</b>	<b>13.896</b>	<b>4.441</b>	<b>8.181</b>	<b>1,161.117</b>	<b>93.786</b>
Additions	12.493	6.467	0.012	3.867	1.907	0.061	5.090	29.897	0.159
Revaluation to revaluation reserve	4.176	(4.874)	4.273	-	-	(0.002)	-	3.573	(7.695)
Revaluation to Comprehensive Income and Expenditure Statement	7.288	(12.414)	0.231	-	-	(0.107)	-	(5.002)	(1.305)
Impairment to Comprehensive Income and Expenditure Statement	(4.078)	(1.411)	-	-	-	-	-	(5.489)	-
Sales and other derecognition	(5.652)	(0.030)	(0.575)	(3.420)	-	(0.073)	-	(9.750)	-
Reclassification of assets	(1.017)	(24.128)	0.643	25.417	-	0.082	(1.452)	(0.455)	-
<b>At 31 March 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>
<b>Depreciation</b>									
<b>At 1 April 2020</b>	<b>(69.837)</b>	<b>(47.530)</b>	<b>-</b>	<b>(38.485)</b>	<b>(4.645)</b>	<b>(0.016)</b>	<b>-</b>	<b>(160.513)</b>	<b>(9.896)</b>
Depreciation to Comprehensive Income and Expenditure Statement	(16.210)	(16.873)	-	(3.591)	(0.800)	(0.012)	-	(37.486)	(4.171)
Depreciation to revaluation reserve	3.824	20.592	-	-	-	0.002	-	24.418	8.037
Depreciation to Comprehensive Income and Expenditure Statement on revaluation	0.337	2.431	-	-	-	-	-	2.768	0.587
Sales and other derecognition	1.041	0.002	-	3.339	-	-	-	4.382	-
Reclassification of assets	0.035	1.463	-	(1.456)	-	-	-	0.042	-
<b>At 31 March 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>(5.443)</b>
<b>Balance sheet amount at 31 March 2020</b>	<b>526.486</b>	<b>386.785</b>	<b>50.838</b>	<b>14.638</b>	<b>9.251</b>	<b>4.425</b>	<b>8.181</b>	<b>1,000.604</b>	<b>83.890</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>79.502</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:

	21/22		20/21	
	Infrastructure Assets	PFI Included in Infrastructure Assets	Infrastructure Assets	PFI Included in Infrastructure Assets
	£m	£m	£m	£m
Balance sheet amount at 1 April	163.298	16.301	156.525	17.207
Additions	15.532	-	14.812	-
Depreciation	(8.678)	(0.906)	(8.032)	(0.906)
Impairment	(0.029)	-	(0.007)	-
<b>Balance sheet amount at 31 March</b>	<b>170.123</b>	<b>15.395</b>	<b>163.298</b>	<b>16.301</b>
	<b>31 March 2022</b>		<b>31 March 2021</b>	
	£m		£m	
Infrastructure assets	170.123		163.298	
Other PPE assets	1,046.666		1,007.501	
<b>Total PPE assets</b>	<b>1,216.789</b>		<b>1,170.799</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 2021 unless significant spending in year has taken place in which case the valuation date is either 31<sup>st</sup> December 2021 or 31 March 2022. 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	0.125	0.615	-	219.306	220.046
Valued at current value in:					
2021/22	56.975	183.053	-	27.327	267.355
2020/21	113.375	117.131	0.065	-	230.571
2019/20	229.021	43.413	1.922	-	274.356
2018/19	104.718	62.448	1.367	-	168.533
2017/18 or Prior	27.676	27.421	0.455	0.375	55.927
<b>Total cost or valuation</b>	<b>531.890</b>	<b>434.081</b>	<b>3.809</b>	<b>247.008</b>	<b>1,216.788</b>

### Capital Commitments

As at 31 March 2022 the Council has entered into several contracts for the construction or enhancement of property, plant and equipment budgeted to cost £26.078m (£13.162m in 2020/21). Details of capital contract commitments over £0.500m as at 31 March 2022 are as shown in the table below.

Capital scheme		Remaining commitment at 31 March 2022	Period of commitment
		£m	Years
Viking energy network, Jarrow	A clean and green environment	7.773	2
Holborn Riverside Development	Create the conditions for economic recovery and investment	18.305	5
<b>Total</b>		<b>26.078</b>	

### Note 12. Intangible Assets

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

2020/21		2021/22
Software		Software
£m		£m
<b>Balance at start of year:</b>		
7.629	Gross book value	7.924
(6.167)	Accumulated amortisation	(6.246)
<b>1.462</b>	<b>Net book value at start of year</b>	<b>1.678</b>
0.902	Additions	1.001
(0.588)	Disposals	(1.715)
(0.016)	Impairment to Comprehensive Income and Expenditure Statement	(0.003)
0.550	Amortisation written out on disposal	0.819
(0.632)	Amortisation for the period	(0.354)
<b>1.678</b>	<b>Net book value at end of year</b>	<b>1.426</b>
<b>Comprising:</b>		
7.924	Gross book value	7.207
(6.246)	Accumulated amortisation	(5.781)
<b>1.678</b>	<b>Net book value at end of year</b>	<b>1.426</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 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m
<b>Financial assets at fair value through other comprehensive income - designated equity instruments</b>								
Newcastle Airport	6.385	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	-	-	-	-	29.335	64.385	-	-
Loans to associates	-	-	40.585	40.571	-	-	0.406	0.425
Loans to subsidiaries	-	-	4.600	0.200	-	-	1.600	4.000
Loans to Newcastle Airport	-	-	7.131	9.147	-	-	-	-
Other long and short term debtors	-	-	5.767	8.593	-	-	7.326	10.470
<b>Total financial assets</b>	<b>6.387</b>	<b>8.112</b>	<b>58.083</b>	<b>58.511</b>	<b>29.335</b>	<b>64.385</b>	<b>9.332</b>	<b>14.895</b>
Non financial assets	-	-	-	-	-	-	28.166	31.825
<b>Total assets</b>	<b>6.387</b>	<b>8.112</b>	<b>58.083</b>	<b>58.511</b>	<b>29.335</b>	<b>64.385</b>	<b>37.498</b>	<b>46.720</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 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m
<b>Financial liabilities at amortised cost</b>								
Long and short term borrowing	(606.124)	(643.770)	-	-	(23.889)	(16.341)	-	-
Long and short term creditors	-	-	(0.279)	(0.344)	-	-	(46.031)	(57.287)
PFI liabilities	-	-	(84.743)	(80.093)	-	-	(4.806)	(4.650)
Finance lease liabilities	-	-	(1.700)	(1.623)	-	-	(0.070)	(0.078)
<b>Total financial liabilities</b>	<b>(606.124)</b>	<b>(643.770)</b>	<b>(86.722)</b>	<b>(82.060)</b>	<b>(23.889)</b>	<b>(16.341)</b>	<b>(50.907)</b>	<b>(62.015)</b>
Non financial liabilities	-	-	(0.200)	(0.206)	-	-	(10.997)	(11.280)
<b>Total liabilities</b>	<b>(606.124)</b>	<b>(643.770)</b>	<b>(86.922)</b>	<b>(82.266)</b>	<b>(23.889)</b>	<b>(16.341)</b>	<b>(61.904)</b>	<b>(73.295)</b>

### Material Soft Loans made by the Council

During the year the Council granted a loan for £0.344m (£0.122m in 2020/21) to IAMP LLP (a company set up in partnership with Sunderland City Council). The loans have 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 income of £0.086m (net charge of £0.133m in 2020/21) 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.

## Section 4 – Notes to the Core Financial Statements

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

2020/21	Soft loans	2021/22
£m		£m
5.218	Balance at start of year	5.473
0.122	Nominal value of loans issued in year	0.344
(0.023)	Fair value adjustment on initial recognition	(0.078)
0.156	Fair value adjustment released	0.163
<b>5.473</b>	<b>Balance at end of year</b>	<b>5.902</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 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 (£6.385m in 2020/21). 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. During 2020/21 air travel to and from the airport was significantly reduced, however 2021/22 saw a resurgence in passenger numbers and so a formal external valuation of the airport was commissioned. As a result, the majority of the impairment recognised previously 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 2021 (Nil for the year ended 31 December 2020).

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 2020/21). 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 two years (three and a half years in 2020/21) 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 £0.570m (£0.670m in 2020/21) being recognised. The



## Section 4 – Notes to the Core Financial Statements

increase in loss recognised is charged 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 provision of £0.130m (£0.150m in 2020/21) 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 loss before tax of £31.306m and a loss after tax of £32.755m for the year ended 31 December 2021. In the previous year, the Group made a loss before tax of £34.025m and a loss after tax of £31.835m.

### 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 AMP Capital Investors Limited 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 (£0.002m in 2020/21).

### 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:

## Section 4 – Notes to the Core Financial Statements

	2020/21				2021/22			
	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	-	0.234	-	0.234	-	0.382	-	0.382
Modification losses	-	-	0.006	0.006	-	-	(0.100)	(0.100)
Interest expense	32.082	-	-	32.082	32.030	-	-	32.030
<b>Income</b>								
Interest income	-	(2.421)	-	(2.421)	-	(2.570)	-	(2.570)
Dividends	-	-	(0.004)	(0.004)	-	-	-	-
<b>Net loss or (profit) for the year</b>	<b>32.082</b>	<b>(2.187)</b>	<b>0.002</b>	<b>29.897</b>	<b>32.030</b>	<b>(2.188)</b>	<b>(0.100)</b>	<b>29.742</b>
Impairment losses (or reversals) recognised as other comprehensive income and expenditure	-	-	(0.455)	(0.455)	-	-	(1.725)	(1.725)
<b>Total loss or (profit) for the year</b>	<b>32.082</b>	<b>(2.187)</b>	<b>(0.453)</b>	<b>29.442</b>	<b>32.030</b>	<b>(2.188)</b>	<b>(1.825)</b>	<b>28.017</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:

- 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 2021		31 March 2022	
	Carrying value	Fair value	Carrying value	Fair value
	£m	£m	£m	£m
PWLB	(621.626)	(940.945)	(651.749)	(882.639)
Other local authorities	-	-	-	-
Pension funds	-	-	-	-
Market debt (LOBOs)	(8.297)	(19.660)	(8.295)	(17.569)
Other private sector	(0.090)	(0.090)	(0.067)	(0.067)
<b>Financial liabilities</b>	<b>(630.013)</b>	<b>(960.695)</b>	<b>(660.111)</b>	<b>(900.275)</b>

## Section 4 – Notes to the Core Financial Statements

The fair value of liabilities as at the end of the year are higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases 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:

31 March 2021 £m		31 March 2022 £m
	<b>Amounts falling due in one year</b>	
7.758	Central Government bodies	7.091
2.443	Other local authorities	2.151
0.620	NHS bodies	3.586
5.249	Housing tenants	5.199
16.923	Council tax payers	19.628
1.292	Non-domestic ratepayers	1.485
0.511	South Tyneside Homes Limited	0.968
1.141	Tyne and Wear Pension Fund	1.174
16.221	Other debtors	21.187
<b>52.158</b>	<b>Total amounts falling due in one year</b>	<b>62.469</b>
	<b>Allowances for bad debts</b>	
(3.265)	Housing tenants	(3.301)
(7.441)	Council tax payers	(8.274)
(0.708)	Non-domestic ratepayers	(0.888)
(3.246)	Other debtors	(3.286)
<b>(14.660)</b>	<b>Total bad debt allowances</b>	<b>(15.749)</b>
<b>37.498</b>	<b>Net debtors</b>	<b>46.720</b>
	<b>Amounts written off during the year</b>	
0.562	Housing rents (excluding write ons)	0.219
0.562	Council tax (including costs but excluding write ons)	0.112
0.067	Non-domestic rates (including costs)	0.058
0.140	Other debtors (net of VAT recovered)	0.192
<b>1.331</b>	<b>Total amounts written off during the year</b>	<b>0.581</b>

The total non-domestic rate write off for the year was £0.119m (£0.231m in 2020/21) 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:

## Section 4 – Notes to the Core Financial Statements

31 March 2021 £m		31 March 2022 £m
0.094	Cash held by the Council	0.060
2.012	Bank accounts	4.860
3.007	Cash with other local authorities	-
32.843	Money market funds	26.910
<b>37.956</b>	<b>Total cash and cash equivalent assets</b>	<b>31.830</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 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:

2020/21 £m		2021/22 £m
<b>0.882</b>	<b>Balance at start of year</b>	<b>0.413</b>
0.413	Assets transferred from property, plant and equipment	1.586
(0.882)	Assets sold	(0.413)
<b>0.413</b>	<b>Balance at end of year</b>	<b>1.586</b>

### Note 17. Short Term Creditors

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

Creditors	31 March 2021			Creditors	31 March 2022		
	Receipts in advance	Total			Receipts in advance	Total	
£m	£m	£m		£m	£m	£m	
(12.504)	(9.955)	(22.459)	Central Government bodies	(15.921)	(15.092)	(31.013)	
(0.454)	(0.257)	(0.711)	Other local authorities	(1.007)	(0.355)	(1.362)	
(1.677)	(1.505)	(3.182)	NHS bodies	(1.372)	(1.830)	(3.202)	
-	(2.362)	(2.362)	Housing tenants	-	(2.553)	(2.553)	
-	(1.778)	(1.778)	Council tax payers	-	(1.849)	(1.849)	
(3.815)	-	(3.815)	South Tyneside Homes Limited	(4.065)	-	(4.065)	
(4.572)	-	(4.572)	Council employees	(3.649)	-	(3.649)	
(1.657)	-	(1.657)	Tyne and Wear Pension Fund	(2.055)	-	(2.055)	
(15.170)	(1.392)	(16.562)	All other creditors	(17.418)	(1.479)	(18.897)	
<b>(39.849)</b>	<b>(17.249)</b>	<b>(57.098)</b>	<b>Total creditors</b>	<b>(45.487)</b>	<b>(23.158)</b>	<b>(68.645)</b>	

### Note 18. Long and Short Term Provisions

An analysis of the provisions balances is as follows:

## Section 4 – Notes to the Core Financial Statements

	Injury and damage compensation claims £m	Other provisions £m	Total £m
<b>Balance at 1 April 2020</b>	<b>(1.517)</b>	<b>(2.021)</b>	<b>(3.538)</b>
Additional provisions	(0.936)	(1.623)	(2.559)
Amounts used	0.848	1.795	2.643
Unused amounts reversed	-	0.098	0.098
<b>Balance at 31 March 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>
Short term provisions	-	(0.983)	(0.983)
Long term provisions	(1.615)	(0.963)	(2.578)
<b>Balance at 31 March 2022</b>	<b>(1.615)</b>	<b>(1.946)</b>	<b>(3.561)</b>

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 four operational PFI schemes and one non-operational. 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	South Shields community 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)	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 and (receipts) in year (£m)	0.284	0.032	0.091	(0.323)	0.835
PFI grant in year (£m)	(1.502)	(2.535)	(2.535)	(2.750)	(1.805)
Lifetime unitary charge payments (£m)	66.701	104.996	89.733	109.986	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:

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PFI details	Boldon school	Street lights	Jarrow school	South Shields community school	Joint waste project
Closing net book value of assets (£m)	20.498	16.301	-	23.650	36.101
Unitary charge payments in year (£m)	2.784	4.489	3.523	4.148	7.478
Additional payments in year (£m)	0.188	0.034	(0.022)	(0.104)	0.294

### 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 although these were much curtailed in year due to Covid-19 lockdowns. 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 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.

### South Shields 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. South Shields School closed in August 2020 and the building is undergoing redevelopment works in preparation for the relocation of Epinay School into these premises. 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



## Section 4 – Notes to the Core Financial Statements

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:

2020/21		2021/22
£m		£m
(94.306)	Opening balance	(89.549)
(9.579)	Interest and contingent rents	(9.626)
14.336	Repayments	14.432
<b>(89.549)</b>	<b>Closing balance</b>	<b>(84.743)</b>
(4.806)	Short term liability	(4.650)
(84.743)	Long term liability	(80.093)
<b>(89.549)</b>	<b>Closing balance</b>	<b>(84.743)</b>

The estimated outstanding unitary charge payments for all long term PFI contracts in operation at 31 March 2022 are analysed in the following table:

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>

The above table sets out the future unitary charge payments expected to be paid in relation to the four operational and one non-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

## Section 4 – Notes to the Core Financial Statements

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:

2020/21	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	4.806	6.189	0.771	0.385	9.667	21.818
Two to five years	20.535	21.474	4.587	1.881	40.661	89.138
Six to ten years	32.315	17.747	6.654	2.010	56.860	115.586
Eleven to fifteen years	24.372	6.410	6.899	(0.030)	36.713	74.364
Sixteen to twenty years	7.521	0.358	3.633	0.076	10.845	22.433
<b>Total</b>	<b>89.549</b>	<b>52.178</b>	<b>22.544</b>	<b>4.322</b>	<b>154.746</b>	<b>323.339</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 is has been extended until 31 December 2022. There is an estimated value of £1.400m remaining on this contract (£1.623m in 2020/21).

### 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 2021 £m		31 March 2022 £m
(6.260)	General Fund balance	(7.722)
(57.968)	Earmarked reserves	(66.408)
(21.596)	Housing revenue account balance	(23.290)
(3.902)	Useable capital receipts balance	(1.602)
(7.110)	Housing major repairs reserve	(5.379)
<b>(96.836)</b>	<b>Total usable reserves</b>	<b>(104.401)</b>

### Note 21. Unusable Reserves

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

31 March 2021 £m		31 March 2022 £m
(226.317)	Revaluation reserve	(252.462)
(223.639)	Capital adjustment account	(242.473)
449.190	Pensions reserve	322.570
(6.385)	Financial instruments revaluation reserve	(8.110)
4.629	Employee benefits adjustment account	3.703
1.876	Financial instruments adjustment account	1.789
(4.091)	Deferred capital receipts reserve	(4.091)
-	Dedicated Schools Grant Adjustment Account	4.480
2.933	Collection Fund adjustment account	(1.186)
<b>(1.804)</b>	<b>Total unusable reserves</b>	<b>(175.780)</b>

## Section 4 – Notes to the Core Financial Statements

### 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.

2020/21 £m	Revaluation reserve	2021/22 £m
<b>(205.956)</b>	<b>Balance at start of year</b>	<b>(226.317)</b>
(38.236)	Upward revaluation of non-current assets	(46.152)
10.243	Valuation impairment charged to reserve	11.208
0.812	Accumulated gains on assets sold or scrapped	0.858
6.820	Other amounts written off to the capital adjustment account	7.941
<b>(226.317)</b>	<b>Balance at end of year</b>	<b>(252.462)</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 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.

## Section 4 – Notes to the Core Financial Statements

2020/21 £m	Capital adjustment account	2021/22 £m
(229.721)	<b>Balance at start of year</b>	(223.639)
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	
51.121	Charges for depreciation and impairment of non-current assets	56.277
2.234	Revaluation (losses) or gains on property, plant and equipment	(13.168)
0.622	Amortisation of intangible assets	0.334
1.679	Revenue expenditure funded from capital under statute	2.199
6.288	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	7.742
0.369	Capital receipts not linked to assets	2.404
(7.632)	Adjusting amounts written out of the revaluation reserve	(8.799)
<b>54.681</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>46.989</b>
	<b>Capital financing applied in the year</b>	
(2.770)	Use of the capital receipts reserve to finance new capital expenditure	(2.642)
(15.642)	Use of the major repairs reserve to finance new capital expenditure	(20.790)
(12.971)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(22.236)
(15.350)	Provision for the financing of capital investment charged against the General Fund balance	(11.158)
(0.369)	Capital receipts in lieu of debt set aside	(6.706)
(1.497)	Capital expenditure charged against the General Fund and HRA balances	(2.291)
<b>(48.599)</b>	<b>Total capital financing applied</b>	<b>(65.823)</b>
<b>(223.639)</b>	<b>Balance at end of year</b>	<b>(242.473)</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.

2020/21 £m	Pensions reserve	2021/22 £m
373.720	<b>Balance at start of year</b>	449.190
55.840	Actuarial (gains) or losses on pensions assets and defined benefit liability	(157.520)
36.740	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	48.170
(17.110)	Employers pension contributions and direct payments to pensioners payable in year	(17.270)
<b>449.190</b>	<b>Balance at end of year</b>	<b>322.570</b>

## Section 4 – Notes to the Core Financial Statements

### 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:

2020/21 £m		2021/22 £m
51.111	Depreciation and impairment	56.277
2.234	Revaluation (losses) or gains of property, plant and equipment	(13.169)
0.622	Amortisation of intangibles	0.334
14.159	Increase in creditors	13.237
(0.911)	Decrease or (increase) in debtors	(9.020)
0.774	Increase in impairment provision for bad debts	1.069
0.129	(Increase) or decrease in inventories	(0.162)
19.630	Movement in defined benefit obligation	30.900
11.288	Carrying amount of current and non-current assets sold or scrapped	37.742
0.133	Movements in fair values of soft loans	0.086
(0.774)	Other non-cash items charged or (credited) to the deficit on the provision of services	(2.656)
<b>98.395</b>	<b>Adjustment to the deficit on the provision of services for non-cash movements</b>	<b>114.638</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:

2020/21 £m		2021/22 £m
(5.000)	Proceeds from short term and long term investments	(30.000)
(7.458)	Proceeds from sale of property, plant and equipment	(6.863)
(12.971)	Capital grants credited to the deficit on the provision of services	(22.236)
6.119	Collection Fund (credited) or debited to the deficit on the provision of services	(4.119)
<b>(19.310)</b>	<b>Adjustment for items included in the deficit on the provision of services that are investing and financing activities</b>	<b>(63.218)</b>

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

2020/21 £m		2021/22 £m
1.527	Interest received	1.717
0.004	Dividends received	-
(32.117)	Interest paid	(31.910)

## Section 4 – Notes to the Core Financial Statements

### Note 23. Investing Activities

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

2020/21 £m		2021/22 £m
(44.345)	Purchase of property, plant and equipment, heritage assets and intangible assets	(64.595)
(20.000)	Purchase of short term and long term investments	(65.000)
7.458	Proceeds from the sale of property, plant and equipment and assets held for sale	6.863
5.000	Proceeds from short term and long term investments	30.000
22.065	Other receipts from investing activities	18.613
<b>(29.822)</b>	<b>Net cash flows from investing activities</b>	<b>(74.119)</b>

### Note 24. Financing Activities

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

2020/21 £m		2021/22 £m
5.000	Cash receipts of short and long term borrowing	50.000
(4.821)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	(4.876)
(44.522)	Repayments of short term borrowing	(20.022)
(6.332)	Other receipts or (payments) for financing activities	4.120
<b>(50.675)</b>	<b>Net cash flows from financing activities</b>	<b>29.222</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:

		2019/20 £m	2020/21 £m	2021/22 £m
<b>South Shields open air market</b>	Turnover	(0.072)	-	(0.060)
	Expenditure	0.103	0.014	0.014
<b>Cumulative surplus over last 3 years: £0.001m</b>	<b>Deficit or (surplus)</b>	<b>0.031</b>	<b>0.014</b>	<b>(0.046)</b>
<b>School and other catering</b>	Turnover	(6.147)	(5.108)	(5.376)
	Expenditure	7.221	6.372	7.147
<b>Cumulative deficit over last 3 years: £4.109m</b>	<b>Deficit</b>	<b>1.074</b>	<b>1.264</b>	<b>1.771</b>
<b>Building regulation charging</b>	Turnover	(0.246)	(0.135)	(0.327)
	Expenditure	0.245	0.135	(0.014)
<b>Cumulative surplus over last 3 years: £0.342m</b>	<b>Deficit or (surplus)</b>	<b>(0.001)</b>	<b>-</b>	<b>(0.341)</b>
<b>Total trading activity</b>	Turnover	(6.465)	(5.243)	(5.763)
	Expenditure	7.569	6.521	7.147
<b>Cumulative deficit over last 3 years: £3.766m</b>	<b>Deficit</b>	<b>1.104</b>	<b>1.278</b>	<b>1.384</b>

### Note 26. Pooled Budgets

The Council has five pooled arrangements with the South Tyneside Clinical Commissioning Group (CCG) 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:

## Section 4 – Notes to the Core Financial Statements

- 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 CCG 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 CCG.
- An arrangement whereby the Council can commission after-care services, provided under Section 117 of the 1983 Mental Health Act, on behalf of the CCG.
- An arrangement whereby learning disability resources across both the Council and CCG 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 CCG, 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:

2020/21		2021/22	2021/22	2021/22
Council share of net cost		Pooled budgets net cost	NHS partners income to the Council	Council share of net cost
£m		£m	£m	£m
18.826	Better Care Fund	22.784	(4.603)	18.181
19.856	Learning disabilities	29.311	(6.955)	22.356
0.619	Joint equipment store	1.160	(0.585)	0.575
-	Nursing care and continuing care	13.979	(13.979)	-
5.131	Section 117 mental health	10.921	(5.461)	5.460
<b>44.432</b>	<b>Total</b>	<b>78.155</b>	<b>(31.583)</b>	<b>46.572</b>

### Note 27. 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 Council.

2020/21		2021/22
£m		£m
0.743	Members' allowances	0.710
0.027	Other Members' expenses	0.038
<b>0.770</b>	<b>Total Members' allowances paid</b>	<b>0.748</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 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".



## Section 4 – Notes to the Core Financial Statements

2020/21				2021/22			
Council and Statutory	Community School based	Total	Leavers accounted for in year	Council and Statutory	Community School based	Total	Leavers accounted for in year
38	38	76	- £50,000 - £54,999	38	43	81	1
19	18	37	- £55,000 - £59,999	35	12	47	1
9	13	22	1 £60,000 - £64,999	11	14	25	1
5	12	17	- £65,000 - £69,999	8	12	20	-
6	4	10	2 £70,000 - £74,999	5	5	10	-
3	6	9	- £75,000 - £79,999	4	6	10	1
2	3	5	1 £80,000 - £84,999	3	4	7	-
-	3	3	- £85,000 - £89,999	3	2	5	1
1	1	2	- £90,000 - £94,999	1	1	2	-
-	1	1	- £95,000 - £99,999	-	-	-	-
-	-	-	- £100,000 - £104,999	-	2	2	-
1	-	1	- £130,000 - £134,999	1	-	1	-
<b>84</b>	<b>99</b>	<b>183</b>	<b>4</b>	<b>109</b>	<b>101</b>	<b>210</b>	<b>5</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:

## Section 4 – Notes to the Core Financial Statements

Post title		Salary and allowances £	Compensation for loss of office £	Pension contribution £	Total remuneration £
<b>Officers over £150,000</b>					
Chief Executive - M Swales	2020/21^	132,064	30,000	23,385	185,449
Chief Executive - J Tew	2021/22^	108,720	-	21,180	129,900
<b>Other senior officers</b>					
Acting Head of Paid Service	2020/21^	69,859	-	11,084	80,943
	2021/22^	48,323	-	9,431	57,755
Corporate Director Children Adults and Health	2020/21^	42,773	-	7,599	50,372
	2021/22	-	-	-	-
Director Business and Resources - renamed from Corporate Director Business & Resources	2020/21	123,191	-	21,879	145,070
	2021/22	125,023	-	24,564	149,587
Director Regeneration and Environment - renamed from Corporate Director Regeneration & Enterprise	2020/21^	58,335	-	9,256	67,591
	2021/22^	76,401	-	13,989	90,389
Director of Childrens Services	2021/22^	45,530	-	8,542	54,073
Interim Director of Childrens Services	2020/21^	74,336	-	11,381	85,717
	2021/22^	67,852	-	12,612	80,464
Director of Adult Services & Commissioning	2021/22^	45,443	-	8,998	54,440
Interim Director of Adult Services	2020/21^	73,392	-	12,040	85,432
	2021/22^	68,020	-	13,468	81,487
Head of Learning and Early Help	2020/21	93,492	-	16,723	110,215
	2021/22	94,893	-	18,775	113,668
Head of Children's and Families Social Care	2020/21^	33,320	-	5,101	38,422
	2021/22	-	-	-	-
Director of Governance & Corporate Affairs	2021/22^	53,371	-	10,018	63,389
Head of Corporate and External Affairs	2020/21	86,802	-	15,538	102,340
	2021/22^*	50,966	-	10,091	61,057
Director of Public Health	2020/21	93,422	-	15,894	109,316
	2021/22	94,823	-	17,859	112,682
Head of Pensions	2020/21	93,422	-	16,723	110,145
	2021/22	94,823	-	18,775	113,598
Head of Marketing and Culture	2020/21	86,980	-	15,538	102,518
	2021/22	-	-	-	-
Acting Head of Legal Services	2020/21	67,084	-	12,008	79,092
	2021/22*	74,923	-	13,631	88,553
Head of Highways and Transport	2020/21^	15,304	-	2,740	18,044
	2020/21^	40,368	-	7,226	47,593
	2021/22	88,104	-	17,445	105,549
Head of Adults and Integrated Care	2020/21^	32,922	-	5,401	38,323
	2021/22	-	-	-	-
Head of Regeneration and Housing^	2020/21^	55,301	-	9,899	65,200
	2021/22^	72,335	-	14,322	86,657
Head of Environment^	2020/21^	59,519	-	10,550	70,068
	2021/22*	95,224	-	17,196	112,420
Head of Economic Growth^	2020/21^	60,668	-	10,860	71,527
	2021/22	88,104	-	17,445	105,549
<b>Total remuneration 2020/21</b>		<b>1,391,135</b>	<b>30,000</b>	<b>240,824</b>	<b>1,661,958</b>
<b>Total remuneration 2021/22</b>		<b>1,392,877</b>	<b>0</b>	<b>268,339</b>	<b>1,661,217</b>

^ 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:

2020 /21		Exit package cost band	2021 /22	
Total exit Packages	Total Paid £m		Total exit Packages	Total Paid £m
28	0.187	£1 - £20,000	20	0.143
5	0.150	£20,001 - £40,000	8	0.208
1	0.047	£40,001 - £60,000	3	0.160
-	-	£60,001 - £80,000	4	0.289
3	0.275	£80,001 - £100,000	-	-
1	0.125	£100,001 - £150,000	1	0.129
1	0.159	£150,001 - £200,000	-	-
<b>39</b>	<b>0.944</b>	<b>Total</b>	<b>36</b>	<b>0.928</b>

The exit package costs include payments made to the Local Government Pension Scheme. There was one compulsory redundancy in the year.

## Section 4 – Notes to the Core Financial Statements

### 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.

2020/21		2021/22
£m		£m
0.097	Fees with regard to external audit services carried out by the appointed auditor for the year	0.097
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>0.121</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 2021/22 are shown in the following table.

2021/22	Central expenditure £m	Individual schools budget £m	Total £m
Final DSG before academy recoupment			141.178
Academy recoupment and direct funding of high needs places			40.392
<b>Total Council DSG for year</b>			<b>100.786</b>
<b>Agreed initial budgeted distribution in year</b>	<b>10.666</b>	<b>90.120</b>	<b>100.786</b>
In year adjustments	-	(0.237)	(0.237)
<b>Final budget distribution for year</b>	<b>10.666</b>	<b>89.883</b>	<b>100.548</b>
Actual central expenditure	10.666	-	10.666
Actual ISB deployed to schools	-	89.917	89.917
<b>In year carry forward to following year</b>	<b>-</b>	<b>(0.035)</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)
<b>Net DSG position at the end of current year</b>			<b>(3.356)</b>

The equivalent table for the previous year is shown below:

## Section 4 – Notes to the Core Financial Statements

2020/21	Central expenditure £m	Individual schools budget £m	Total £m
Final DSG before academy recoupment			129.827
Academy recoupment and direct funding of high needs places			31.491
<b>Total Council DSG for year</b>			<b>98.336</b>
Brought forward from previous year			2.033
<b>Agreed initial budgeted distribution in year</b>	<b>10.789</b>	<b>85.514</b>	<b>96.303</b>
In year adjustments	-	0.120	0.120
<b>Final budget distribution for year</b>	<b>10.789</b>	<b>85.634</b>	<b>96.424</b>
Actual central expenditure	10.789	-	10.789
Actual ISB deployed to schools	-	88.955	88.955
<b>Carry forward to following year</b>	<b>-</b>	<b>(3.321)</b>	<b>(3.321)</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

2020/21 £m		2021/22 £m
	<b>Credited to taxation and non-specific grant income</b>	
(34.937)	Non-domestic rates top up grant	(34.937)
(11.426)	Capital grants and contributions	(20.159)
(14.905)	Revenue support grant	(14.988)
(11.126)	Private finance initiative	(11.126)
(21.019)	Covid-19 Grants	(10.074)
(4.385)	Small business rate relief grant	(3.924)
(5.941)	Adult social care support grant	(7.989)
(1.064)	New homes bonus grant	(0.841)
(0.789)	Benefits administration grant	(0.719)
(0.809)	Troubled families grant	(0.752)
(1.666)	Other unringfenced grants	(1.519)
<b>(108.067)</b>	<b>Total credited to taxation and non-specific grant income</b>	<b>(107.028)</b>
	<b>Credited to services</b>	
(98.456)	Dedicated schools grant	(100.548)
(48.150)	Housing benefit	(44.131)
(13.664)	Public health grant	(14.057)
(7.425)	Pupil premium grant	(6.977)
(10.177)	Better care fund grants	(10.177)
(11.011)	Other Covid-19 grants	(15.957)
(2.212)	Education and skills funding agency	(3.129)
(2.586)	Teachers pensions grant	(0.156)
(1.480)	Free school meals grant	(1.099)
-	Adult social care winter funding grant	-
(1.545)	Grants supporting revenue expenditure funded by capital under statute	(2.077)
(0.881)	Teachers pay grant	(0.055)
(0.769)	Physical education and sports grant	(0.687)
(0.823)	Partners in practice grant	(0.258)
	Household Support Fund	(1.441)
	CSC Innovation, Practice & Reform Grant	(1.089)
(1.522)	Other ringfenced grants	(3.242)
<b>(200.701)</b>	<b>Total credited to services</b>	<b>(205.080)</b>
<b>(308.768)</b>	<b>Total grants</b>	<b>(312.108)</b>

The following unutilised grants were held as receipts in advance:

## Section 4 – Notes to the Core Financial Statements

31 March 2021 £m		31 March 2022 £m
	<b>Revenue grants</b>	
(1.157)	Education and skills funding agencies	(0.822)
-	Non-domestic rates loss of income grant	-
(2.348)	Department for Health Covid-19 grant	(2.636)
(6.281)	Department of Business, Energy and Industrial Strategy Covid-19 grant	-
-	DLUHC - Council Tax Energy Rebate	(10.527)
(1.673)	Other grants	(2.938)
<b>(11.459)</b>	<b>Total revenue grants</b>	<b>(16.923)</b>
	<b>Capital grants</b>	
(2.218)	Department for Education schools	(1.513)
(12.898)	Department of Business, Energy and Industrial Strategy decarbonisation fund, brownfield and green fund	(8.663)
(3.206)	Other grants and contributions	(3.477)
<b>(18.322)</b>	<b>Total capital grants</b>	<b>(13.653)</b>
<b>(29.781)</b>	<b>Total grants</b>	<b>(30.576)</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.

2020/21 £m		2021/22 £m
<b>778.906</b>	<b>Opening capital financing requirement (CFR)</b>	<b>783.892</b>
	<b>Capital investment</b>	
44.709	Additions to property, plant and equipment	62.091
6.296	Loans treated as capital expenditure	3.925
0.902	Additions to other long term assets	1.002
1.679	Revenue expenditure funded from capital under statute	2.199
(0.001)	Other movements	-
<b>53.585</b>	<b>Total capital investment</b>	<b>69.217</b>
	<b>Sources of finance</b>	
(2.770)	Capital receipts	(2.642)
(12.971)	Government grants and other contributions	(22.236)
(15.642)	Major repairs reserve	(20.790)
	<b>Sums set aside from revenue</b>	
(1.497)	Direct revenue contributions	(2.291)
(7.759)	Sums set aside from revenue	(7.174)
(7.591)	PFI and finance lease repayments	(3.984)
(0.369)	Capital receipts in lieu of debt set aside	(6.706)
<b>(48.599)</b>	<b>Total finance and debt set aside</b>	<b>(65.823)</b>
<b>4.986</b>	<b>Movement in CFR</b>	<b>3.394</b>
<b>783.892</b>	<b>Closing CFR</b>	<b>787.286</b>
	<b>Explanation of movement in year</b>	
(5.056)	Decrease in underlying need to borrow (supported by Government financial assistance)	(5.180)
10.042	Increase in underlying need to borrow (unsupported by Government financial assistance)	8.574
<b>4.986</b>	<b>Increase in CFR</b>	<b>3.394</b>

### Loans treated as Capital Expenditure

The Council has loaned monies to South Tyneside Housing Ventures Trust Limited, IAMP LLP and the Port of Tyne during the year.

### 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

## Section 4 – Notes to the Core Financial Statements

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
Decent Homes	12.661
Highways, infrastructure and footpaths	9.470
Other housing improvements	8.273
Climate change agenda	8.018
Town centre and Holborn regeneration	6.469
Asset enhancement	5.125
Viking energy network Jarrow	4.779
Computing and digital facilities	3.492
Hebburn minewater	3.076
Social care works	1.375
Schools and education	0.857
Flood alleviation	0.821
Fleet vehicle replacement	0.361

### Note 33. Leases

#### Council as Lessee - Finance Leases

The Council holds the lease of Cleadon Park facility which commenced in July 2010 and is 12 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 2021 £m		31 March 2022 £m
	<b>Finance lease liabilities (net present value of minimum lease payments):</b>	
0.070	- current	0.078
1.700	- non-current	1.623
1.540	Finance costs payable in future years	1.356
<b>3.310</b>	<b>Minimum lease payments</b>	<b>3.057</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 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m
Not later than one year	0.070	0.078	0.254	0.255
Later than one year and not later than five years	0.362	0.400	1.019	1.019
Five years to ten years	0.709	0.783	1.273	1.273
Later than ten years	0.629	0.440	0.764	0.510
	<b>1.770</b>	<b>1.701</b>	<b>3.310</b>	<b>3.057</b>



## Section 4 – Notes to the Core Financial Statements

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 2021 £m		31 March 2022 £m
0.023	Not later than one year	0.023
0.048	Later than one year and not later than five years	0.048
0.130	Later than five years	0.106
<b>0.201</b>		<b>0.177</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.

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

31 March 2021 £m		31 March 2022 £m
4.588	Not later than one year	5.566
7.933	Later than one year and not later than five years	7.979
13.972	Later than five years	16.219
<b>26.493</b>		<b>29.764</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 £312.108m (£308.767m in 2020/21) 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, one member is Vice-Chair and two members are part of the board of South Tyneside Homes Limited; one member is Vice-Chair and 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 and another is an alternative member of the board of the same company. There are five Members who Chair a school Governing Body (4 in 2020/21).

## Section 4 – Notes to the Core Financial Statements

- 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 serves as a member 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 £3.039m (£2.966m in 2020/21) in respect of support services provided. A further £5.299m (£5.116m in 2020/21) was recovered in respect of services such as waste disposal, fleet maintenance and profit sharing arrangements. The Council paid a management fee of £10.042m (£9.894m in 2020/21) and a further £34.892m (£34.044m in 2020/21) primarily for 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 two nominated representatives 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. During the year additional loans and advances of £0.324m (£0.174m in 2020/21) were made and £0.406m (£0.369m in 2020/21) principal repaid. A further £1.574m (£1.549m in 2020/21) was recovered from the company primarily in relation to interest on the loans. The Council paid across £1.521m in respect of tenants rent it has collected on behalf of the company during the year (£1.475m in 2020/21).

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 (£6.200m in 2020/21), generating £0.221m in interest receipts (£0.144m in 2020/21). The Council also recovered £0.035m (£0.020m in 2020/21) 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 2020/21) in the various companies established to run the contracts. The companies received contractual payments

## Section 4 – Notes to the Core Financial Statements

from the Council netting to £7.572m (£7.545m in 2020/21) in respect of construction and facilities management costs of Jarrow and South Shields Schools which were funded through a PFI arrangement. The Council received nil (£0.004m in 2020/21) in dividends as a result of these shareholdings.

During the year the Council paid grants and other sums totalling £0.035m (£0.033m in 2020/21) to NECA, together with a transport levy of £7.923m (£8.079m in 2020/21). It also recovered £0.089m (£0.144m in 2020/21) for services provided and received funding of £0.965m (£1.331m in 2020/21) towards capital projects.

The Council administers the Tyne and Wear Pension Fund and charged £0.643m (£0.878m 2020/21) in respect of support services provided. £3.000m (£2.880m in 2020/21) was also recovered in respect of pay costs for pensions staff, associated overheads and other costs. The Council also paid to the Fund £0.068m (£0.070m in 2020/21) in respect of treasury management duties.

The Council administers the accounts for NALAHCL on behalf of the LA7 and NIAL and charged £0.038m (£0.026m in 2020/21) in relation to officer time and expenses. The Council recognised £0.739m income from interest on loan notes with the airport (£0.715m in 2020/21) and nil dividends (nil in 2020/21). No payments were made to the company in year (nil in 2020/21).

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 £0.344m in new loans during the year (£0.122m in 2020/21). The Council spent £0.344m (£0.122m in 2020/21) on behalf of the company and was reimbursed from the loans issued. As this was an agency arrangement neither the expenditure nor the income are reflected in the Council management accounts.

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.

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31 March 2021 £m	Amount due to the Council	31 March 2022 £m
7.758	Central Government	7.091
1.141	Tyne and Wear Pension Fund	1.174
8.159	NIAL	9.017
0.511	South Tyneside Homes Limited	0.968
0.215	InspiredSpaces STaG Limited	0.209
0.405	North East Combined Authority	0.041
5.473	IAMP LLP	5.903
38.932	South Tyneside Housing Ventures Trust Limited	38.800
6.200	Centaurea Homes Limited	4.212
<b>68.794</b>	<b>Total</b>	<b>67.415</b>

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

31 March 2021 £m	Amount due from the Council	31 March 2022 £m
(12.504)	Central Government	(15.920)
(1.657)	Tyne and Wear Pension Fund	(2.055)
(3.815)	South Tyneside Homes Limited	(4.065)
(0.001)	IAMP LLP	(0.003)
(0.167)	South Tyneside Housing Ventures Trust Limited	(0.124)
<b>(18.144)</b>	<b>Total</b>	<b>(22.167)</b>

### 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:

2020/21 £m		2021/22 £m
0.007	Learning and early help	0.162
1.044	Asset management	1.846
0.016	Corporate finance	0.006
4.445	Local authority housing (HRA)	6.948
<b>5.512</b>	<b>Cost of services</b>	<b>8.962</b>

During 2021/22 there were fewer planned property demolitions relating to new housing and regeneration, resulting in a reduced charge.

### Note 36. Contingent Liabilities

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

## Section 4 – Notes to the Core Financial Statements

company. For the year ending 31 March 2022, the actuary assessed the liability relating to the defined benefit obligation of the company at £49.330m (£73.810m in 2020/21). 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 37. Contingent Assets

Litigation by the Council and others in respect of the value added tax (VAT) treatment of off-street car parking, with the Council arguing that such supplies should be outside the scope of VAT as a non-business activity, was concluded in December 2015 in favour of HM Revenues and Customs (HMRC). One of the questions posed by the original litigation was whether the overpayment of parking tariff, when the customer received no additional parking time, was consideration for a supply. This question was addressed in another legal case which dealt specifically with this issue where the decision went against HMRC. The case then went to a First Tier Tribunal and in January 2021 HMRC defeated the appeal and won the case. It is anticipated the councils involved will seek leave to appeal to the Upper Tribunal. The Council had employed consultants to submit a claim to be stayed behind ongoing litigation around whether the voluntary disclosure made in the original case includes overpaid parking fees where VAT can be recovered. This litigation allows the Council to potentially reclaim back to the commencement of the original litigation rather than capped at four years as would apply under current legislation. Given the uncertainty around the litigation the Council has not incorporated any potential asset into its closing Balance Sheet.

### 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.

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:

## Section 4 – Notes to the Core Financial Statements

[https://portal.southtyneside.info/cm5images/getCommitteeDocument.aspx?id=MAGY7D64646MAGY7D0&\\_gl=1\\*1hXu6lm\\*\\_ga\\*ODE2ODlwMjk3LjE2MDI1MTMwMzI.\\*\\_ga\\_DNGKJ1HWT8\\*MTY1NDc3ODkxNi4yMi4xLjE2NTQ3NzkwNDMuNTM.&\\_ga=2.175883558.500397152.1654766425-816820297.1602513032](https://portal.southtyneside.info/cm5images/getCommitteeDocument.aspx?id=MAGY7D64646MAGY7D0&_gl=1*1hXu6lm*_ga*ODE2ODlwMjk3LjE2MDI1MTMwMzI.*_ga_DNGKJ1HWT8*MTY1NDc3ODkxNi4yMi4xLjE2NTQ3NzkwNDMuNTM.&_ga=2.175883558.500397152.1654766425-816820297.1602513032)

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 2022 the Council limited direct deposits with their own retail bank to a maximum of £25.000m (£25.000m in 2020/21) as well as for those institutions which are part owned by the Government. A maximum limit of £10.000m (£10.000m in 2020/21) applied when lending to other local authorities and £15.000m (£15.000m in 2020/21) for all other institutions on the Council lending list. In addition, a £15.000m (£15.000m in 2020/21) 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:

- 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.

## Section 4 – Notes to the Core Financial Statements

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.

No credit limits were exceeded during the financial year and 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 £0.100m (£0.006m in 2020/21) 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.

2020/21 Customers and trade receivables amortised cost Lifetime expected credit loss not credit impaired £m	2020/21 Long term loans at amortised cost Lifetime expected credit loss not credit impaired £m		2021/22 Customers and trade receivables amortised cost Lifetime expected credit loss not credit impaired £m	2021/22 Long term loans at amortised cost Lifetime expected credit loss not credit impaired £m
7.000	0.098	Balance at start of year	6.511	0.149
(0.702)	-	Amounts written off	(0.411)	-
0.213	0.051	Changes in risk parameters	0.487	(0.020)
<b>6.511</b>	<b>0.149</b>	<b>Balance at end of year</b>	<b>6.587</b>	<b>0.129</b>

### Credit Risk Exposure

The Council has the following exposure to credit risk at 31 March 2022:

2020/21 Gross carrying amount £m		Credit risk rating	2021/22 Gross carrying amount £m
	<b>Twelve month expected credit loss exposure</b>		
-	Australia New Zealand Bank	A+	15.000
15.000	Lloyds Bank	A+	-
15.000	Santander Bank	A+	15.000
-	Helaba	A+	5.000
-	National Bank of Kuwait	A+	10.000
15.009	Goldman Sachs International Bank	A+	10.087
-	SMBC International PLC	A	10.000
50.684	Other cash equivalents and short term investments		49.114
<b>95.693</b>	<b>Total twelve month expected credit loss exposure</b>		<b>114.201</b>
	<b>Lifetime expected credit loss exposure</b>		
7.131	Credit risk increased significantly since initial recognition		9.147
7.326	Simplified approach		10.441
<b>14.457</b>	<b>Total lifetime expected credit loss exposure</b>		<b>19.588</b>
<b>110.150</b>	<b>Total credit loss exposure</b>		<b>133.789</b>



## Section 4 – Notes to the Core Financial Statements

### Collateral

For financial assets totalling £1.566m (£1.439m in 2020/21) 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 2020/21) 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 2020/21) of loans are due to mature within any financial year and 75% (75% in 2020/21) 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:

31 March 2021 £m	Liabilities outstanding	31 March 2022 £m
(621.626)	PWLB	(651.749)
(8.297)	Market debt	(8.295)
(0.090)	Other private sector	(0.067)
-	Other local authorities	-
-	Local authority pension funds	-
(323.339)	PFI liabilities	(300.658)
(27.576)	Creditors	(29.740)
(3.310)	Finance lease liabilities	(3.057)
<b>(984.238)</b>	<b>Total</b>	<b>(993.566)</b>
(73.537)	Less than one year	(68.269)
(34.604)	Between one and two years	(37.277)
(92.949)	Between two and five years	(88.413)
(171.859)	Between five and ten years	(160.980)
(611.289)	More than ten years	(638.627)
<b>(984.238)</b>	<b>Total</b>	<b>(993.566)</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:

## Section 4 – Notes to the Core Financial Statements

- 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 2020/21) 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 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 2022, for every 1% increase in interest rates, with all other variables held constant, the financial effect would be as shown in the following table:

2020/21	2021/22
£m	£m
0.080	0.130
(0.218)	(1.194)
<b>(0.138)</b>	<b>(1.064)</b>
<hr/>	
<b>(0.057)</b>	<b>(0.299)</b>
(0.046)	(0.153)
(182.744)	(127.216)

## Section 4 – Notes to the Core Financial Statements

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 (£6.385m in 2020/21). 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.

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>

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 2020/21) 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:

2020/21	1 April 2020	Amount received during year	Amount applied during year	31 March 2021	Government stock investments	Invested in Council funds
	£m	£m	£m	£m	£m	£m
Westoe trust	(0.360)	(0.001)	-	(0.361)	-	0.361
Marine park trust	(0.181)	-	-	(0.181)	-	0.181
Other trust funds	(0.149)	(0.010)	0.007	(0.152)	0.021	0.131
<b>Total balances</b>	<b>(0.690)</b>	<b>(0.011)</b>	<b>0.007</b>	<b>(0.694)</b>	<b>0.021</b>	<b>0.673</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.

## Section 4 – Notes to the Core Financial Statements

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 £8.087m to the Teachers' Pensions Agency in respect of teachers' retirement benefits, representing 23.7% of pensionable pay (£8.287m and 23.7% respectively in 2020/21). There were no employee contributions remaining payable at the year-end. The Council sum remaining payable at year end totalled £0.937m (£0.966m in 2020/21).

During the year, the Council paid £0.044m to NHS Pensions in respect of public health employees' retirement benefits, representing 14.38% of pensionable pay (£0.052m and 16.2% in 2020/21). There were no employee contributions remaining payable at the year-end. The Council sum remaining payable at year end totalled £0.004m (£0.006m in 2020/21).

The Council expects to pay out in the region of £8.131m 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.

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

## Section 4 – Notes to the Core Financial Statements

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 £0.230m (£0.080m in 2020/21).

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 149). 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.

### **(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 £15.900m. 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 2022**

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:

## Section 4 – Notes to the Core Financial Statements

31 March 2021	31 March 2022
% per annum	% per annum
2.10 Discount rate	2.70
2.70 Inflation rate (consumer price index)	3.00
2.70 Rate of increase to pensions in payment	3.00
2.70 Pension accounts revaluation rate	3.00
4.20 Rate of general increase in salaries	4.50

### The main demographic assumptions adopted as at 31 March 2022

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.

31 March 2021	Post retirement mortality	31 March 2022
	<b>Males</b>	
21.9	Future lifetime from age 65 (currently aged 65)	21.5
23.6	Future lifetime from age 65 (currently aged 45)	22.8
	<b>Females</b>	
25.1	Future lifetime from age 65 (currently aged 65)	24.5
26.9	Future lifetime from age 65 (currently aged 45)	26.0

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 167).

### 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 2022 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	(1,218.600)	-2.0%	(1,268.340)	2.0%
Adjustment to salary increase rate	(1,245.960)	0.2%	(1,240.980)	-0.2%
Adjustment to pension increase rate	(1,265.850)	1.8%	(1,221.090)	-1.8%
	<b>- 1 Year</b>		<b>+ 1 Year</b>	
Adjustment to mortality age rating assumption	(1,286.990)	3.5%	(1,201.190)	-3.4%

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.

## Section 4 – Notes to the Core Financial Statements

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.

Impact on projected service cost	+0.1% per annum	Change	-0.1% per annum	Change
	£m		£m	
Adjustment to discount rate	35.010	-3.4%	37.510	3.5%
Adjustment to salary increase rate	36.240	0.0%	36.240	0.0%
Adjustment to pension increase rate	37.510	3.5%	35.010	-3.4%
	<b>- 1 Year</b>		<b>+ 1 Year</b>	
Adjustment to mortality age rating assumption	37.690	4.0%	34.830	-3.9%

### Asset Allocation

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

Asset split at 31 March 2021			Asset split at 31 March 2022		
Quoted	Unquoted	Total	Quoted	Unquoted	Total
48.4%	7.1%	55.5% Equities	47.8%	9.2%	57.0%
-	7.9%	7.9% Property	-	8.4%	8.4%
2.2%	-	2.2% Government bonds	2.0%	-	2.0%
19.8%	-	19.8% Corporate bonds	18.8%	-	18.8%
4.0%	-	4.0% Cash	1.8%	-	1.8%
4.7%	5.9%	10.6% Other investments	4.8%	7.2%	12.0%
<b>79.1%</b>	<b>20.9%</b>	<b>100.0% Total</b>	<b>75.2%</b>	<b>24.8%</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 20.3 years (20.3 years in 2020/21). The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active members	37%
Deferred pensioners	17%
Pensioners	46%

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



## Section 4 – Notes to the Core Financial Statements

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.

### (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 2023 the Council expects to pay £1.830m directly to beneficiaries.

The last full actuarial valuation of unfunded LGPS benefits took place as at 31 March 2021.

### The main financial and demographic assumptions adopted as at 31 March 2022

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 2021		31 March 2022	
Funded	Unfunded	Funded	Unfunded
£m	£m	£m	£m
898.310	-	940.990	-
(1,325.320)	(22.180)	(1,243.470)	(20.090)
<b>(427.010)</b>	<b>(22.180)</b>	<b>(302.480)</b>	<b>(20.090)</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:

2020/21	2020/21		2021/22	2021/22
Funded	Unfunded		Funded	Unfunded
£m	£m		£m	£m
		<b>Operating cost</b>		
28.310	-	- Current service cost	38.680	-
0.080	-	- Past service cost	0.230	-
		<b>Financing cost</b>		
7.890	0.510	Interest on net defined benefit obligation	8.810	0.450
<b>36.280</b>	<b>0.510</b>	<b>Pension expense recognised</b>	<b>47.720</b>	<b>0.450</b>
		<b>Remeasurements in other comprehensive income and expenditure</b>		
(154.270)	-	- Net return on plan assets in excess of that recognised in net interest	(36.960)	-
222.070	1.540	Actuarial (gains) or losses on liabilities - financial assumptions	(83.670)	(0.440)
-	-	- Actuarial gains on liabilities - demographic assumptions	(5.580)	(0.350)
(12.430)	(1.140)	Actuarial gains on liabilities - experience	(30.600)	0.080
<b>55.370</b>	<b>0.400</b>	<b>Total amount recognised in other comprehensive income and expenditure</b>	<b>(156.810)</b>	<b>(0.710)</b>
<b>91.650</b>	<b>0.910</b>	<b>Total amount recognised</b>	<b>(109.090)</b>	<b>(0.260)</b>

## Section 4 – Notes to the Core Financial Statements

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

2020/21 Funded £m	2020/21 Unfunded £m		2021/22 Funded £m	2021/22 Unfunded £m
<b>(1,090.570)</b>	<b>(23.200)</b>	<b>Defined benefit liability at start of year</b>	<b>(1,325.320)</b>	<b>(22.180)</b>
(28.310)	-	Current service cost	(38.680)	-
(24.770)	(0.510)	Interest expense on defined benefit liability	(27.540)	(0.450)
(4.820)	-	Contributions by participants	(4.880)	-
(222.070)	(1.540)	Actuarial gains or (losses) on liabilities - financial assumptions	83.670	0.440
-	-	Actuarial gains on liabilities - demographic assumptions	5.580	0.350
12.430	1.140	Actuarial gains on liabilities - experience	30.600	(0.080)
32.870	1.930	Net benefits paid out	33.330	1.830
(0.080)	-	Past service cost	(0.230)	-
<b>(1,325.320)</b>	<b>(22.180)</b>	<b>Defined benefit liability at end of year</b>	<b>(1,243.470)</b>	<b>(20.090)</b>

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

2020/21 Funded £m	2020/21 Unfunded £m		2021/22 Funded £m	2021/22 Unfunded £m
<b>740.050</b>	-	<b>Fair value of assets at start of year</b>	<b>898.310</b>	-
16.880	-	Interest income on assets	18.730	-
154.270	-	Remeasurement (losses) or gains on assets	36.960	-
15.160	1.930	Contributions by the employer	15.440	1.830
4.820	-	Contributions by participants	4.880	-
(32.870)	(1.930)	Net benefits paid out	(33.330)	(1.830)
<b>898.310</b>	-	<b>Fair value of assets at end of year</b>	<b>940.990</b>	-

### Actual return on assets

2020/21 Funded £m		2021/22 Funded £m
16.880	Interest income on assets	18.730
154.270	Remeasurement (losses) or gains on assets	36.960
<b>171.150</b>	<b>Actual return on assets</b>	<b>55.690</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 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22 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.

The Covid-19 pandemic continued for the whole of 2020/21 and into 2021/22. During 2020/21 this had a significant impact on council services and council finances which continued in 2021/22 with reducing impact. Throughout the year we monitored the financial impact which included consideration of the following:

- Loss of income on a service by service basis, due to temporary closures, reduction in demand, and increased collection losses.
- Additional expenditure on a service by service basis with the provision of new and expanded services in response to the crisis (such as support to the social care market and the creation of the support hub).
- Changes to government policy, e.g. changes to business rate reliefs, guidance on supplier relief, additional funding for local authorities, and additional responsibilities which sit alongside this.
- The impact on the Council's capital programme, e.g. delays caused by government restrictions, and whether there is a need to rephase work for other reasons.
- The impact of all the above on the Council's cash flow and treasury management, including availability of liquid cash.
- The impact on investment returns and availability of external borrowing if required.

## Section 4 – Notes to the Core Financial Statements

- The estimated overall impact on the Council's General Fund and Housing Revenue Account reserves.

There have been a range of financial interventions introduced by Central Government, including general funding of £4.7m to cover additional cost pressures. In addition, the Council submitted claims through the sales, fees and charges compensation scheme and the coronavirus job retention scheme to cover specific lost income and the costs of furloughed staff. The Council has also received funding to pass to businesses, individuals and service providers such as self-isolation compensation, infection control and closed or affected business support. Some of the specific funding, such as the contain outbreak management fund has been carried forward to 2022/23 to reflect the continuation of some budget pressures in this year.

Despite the significant impact of Covid-19 the Council is ending the 2021/22 financial year with a small underspend which will be added to our General Fund balance as well as carrying forward some grants for use in 2022/23. The Council has produced a cashflow forecast to 31 December 2025 which shows a negative position of £8m. This is due to the planned use of reserves totalling £15m over the 2024/25 and 2025/26 financial years and so we would expect our cashflow to reduce over this period to reflect the use of balances already held. On 26 February 2024 the Council agreed a balanced budget for 2024/25 of £157.532m. The Council's cash and short-term investment balances totalled £96.215m at 31 March 2022, £36.214m at 31 March 2023 and £18.452m at 31 March 2024. Planned borrowing to finance the capital programme over the next two years totals £34m as detailed in the MTFP.

For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for a period of at least 12 months from the date of these statements.

### 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. 2021/22 was a 48-week rent year. The average weekly rent receipt for the year was £1.182m over 52 weeks (£1.174m in 2020/21).

### 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:

- Debt which was subject to support from the Government via Revenue Support Grant is annuitised over 50 years.

## Section 4 – Notes to the Core Financial Statements

- 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 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.



## Section 4 – Notes to the Core Financial Statements

### 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 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:



## Section 4 – Notes to the Core Financial Statements

- 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 2.1% (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.

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.

## Section 4 – Notes to the Core Financial Statements

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.
- 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.

## Section 4 – Notes to the Core Financial Statements

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.

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

## Section 4 – Notes to the Core Financial Statements

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.

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.

## Section 4 – Notes to the Core Financial Statements

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 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

## Section 4 – Notes to the Core Financial Statements

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.

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.

## Section 4 – Notes to the Core Financial Statements

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
- 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.



## Section 4 – Notes to the Core Financial Statements

### 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.

#### 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

## Section 4 – Notes to the Core Financial Statements

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** – depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.
- **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 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

## Section 4 – Notes to the Core Financial Statements

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.

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.

## Section 4 – Notes to the Core Financial Statements

- 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.

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. 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.

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.

## Section 4 – Notes to the Core Financial Statements

### 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.

### 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



## Section 4 – Notes to the Core Financial Statements

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.

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.

## Section 4 – Notes to the Core Financial Statements

### 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:

- 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.

2020/21 £m		Note	2021/22 £m
	<b>Expenditure</b>		
15.735	Repairs and maintenance		13.718
16.118	Supervision and management		16.984
2.831	Rents, rates, taxes and other charges		3.111
22.987	Depreciation and impairment of non-current assets	6	26.007
0.010	Amortisation of intangible assets	6	0.020
(7.345)	Revaluation gains on property, plant and equipment	6	(13.163)
0.049	Debt management costs	2	0.050
0.023	Movement in the allowance for bad debts		0.186
0.790	Sums directed by the Secretary of State that are expenditure in accordance with the Code	2	0.670
<b>51.198</b>	<b>Total expenditure</b>		<b>47.583</b>
	<b>Income</b>		
(60.985)	Dwelling rents		(61.450)
(1.284)	Non-dwelling rents		(1.562)
(2.151)	Charges for services and facilities		(1.678)
(1.085)	Contributions towards expenditure		(1.296)
<b>(65.505)</b>	<b>Total income</b>		<b>(65.986)</b>
<b>(14.307)</b>	<b>Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(18.403)</b>
0.109	HRA services' share of corporate and democratic core		0.112
-	HRA share of other amounts included in the Council's cost of services but not allocated to specific services		-
<b>(14.198)</b>	<b>Net expenditure for HRA services</b>		<b>(18.291)</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
(0.786)	Loss or (profit) on disposal of HRA current and non-current assets		(0.022)
10.664	Interest and investment expenditure	2	10.561
(0.068)	Interest and investment income	2	(0.066)
(0.136)	Government grant income credited to service		(0.143)
<b>(4.524)</b>	<b>Surplus for the year on HRA services</b>		<b>(7.961)</b>
3.770	Adjustments between accounting basis and funding basis under statute	1	6.267
<b>(0.754)</b>	<b>Decrease or (increase) in year on the HRA</b>		<b>(1.694)</b>
<b>(20.842)</b>	<b>Balance on the HRA at the end of the previous year</b>		<b>(21.596)</b>
<b>(21.596)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(23.290)</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.

2020/21 £m		2021/22 £m
	<b>Amounts included in the HRA Income and Expenditure Statement but excluded from the movement on HRA balance for the year</b>	
(4.445)	Impairment of non-current assets	(6.948)
7.345	Revaluation gains on property, plant and equipment	13.163
(18.552)	Depreciation of non-current assets	(19.059)
0.136	Capital grants and contributions	0.143
(0.270)	Revenue expenditure funded from capital under statute	(0.265)
0.053	Capital receipts not related to sale of a non-current asset	0.152
(5.214)	Amounts of non current assets written off on sale or disposal	(6.487)
6.137	Cash sale proceeds from the sale of non-current assets	6.713
(0.137)	Contribution towards administrative costs of disposal of non-current assets	(0.204)
<b>(14.947)</b>		<b>(12.792)</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>	
0.165	Contributions towards funding the capital programme	-
18.552	Contribution to major repairs reserve	19.059
<b>18.717</b>		<b>19.059</b>
<b>3.770</b>	<b>Net additional amount required by statute to be debited to the HRA balance for the year</b>	<b>6.267</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:

2020/21 £m		2021/22 £m
	<b>Credit items</b>	
(7.345)	Revaluation gains adjustments	(13.163)
(4.445)	Impairment and revaluation losses removed	(6.948)
(0.068)	Interest receivable and similar income	(0.066)
<b>(11.858)</b>	<b>Total item 8 credit</b>	<b>(20.177)</b>
	<b>Debit items</b>	
10.664	Interest payable and similar charges	10.561
0.049	Debt management costs	0.050
18.552	Depreciation	19.059
0.010	Amortisation of intangible assets	0.020
0.790	Revenue expenditure funded by capital under statute	0.670
7.345	Revaluation gains removed	13.163
4.445	Impairment and revaluation losses adjustments	6.948
<b>41.855</b>	<b>Total item 8 debit</b>	<b>50.471</b>

# Section 5 – Housing Revenue Account Income and Expenditure Statement

## Note 3. Housing Stock

The Council was responsible for managing an average of 16,310 dwellings and sheltered units during the year (16,450 in 2020/21). The variations during the year can be seen in the table below:

<b>Opening balance</b>	
Dwellings	15,230
Sheltered units	1,154
<b>Balance at start of year</b>	<b>16,384</b>
<b>Reductions</b>	
Right to buys	(157)
Demolitions	-
Conversions & External leases	1
Non active dwellings	(3)
Re-instatements & Additions	11
<b>Net reduction in stock</b>	<b>(148)</b>
<b>Closing balance</b>	
Dwellings	15,082
Sheltered units	1,154
<b>Balance at end of year</b>	<b>16,236</b>
Houses	9,433
Bungalows	2,386
Flats and maisonettes	3,263
Sheltered units	1,154
<b>Balance at end of year</b>	<b>16,236</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 2021</b>		<b>Net book value 31 March 2022</b>	
<b>£m</b>		<b>£m</b>	
528.723	Council dwellings	531.890	
32.540	Other buildings	36.693	
8.740	Other land	10.092	
2.447	Vehicles, plant and equipment	2.356	
14.259	Infrastructure	15.720	
2.202	Surplus	2.790	
0.340	Assets under construction	0.036	
0.413	Assets held for sale	0.580	
<b>589.664</b>	<b>Closing net book value</b>	<b>600.157</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 2021		31 March 2022	
£m		£m	
1,201.643	Vacant possession value	1,208.841	
(528.723)	Existing use social housing value	(531.890)	
<b>672.920</b>	<b>Economic cost to the Government</b>	<b>676.951</b>	

## Note 6. Depreciation, Impairment and Revaluations

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

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>(3.314)</b>	<b>(97.214)</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>(4.060)</b>	<b>(111.034)</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:

2020/21	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>(69.837)</b>	<b>(7.519)</b>	<b>(5.342)</b>	<b>(2.656)</b>	<b>(85.354)</b>
Depreciation charges in year	(16.210)	(1.448)	(0.226)	(0.658)	(18.542)
Depreciation charges written out on reclassification	0.035	0.007	-	-	0.042
Depreciation charges written out on disposal	5.202	1.438	-	-	6.640
<b>Balance at end of year</b>	<b>(80.810)</b>	<b>(7.522)</b>	<b>(5.568)</b>	<b>(3.314)</b>	<b>(97.214)</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:

2021/22	Council dwellings	Other buildings	Other Assets	Total property, plant and equipment
	£m	£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>-</b>	<b>6.215</b>

The equivalent table for the previous year:

2020/21	Council dwellings	Other buildings	Other Assets	Total property, plant and equipment
	£m	£m	£m	£m
Revaluation gains or (losses)	7.624	(0.249)	(0.030)	7.345
Impairment losses	(4.077)	(0.368)	-	(4.445)
<b>Net gains</b>	<b>3.547</b>	<b>(0.617)</b>	<b>(0.030)</b>	<b>2.900</b>

### Note 7. Housing Capital Expenditure Summary

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

2020/21		2021/22
£m		£m
	<b>Expenditure</b>	
12.493	Dwellings	17.309
3.180	Other property, plant and equipment	3.359
0.270	Revenue expenditure funded from capital under statute	0.265
<b>15.943</b>	<b>Total expenditure</b>	<b>20.933</b>
	<b>Funding source</b>	
(15.642)	Major repairs reserve	(20.790)
(0.165)	Revenue contributions	-
(0.136)	Grants and other external income	(0.143)
<b>(15.943)</b>	<b>Total funding</b>	<b>(20.933)</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

2020/21		2021/22
£m		£m
(4.668)	House sales	(6.713)
-	Discount repayments	(0.097)
(0.053)	Freehold reversions	(0.055)
(1.469)	Development agreements and land sales	-
<b>(6.190)</b>	<b>Total receipts for the year</b>	<b>(6.865)</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.

2020/21		2021/22
£m		£m
71.178	Gross rent collectable (including water and sewerage charges)	71.559
5.249	Overall arrears at end of year (including water and sewerage charges)	5.199
<b>7.37%</b>	<b>Overall arrears as a percentage of gross rent collectable</b>	<b>7.27%</b>
4.837	Rent arrears at end of year (excluding water and sewerage charges)	4.793
0.562	Amounts written off during the year	0.219
(3.265)	Balance Sheet allowance for bad debts	(3.301)

## 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.

2020/21 £m		Note	2021/22 £m
	<b>Income</b>		
(71.801)	Council tax	1	(75.934)
(2.058)	Transfer from General Fund		(0.049)
<b>(73.859)</b>	<b>Total council tax income</b>		<b>(75.983)</b>
(18.469)	Income collectable from non-domestic ratepayers	2	(26.305)
(0.670)	Contribution towards previous years non-domestic rates deficit		(12.386)
<b>(19.139)</b>	<b>Total non-domestic rates income</b>		<b>(38.691)</b>
<b>(92.998)</b>	<b>Total income</b>		<b>(114.674)</b>
	<b>Expenditure</b>		
<b>72.073</b>	<b>Precept payments - council tax</b>		<b>74.427</b>
14.765	Shares of non-domestic rates income payable to preceptors		14.340
14.765	Shares of non-domestic rates income payable as central share to Government		14.340
0.657	Transition protection payments		0.627
0.143	Allowable collection costs for non-domestic rates		0.143
<b>30.330</b>	<b>Total non-domestic rates expenditure</b>		<b>29.450</b>
0.549	Council tax written off		0.106
1.179	Transfer to council tax bad debt provision		0.963
0.228	Non-domestic rates written off		0.118
0.765	Transfer to non-domestic rates bad debt provision		1.165
<b>2.721</b>	<b>Total bad and doubtful debts</b>		<b>2.352</b>
<b>0.228</b>	<b>Contribution towards previous years council tax surplus</b>		<b>0.227</b>
<b>105.352</b>	<b>Total expenditure</b>		<b>106.456</b>
<b>0.170</b>	<b>(Surplus) or deficit for the year - council tax</b>		<b>(0.260)</b>
<b>12.184</b>	<b>(Surplus) or deficit for the year - non-domestic rates</b>		<b>(7.958)</b>
(3.729)	Balance brought forward from previous year - council tax		(3.559)
0.198	Balance brought forward from previous year - non-domestic rates		12.384
<b>8.823</b>	<b>Collection Fund balance at end of year</b>		<b>0.607</b>
(0.425)	Surplus relating to other precepting bodies - council tax		(0.464)
6.315	Deficit relating to other precepting bodies - non-domestic rates		2.257
<b>(3.134)</b>	<b>Surplus relating to South Tyneside Council - council tax</b>		<b>(3.355)</b>
<b>6.067</b>	<b>Deficit relating to South Tyneside Council - non-domestic rates</b>		<b>2.169</b>
<b>2.933</b>	<b>(Surplus) or deficit relating to South Tyneside Council - total</b>		<b>(1.186)</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: 38,706 in 2021/22 (38,958 in 2020/21). Council tax is calculated by multiplying the basic amount of council tax for band D by the proportion for that particular band. In 2021/22 the band D equivalent was £1,922.86 (£1,850.00 in 2020/21).

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 (October 2020)</b>
A	6/9ths	45,882
B	7/9ths	10,261
C	8/9ths	8,557
D	9/9ths	4,718
E	11/9ths	1,808
F	13/9ths	723
G	15/9ths	332
H	18/9ths	43
		<b>72,324</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 2020/21) and 51.2p for all other businesses (51.2p in 2020/21).

The non-domestic rates income, after reliefs and provisions, of £26.305m (£18.469m in 2020/21) was based on a rateable value of £78.629m as at 31 March 2022 (£79.261m in 2020/21).

## 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 liabilities of the company amount to £46.915m at the year-end (£71.080m in 2020/21). The company made a net loss of £8.635m for the year (£4.371m in 2020/21).

The Council's accounts include a debtor due from STHL of £0.968m (£0.511m in 2020/21) and a creditor due to STHL of £4.065m (£3.815m in 2020/21).

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 deficit at the year-end to be £49.330m (£73.810m in 2020/21). 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 Director of Housing and Corporate Resources, 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 £0.774m at the year-end (net liabilities of £0.013m in 2020/21). The company made a net profit of £0.787m for the year (£0.005m in 2020/21).

The Council's accounts include a debtor due from the company of £4.212m (£6.200m in 2020/21). 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 seven individuals, two of which are nominated by the Council whilst the other five are independents who are neither a Council employee or a tenant or leaseholder of the Council. The two Council nominees act 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 (£65.000m in 2020/21) 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 29% being the share of the voting rights of the three Council representatives.

As at the year-end the Company owed the Council £38.800m (£38.932m in 2020/21) following loans and other drawdowns advanced. All loans are repayable before 31 March 2063. The Council was due to pay £0.124m (£0.167m in 2020/21) to the company.

The company produced an operating loss of £0.496m for the year (£0.291m in 2020/21) and had net liabilities at year end of £1.706m (£1.275m in 2020/21).

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 £5.903m (£5.473m in 2020/21) following loans issued to cover the cost of land purchases. The Council was due to pay £0.003m (£0.001m in 2020/21) to the company. The company produced an operating loss of £0.013m for the year (£0.426m in 2020/21) and had net assets at year-end of £15.507m (£14.831m in 2020/21).

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

### Joint Venture - Homes England

In December 2012 the Council entered into a joint venture agreement with Homes England relating to the development of land at Trinity South, South Shields. The joint venture is not a legal entity and all payments and receipts go through the Council and are managed by the regeneration team within the Council. At the end of each financial year any assets and liabilities will be fully reflected in the Council's single entity financial statements. At the end of the development any profits and overage realised will be settled with Homes England.

### 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 112 to 120 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 2020 brought forward</b>	<b>(40.616)</b>	<b>(20.842)</b>	<b>(5.311)</b>	<b>(2.420)</b>	<b>(69.189)</b>	<b>(69.423)</b>	<b>44.007</b>	<b>(94.605)</b>
<b>Movement in reserves during 2020/21</b>								
Total comprehensive (income) and expenditure	14.684	(4.524)	-	(0.036)	10.125	27.392	29.804	67.321
Adjustments between accounting basis and funding basis under regulations	(38.296)	3.770	(5.701)	-	(40.227)	40.227	-	-
<b>(Increase) or decrease in 2020/21</b>	<b>(23.612)</b>	<b>(0.754)</b>	<b>(5.701)</b>	<b>(0.036)</b>	<b>(30.103)</b>	<b>67.619</b>	<b>29.804</b>	<b>67.321</b>
<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>

## Section 6 – Group 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. Councils raise taxation to cover expenditure in accordance with regulations. The taxation position is shown in the Movement in Reserves Statement.

2020/21 Gross expenditure £m	2020/21 Gross income £m	2020/21 Net expenditure £m		Note	2021/22 Gross expenditure £m	2021/22 Gross income £m	2021/22 Net expenditure £m
94.782	(56.318)	38.464	Adult social care		104.221	(58.101)	46.120
31.115	(6.177)	24.938	Children and families social care		34.530	(7.021)	27.509
139.352	(118.216)	21.136	Learning and early help		138.247	(120.967)	17.280
15.052	(14.086)	0.966	Public health		15.580	(15.490)	0.090
5.975	(2.570)	3.405	Other children, adults and health services		2.662	(0.864)	1.798
<b>286.276</b>	<b>(197.367)</b>	<b>88.909</b>	<b>Sub total children, adults and health</b>		<b>295.240</b>	<b>(202.443)</b>	<b>92.797</b>
27.879	(11.699)	16.180	Regeneration and housing		31.789	(12.416)	19.373
23.660	(5.148)	18.512	Environment		24.689	(6.163)	18.526
14.238	(8.277)	5.961	Transport and infrastructure		15.916	(9.244)	6.672
3.982	(3.507)	0.475	Other regeneration and environment services		7.847	(5.192)	2.655
<b>69.759</b>	<b>(28.631)</b>	<b>41.128</b>	<b>Sub total regeneration and environment</b>		<b>80.241</b>	<b>(33.015)</b>	<b>47.226</b>
81.440	(73.498)	7.941	Corporate finance		82.251	(76.726)	5.525
9.387	(1.429)	7.958	Leisure, libraries and community facilities		8.451	(3.409)	5.042
6.190	(0.342)	5.848	Digital and ICT services		7.129	(0.429)	6.700
7.258	(1.421)	5.837	Other business and resources services		7.602	(1.585)	6.017
<b>104.275</b>	<b>(76.690)</b>	<b>27.584</b>	<b>Sub total business and resources</b>		<b>105.433</b>	<b>(82.149)</b>	<b>23.284</b>
5.800	(1.038)	4.762	Strategy and performance		6.139	(0.691)	5.448
2.486	(1.016)	1.470	Corporate Governance		2.943	(1.068)	1.875
<b>8.286</b>	<b>(2.054)</b>	<b>6.232</b>	<b>Sub total governance and corporate affairs</b>		<b>9.082</b>	<b>(2.015)</b>	<b>7.323</b>
<b>42.563</b>	<b>(62.024)</b>	<b>(19.461)</b>	<b>Local authority housing (HRA)</b>		<b>44.243</b>	<b>(62.512)</b>	<b>(18.269)</b>
<b>511.159</b>	<b>(366.766)</b>	<b>144.392</b>	<b>Cost of services</b>		<b>534.239</b>	<b>(382.134)</b>	<b>152.361</b>
15.551	(5.243)	10.308	Other operating income and expenditure		18.451	(5.764)	12.687
41.702	(2.511)	39.191	Financing and investment income and expenditure	1	43.102	(2.582)	40.520
-	(179.753)	(179.753)	Taxation and non-specific grant income		-	(184.876)	(184.876)
<b>568.412</b>	<b>(554.273)</b>	<b>14.138</b>	<b>Deficit on the provision of services</b>		<b>595.792</b>	<b>(575.356)</b>	<b>20.691</b>
3.319	(2.948)	0.371	Associates and joint ventures accounted for on an equity basis		3.590	(3.830)	(0.240)
<b>571.731</b>	<b>(557.221)</b>	<b>14.509</b>	<b>Group deficit on the provision of services</b>		<b>599.382</b>	<b>(579.186)</b>	<b>20.451</b>
			<b>Items that will not be reclassified to the deficit on the provision of services</b>				
		(38.236)	Surplus on revaluation of property, plant and equipment				(46.152)
		(0.455)	Deficit or (surplus) from investments in equity instruments designated as fair value through other comprehensive income				(1.725)
		10.243	Impairment losses on non-current assets charged to the revaluation reserve				11.207
		81.260	Remeasurements of the defined benefit obligation	14			(190.320)
		<b>52.812</b>	<b>Other comprehensive (income) and expenditure</b>				<b>(226.990)</b>
		<b>67.321</b>	<b>Total comprehensive (income) and expenditure</b>				<b>(206.539)</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 2021 £m		Note	31 March 2022 £m
	<b>Non-current assets</b>		
528.723	Council dwellings	2	531.890
648.250	Other property, plant and equipment	2	687.311
3.252	Heritage assets		3.170
2.300	Investment properties		2.300
1.678	Intangible assets	4	1.426
(0.261)	Long term investments - associates and joint ventures		(0.216)
6.387	Other long term investments		8.112
53.483	Long term debtors		58.311
<b>1,243.812</b>	<b>Total non-current assets</b>		<b>1,292.304</b>
	<b>Current assets</b>		
29.335	Short term investments		64.385
0.647	Inventories		0.808
36.535	Short term debtors	5	42.971
40.294	Cash and cash equivalents	6	36.763
0.413	Assets held for sale		1.586
<b>107.224</b>	<b>Total current assets</b>		<b>146.513</b>
	<b>Current liabilities</b>		
(57.333)	Short term creditors	7	(68.852)
-	Cash and cash equivalents - bank overdraft	6	-
(23.889)	Short term borrowing		(16.341)
(4.806)	PFI liability due in less than one year		(4.650)
(18.322)	Capital grants receipts in advance		(13.653)
(2.030)	Short term provisions		(0.983)
<b>(106.380)</b>	<b>Total current liabilities</b>		<b>(104.479)</b>
<b>0.844</b>	<b>Total net current assets or (liabilities)</b>		<b>42.033</b>
	<b>Non-current liabilities</b>		
(0.479)	Long term creditors		(0.550)
(1.326)	Long term provisions		(2.578)
(606.124)	Long term borrowing		(643.770)
(84.743)	Long term PFI liability		(80.093)
(523.000)	Liability related to defined benefit obligation	14	(371.900)
(1.700)	Other long term liabilities		(1.623)
<b>(1,217.372)</b>	<b>Total non-current liabilities</b>		<b>(1,100.514)</b>
<b>27.284</b>	<b>Total net assets</b>		<b>233.823</b>
	<b>Reserves</b>		
(96.836)	Council usable reserves		(104.401)
(2.456)	Usable reserves of Group entities	3	(2.974)
72.008	Unusable reserves	8	(126.448)
<b>(27.284)</b>	<b>Total reserves</b>		<b>(233.823)</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.

2020/21 £m		Note	2021/22 £m
<b>(14.509)</b>	<b>Cash and non-cash outflow from the provision of services</b>		<b>(20.451)</b>
103.538	Adjustment to the deficit on the provision of services for non-cash movements	9	123.331
(19.310)	Adjustment for items included in the deficit on the provision of services that are investing and financing activities		(63.215)
<b>69.719</b>	<b>Net cash flow from operating activities</b>		<b>39.665</b>
(23.645)	Investing activities		(70.354)
(56.875)	Financing activities		27.158
<b>(10.801)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(3.531)</b>
<b>51.095</b>	<b>Cash and cash equivalents at the start of the year</b>		<b>40.294</b>
<b>40.294</b>	<b>Cash and cash equivalents at the end of the year</b>		<b>36.763</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:

2020/21		2021/22
£m		£m
32.082	Interest payable and similar charges	32.030
0.240	Impairment of financial and non-financial assets	0.282
9.380	Net interest expense of defined benefit liability and interest income on scheme assets	10.790
(2.277)	Interest receivable	(2.352)
(0.004)	Dividends receivable	-
(0.230)	Income in relation to investment properties	(0.230)
<b>39.191</b>	<b>Total financing and investment income and expenditure</b>	<b>40.520</b>

### Note 2. Property, Plant and Equipment

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

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>84.945</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>85.856</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>(5.443)</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>(3.299)</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>79.502</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>

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

2020/21	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
Cost or valuation	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 April 2020</b>	<b>596.325</b>	<b>434.315</b>	<b>50.837</b>	<b>53.887</b>	<b>13.895</b>	<b>4.441</b>	<b>8.181</b>	<b>1,161.881</b>	<b>93.786</b>
Additions	12.493	6.467	0.012	3.865	1.907	0.061	11.267	36.072	0.159
Revaluation to revaluation reserve	4.176	(4.873)	4.273	-	-	(0.002)	-	3.574	(7.695)
Revaluation to Comprehensive Income and Expenditure Statement	7.288	(12.414)	0.231	-	-	(0.107)	-	(5.002)	(1.305)
Impairment to Comprehensive Income and Expenditure Statement	(4.078)	(1.411)	-	-	-	-	-	(5.489)	-
Sales and other derecognition	(5.652)	(0.030)	(0.575)	(3.420)	-	(0.073)	-	(9.750)	-
Reclassification of assets	(1.017)	(24.128)	0.643	25.417	-	0.082	(1.452)	(0.455)	-
<b>At 31 March 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>84.945</b>
<b>Depreciation</b>									
<b>At 1 April 2020</b>	<b>(69.839)</b>	<b>(47.530)</b>	<b>-</b>	<b>(39.192)</b>	<b>(4.645)</b>	<b>(0.016)</b>	<b>-</b>	<b>(161.222)</b>	<b>(9.896)</b>
Depreciation to Comprehensive Income and Expenditure Statement	(16.210)	(16.873)	-	(3.651)	(0.800)	(0.012)	-	(37.546)	(4.171)
Depreciation to revaluation reserve	3.824	20.592	-	-	-	0.002	-	24.418	8.037
Depreciation to Comprehensive Income and Expenditure Statement on revaluation	0.337	2.431	-	-	-	-	-	2.768	0.587
Sales and other derecognition	1.041	0.002	-	3.340	-	-	-	4.383	-
Reclassification of assets	0.035	1.463	-	(1.456)	-	-	-	0.042	-
<b>At 31 March 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>(5.443)</b>
<b>Balance Sheet amount at 31 March 2020</b>	<b>526.486</b>	<b>386.785</b>	<b>50.837</b>	<b>14.695</b>	<b>9.250</b>	<b>4.425</b>	<b>8.181</b>	<b>1,000.659</b>	<b>83.890</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>79.502</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:

2021/22	South Tyneside Homes Limited 100% share £m	Centaurea Homes Limited 100% share £m	South Tyneside Homes Venture Trust Limited 29% share £m	IAMP LLP 50% share £m	Total £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>

The equivalent figures for the previous year are as follows:

## Section 6 – Notes to the Group Financial Statements

2020/21	South Tyneside Homes Limited 100% share £m	Centaurea Homes Limited 100% share £m	South Tyneside Homes Venture Trust Limited 43% share £m	IAMP LLP 50% share £m	Total £m
<b>Reserves as at start of year</b>	2.311	-	(0.380)	0.489	2.420
Non-current assets	-	6.177	20.425	1.843	28.445
Current assets	7.250	0.447	0.356	10.442	18.495
Short term liabilities	(4.520)	(2.037)	(0.421)	(0.175)	(7.153)
Long term liabilities	-	(4.600)	(20.908)	(11.823)	(37.331)
<b>Reserves as at end of year</b>	<b>2.730</b>	<b>(0.013)</b>	<b>(0.548)</b>	<b>0.287</b>	<b>2.456</b>

### Note 4. Intangible Assets

An analysis of Group intangible assets is as follows:

2020/21	2021/22
<b>Software</b> £m	<b>Software</b> £m
<b>Balance at start of year:</b>	
8.201 Gross book value	8.499
(6.739) Accumulated amortisation	(6.821)
<b>1.462 Net book value at start of year</b>	<b>1.678</b>
0.902 Additions	1.001
(0.588) Disposals	(1.715)
(0.016) Impairment to Comprehensive Income and Expenditure Statement	(0.003)
0.550 Amortisation written out on disposal	0.819
(0.632) Amortisation for the period	(0.354)
<b>1.678 Net book value at end of year</b>	<b>1.426</b>
<b>Comprising:</b>	
8.499 Gross book value	7.782
(6.821) Accumulated amortisation	(6.356)
<b>1.678 Net book value at end of year</b>	<b>1.426</b>

### Note 5. Short Term Debtors

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

## Section 6 – Notes to the Group Financial Statements

31 March 2021 £m		31 March 2022 £m
	<b>Amounts falling due in one year</b>	
7.758	Central Government bodies	7.091
1.237	Other local authorities	(1.183)
0.620	NHS bodies	3.586
5.249	Housing tenants	5.199
16.923	Council tax payers	19.628
1.292	Non-domestic ratepayers	1.485
1.141	Tyne and Wear Pension Fund	1.174
16.975	Other debtors	21.740
<b>51.195</b>	<b>Total amounts falling due in one year</b>	<b>58.720</b>
	<b>Allowances for bad debts</b>	
(3.265)	Housing tenants	(3.301)
(7.441)	Council tax payers	(8.274)
(0.708)	Non-domestic ratepayers	(0.888)
(3.246)	Other debtors	(3.286)
<b>(14.660)</b>	<b>Total bad debt allowances</b>	<b>(15.749)</b>
<b>36.535</b>	<b>Net debtors</b>	<b>42.971</b>

### Note 6. Cash and Cash Equivalents

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

31 March 2021 £m		31 March 2022 £m
0.094	Cash held by the Group	0.060
4.350	Bank accounts	9.793
3.007	Cash with other local authorities	-
32.843	Money market funds	26.910
<b>40.294</b>	<b>Total cash and cash equivalent</b>	<b>36.763</b>

### Note 7. Short Term Creditors

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

31 March 2021				31 March 2022		
Creditors	Receipts in advance	Total		Creditors	Receipts in advance	Total
£m	£m	£m		£m	£m	£m
(13.096)	(9.955)	(23.051)	Central Government bodies	(16.434)	(15.092)	(31.526)
(0.454)	(0.257)	(0.711)	Other local authorities	(1.007)	(0.355)	(1.362)
(1.677)	(1.505)	(3.182)	NHS bodies	(1.372)	(1.830)	(3.202)
-	(2.362)	(2.362)	Housing tenants	-	(2.553)	(2.553)
-	(1.778)	(1.778)	Council taxpayers	-	(1.849)	(1.849)
(4.572)	-	(4.572)	Group employees	(3.649)	-	(3.649)
(1.934)	-	(1.934)	Tyne and Wear Pension Fund	(2.387)	-	(2.387)
(18.350)	(1.392)	(19.742)	All other creditors	(20.845)	(1.479)	(22.324)
<b>(40.083)</b>	<b>(17.249)</b>	<b>(57.332)</b>	<b>Total creditors</b>	<b>(45.694)</b>	<b>(23.158)</b>	<b>(68.852)</b>

### Note 8. Unusable Reserves

The following table lists the unusable reserves of the Group.

## Section 6 – Notes to the Group Financial Statements

31 March 2021 £m		31 March 2022 £m
(226.317)	Revaluation reserve	(252.462)
(223.639)	Capital adjustment account	(242.473)
523.000	Pensions reserve	371.900
(6.385)	Financial instruments revaluation reserve	(8.110)
4.631	Employee benefits adjustment account	3.705
1.876	Financial instruments adjustment account	1.789
(4.091)	Deferred capital receipts reserve	(4.091)
-	Dedicated Schools Grant Adjustment Account	4.480
2.933	Collection Fund adjustment account	(1.186)
<b>72.008</b>	<b>Total unusable reserves</b>	<b>(126.448)</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.

2020/21 £m		2021/22 £m
51.172	Depreciation and impairment	56.277
2.234	Revaluation (losses) or gains of property, plant and equipment	(13.169)
0.622	Amortisation of intangibles	0.334
12.681	Increase in creditors	13.143
0.251	(Increase) or decrease in debtors	(8.927)
0.774	Increase in impairment provision for bad debts	1.069
0.129	(Increase) or decrease in inventories	(0.162)
19.630	Movement in defined benefit obligation	30.900
11.288	Carrying amount of current and non-current assets sold or scrapped	37.742
0.133	Movements in fair values of soft loans	0.086
4.625	Other non-cash items charged or (credited) to the deficit on the provision of services	6.038
<b>103.539</b>	<b>Adjustment to the deficit on the provision of services for non-cash movements</b>	<b>123.331</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:

## Section 6 – Notes to the Group Financial Statements

Group	Number of employees	
	2020/21	2021/22
£50,000 - £54,999	81	86
£55,000 - £59,999	38	48
£60,000 - £64,999	22	25
£65,000 - £69,999	20	22
£70,000 - £74,999	10	10
£75,000 - £79,999	9	10
£80,000 - £84,999	5	7
£85,000 - £89,999	3	5
£90,000 - £94,999	4	4
£95,000 - £99,999	1	-
£100,000 - £104,999	-	2
£120,000 - £124,999	1	1
£130,000 - £134,999	1	1
	<b>195</b>	<b>221</b>

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

2020/21			2021/22		
Total exit Packages	Total Paid	Exit package cost band	Total exit Packages	Total Paid	
	£m			£m	
29	0.195	£1 - £20,000	23	0.161	
5	0.150	£20,001 - £40,000	8	0.208	
1	0.047	£40,001 - £60,000	3	0.160	
-	-	£60,001 - £80,000	4	0.289	
3	0.275	£80,001 - £100,000	-	-	
1	0.125	£100,001 - £150,000	1	0.129	
2	0.159	£150,001 - £200,000	-	-	
<b>41</b>	<b>0.952</b>	<b>Total</b>	<b>39</b>	<b>0.947</b>	

### 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.

2020/21	2021/22
£m	£m
0.761 Members' allowances	0.728
0.027 Other Members' expenses	0.038
<b>0.788 Total Members' allowances paid</b>	<b>0.766</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:

2020/21		2021/22
£m		£m
0.117	Fees with regard to external audit services carried out by the appointed auditor for the year	0.117
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	0.003
<b>0.144</b>	<b>Total fees payable to external auditors</b>	<b>0.144</b>



## Section 6 – Notes to the Group Financial Statements

### 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.

<b>31 March 2021</b>	<b>31 March 2022</b>
<b>% per annum</b>	<b>% per annum</b>
2.10 Discount rate	2.70
2.70 Inflation rate (consumer price index)	2.90
2.70 Rate of increase to pensions in payment	2.90
2.70 Rate of increase to deferred pensions	2.90
2.70 Rate of general increase in salaries	3.00

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 2022.

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

## Section 6 – Notes to the Group Financial Statements

31 March 2021 £m		31 March 2022 £m
1,055.490	Fair value of assets	1,109.420
(1,556.310)	Present value of funded defined benefit obligation	(1,461.230)
<b>(500.820)</b>	<b>Liability recognised on the Balance Sheet</b>	<b>(351.810)</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:

2020/21 Funded £m	2020/21 Unfunded £m		2021/22 Funded £m	2021/22 Unfunded £m
		<b>Operating cost</b>		
34.220	-	Current service cost	47.660	-
0.080	-	Past service cost	0.230	-
		<b>Financing cost</b>		
8.870	0.510	Interest on net defined benefit obligation	10.340	0.450
<b>43.170</b>	<b>0.510</b>	<b>Pension expense recognised</b>	<b>58.230</b>	<b>0.450</b>
		<b>Remeasurements in other comprehensive income and expenditure</b>		
(176.590)	-	Net return on plan assets in excess of that recognised in net interest	(45.010)	-
222.070	1.540	Actuarial (gains) or losses on liabilities - financial assumptions	(83.670)	(0.440)
-	-	Actuarial gains on liabilities - demographic assumptions	(5.580)	(0.350)
35.380	(1.140)	Actuarial gains on liabilities - experience	(55.350)	0.080
<b>80.860</b>	<b>0.400</b>	<b>Total amount recognised in other comprehensive income and expenditure</b>	<b>(189.610)</b>	<b>(0.710)</b>
<b>124.030</b>	<b>0.910</b>	<b>Total amount recognised</b>	<b>(131.380)</b>	<b>(0.260)</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.

2020/21 £m		2021/22 £m
<b>(1,265.600)</b>	<b>Defined benefit liability at start of year</b>	<b>(1,556.310)</b>
(34.220)	Current service cost	(47.660)
(28.780)	Interest expense on defined benefit liability	(32.370)
(5.920)	Contributions by participants	(6.000)
(222.070)	Actuarial gains or (losses) on liabilities - financial assumptions	83.670
-	Actuarial gains on liabilities - demographic assumptions	5.580
(35.380)	Actuarial gains or (losses) on liabilities - experience	55.350
35.740	Net benefits paid out	36.740
(0.080)	Past service cost	(0.230)
<b>(1,556.310)</b>	<b>Defined benefit liability at end of year</b>	<b>(1,461.230)</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, Sunderland Council, Northumberland County 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 2022. Employers pay contributions based on triennial funding valuations carried out by the Fund's actuary. The 2021/22 contribution rates were set as part of the 2019 valuation which took place as at 31 March 2019. The financial year 2021/22 is the second year of the three-year valuation cycle.

As at 31 March 2022, there were 314 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 172,633 members, made up of 57,150 active members, 64,897 pensioners and 50,586 deferred members.

Further information may be obtained from the Pension Fund Report and Accounts for 2021/22.

## 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 newly 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:

<http://www.twpf.info/CHttpHandler.ashx?id=11986&p=0> .

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

#### 5. The 2019 Valuation

Both Tyne and Wear Pension Fund and Northumberland County Council Pension Fund completed independent valuations during 2019/20.

As at 31 March 2019 the value of the Tyne and Wear Fund was £8,788 million and the Northumberland County Council Pension Fund was valued at £1,400m. The value of the combined Fund was £12,747 million as at 31 March 2022.

The rate of employer contributions certified at the 2019 valuation for employers within the Tyne and Wear Fund as at the date of merger was on average, 19.7% of pensionable pay. For employers in the Northumberland Fund, the average total contribution rate was 21.5%. The contribution rates which became payable from 1 April 2021, were those as set by the two independent valuations undertaken prior to merger.

A copy of the 2019 valuation, which includes the rates to be paid by individual employers of the Tyne and Wear Pension Fund, can be found on the Tyne and Wear Pension Fund's website at <http://www.twpf.info/CHttpHandler.ashx?id=43497&p=0>.

A copy of the 2019 valuation, which includes the rates to be paid by individual employers of the old Northumberland County Council Pension Fund, can be found on the Tyne and Wear Pension Fund's website at: <http://www.twpf.info/CHttpHandler.ashx?id=46117&p=0>

The process for the 2022 valuation is now complete, a copy of the valuation can be found can be found on the Tyne and Wear Pension Fund's website at:

## Section 7 – Tyne and Wear Pension Fund Statements

<https://twpf.info/article/18031/Fund-valuation-report-2022> This is based on the position as at 31 March 2022 and will result in new employer contribution rates becoming payable with effect from 1 April 2023.

### 6. Investment Strategy and Investment Structure

The investment strategy in place at the beginning of 2021/22 was informed by an asset liability review carried out in 2019/20 that was based upon the liabilities assessed for the Tyne and Wear Fund through the 2019 valuation. Whilst the strategy was initially approved prior to merger, a review of the strategy, post merger, concluded that the strategy remained appropriate for the newly combined and merged Fund.

The long term investment strategy provides for 48% of the Fund to be invested in Growth assets (quoted and private equity), 29% to be invested in Income assets (property, infrastructure, private debt and multi asset credit) and 23% in Protection assets (bonds and cash).

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 2022, assets to the value of £38.3 billion have been invested through Border to Coast on behalf of all the partner funds. Tyne and Wear has approximately £3.8 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 £336.7 million of

# Section 7 – Tyne and Wear Pension Fund Statements

investments have also been made in the private equity, infrastructure and private debt programmes through Limited Partnerships structures.



# Section 7 – Tyne and Wear Pension Fund Statements

## Tyne and Wear Pension Fund

### Statement of the Actuary for the year ended 31 March 2022

#### Introduction

The Scheme 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 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

#### Actuarial Position

1. The valuation as at 31 March 2019 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 2019 (of £8,788 million) covering 106% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.

2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:

- 19.1% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

#### Plus

- an allowance of 1.2% of pay for McCloud and cost management – see paragraph 9 below,

#### Less

- 0.6% of pensionable pay to remove surplus in excess of a funding level of 105% over an amortisation period of 20 years from 1 April 2020 (which together with the allowance above comprises the secondary rate).

3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 27 March 2020 (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 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Additional contribution amount (£m)
2020	18.6%	1.4
2021	18.6%	1.4
2022	18.6%	1.4

## Section 7 – Tyne and Wear Pension Fund Statements

The percentage of pensionable pay figure shown in the table above is lower than the future service (primary) contribution rate as at 31 March of 19.1% due to the impact of certain employers whose sub-funds are in surplus in excess of 105% of the liabilities paying contributions below the future service rate. Additional monetary contributions are payable for individual employers assessed to have a shortfall despite the overall Fund having a surplus.

4. 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 increases and individual employers' recovery / amortisation periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and 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 (per annum)</b>	
Secure scheduled body employers *	4.30%
Intermediate funding target (Strong Covenant)	4.30%
Intermediate funding target (Standard Approach)	4.30%
Ongoing Orphan employers	4.30%
<b>Discount rate for periods after leaving service (per annum)</b>	
Secure scheduled body employers *	4.30%
Intermediate funding target (Strong Covenant)	4.03%
Intermediate funding target (Standard Approach)	3.76%
Ongoing Orphan employers	1.60%
Rate of pay increases	3.60%
Rate of increase to pension accounts	2.10%
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.10%

*\* 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 for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the Fund) was 1.3% per annum*

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

6. 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) S2N mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Core Projections Model (CMI2018), assuming

## Section 7 – Tyne and Wear Pension Fund Statements

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	21.8	24.9
Future pensioners aged 45 at the valuation date	23.4	26.7

7. 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 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Administering Authority, in conjunction with the Actuary, monitors the funding position on a regular basis.
8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 27 March 2020. Other than as agreed or otherwise permitted or required by the Regulations and reflected in the Funding Strategy Statement as appropriate, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

- **Increases to Guaranteed Minimum Pensions (GMPs):**

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. On 23 March 2021, the Government published a response to its consultation on the longer term solution to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case. The response set out its proposed longer term solution, which is to extend the interim solution further to those reaching SPA after 5 April 2021.

The results of the 2019 valuation do not allow for the impact of this proposed longer term solution. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

- **Cost Management Process and McCloud judgement:**

Initial results from the Scheme Advisory Board 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS was issued in July 2020.

On 13 May 2021 Government confirmed the key elements of the expected changes to the LGPS to implement the McCloud judgement in a Written Ministerial Statement,

## Section 7 – Tyne and Wear Pension Fund Statements

although final Regulations are not expected to be come into force until 2023. After incorporating the potential costs of the McCloud remedy, the 2016 SAB cost management process has concluded, with no benefit improvements or member contribution changes being recommended under that process. However some uncertainty remains as the inclusion of McCloud costs in the cost management process is the subject of a Judicial Review.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 1.2% of pay in relation to the potential additional costs of the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the details of the LGPS changes arising from the McCloud judgement and the 2016 cost management process have been finalised.

- **Goodwin**

An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

10. By virtue of The Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020, the Northumberland County Council Pension Fund ("NCCPF") merged into the Fund on 3 June 2020 (operating retrospectively to 1 April 2020). The figures shown in paragraphs 1 to 3 set out the results of the actuarial valuation of the Fund as at 31 March 2019 and therefore make no allowance for the merger with the NCCPF. The contributions payable by employers which formerly participated in the NCCPF were set out in Aon's report on the actuarial valuation of the NCCPF as at 31 March 2019 and remain unchanged following the merger, subject to review at the next actuarial valuation of the Fund as at 31 March 2022.
11. 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 which was carried out as at 31 March 2019. 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.
12. The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address. We also include a link to the report on the actuarial valuation as at 31 March 2019 of the NCCPF.

## Section 7 – Tyne and Wear Pension Fund Statements

<http://www.twpf.info/CHttpHandler.ashx?id=43497&p=0>

<http://www.twpf.info/CHttpHandler.ashx?id=46117&p=0>

Aon Solutions UK Limited

May 2022

# 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 2022 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 30.

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 2021/22.

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 2022 and the amount and disposition at that date of its assets and liabilities as at 31 March 2022
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

### 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 2021/22 set out on pages 121-129, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the Annual Report and Accounts 2021/22.

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.

### 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

## Section 7 – Tyne and Wear Pension Fund Statements

- 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, 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 2021/22, 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 Finance 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.
- 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.



## Section 7 – Tyne and Wear Pension Fund Statements

- To address our fraud risk we tested the consistency of the 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.

Hassan Rohimun (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Manchester  
15 May 2024

## Section 7 – Tyne and Wear Pension Fund Statements

### Fund Account for the year

2020/21 £m		Note	2021/22 £m
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(284.167)	Contributions	5	(289.518)
(46.653)	Transfers in from other pension funds	6	(10.115)
<b>(330.820)</b>	<b>Total income</b>		<b>(299.633)</b>
379.029	Benefits payable	7	407.066
8.569	Payments to and on account of leavers	8	15.602
<b>387.598</b>	<b>Total costs</b>		<b>422.668</b>
<b>56.778</b>	<b>Net expenditure from dealings with members</b>		<b>123.035</b>
71.420	Management expenses	9	86.068
<b>128.198</b>	<b>Net expenditure including fund management expenses</b>		<b>209.103</b>
	<b>Returns on investments</b>		
(62.533)	Investment income	10	(97.052)
-	Taxes on income	10	0.005
(2,342.967)	Losses or (profits) on disposals of investments and changes in the market value of investments	12	(773.266)
<b>(2,405.500)</b>	<b>Net returns on investments</b>		<b>(870.313)</b>
<b>(2,277.302)</b>	<b>Net decrease or (increase) in the net assets available for benefits during the year</b>		<b>(661.210)</b>
<b>9,808.597</b>	<b>Net assets of the Fund at 1 April</b>		<b>12,085.899</b>
<b>12,085.899</b>	<b>Net assets of the Fund at 31 March</b>		<b>12,747.109</b>

## Section 7 – Tyne and Wear Pension Fund Statements

### Net Assets Statement as at:

31 March 2021 £m		Note	31 March 2022 £m
12,037.383	Investment assets	11	12,727.467
(4.233)	Investment liabilities	11	(8.996)
<b>12,033.150</b>	<b>Total net investments</b>		<b>12,718.471</b>
59.961	Current assets	14	40.025
(7.212)	Current liabilities	14	(11.387)
<b>12,085.899</b>	<b>Net assets of the Fund available to fund benefits as at 31 March</b>		<b>12,747.109</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 2021/22 and its position as at 31 March 2022. The accounts have been prepared following the "Code of Practice on Local Authority Accounting in the United Kingdom 2021/22" (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 2021/22 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 £12.7 billion as at 31 March 2022. £9.3 billion (73%) of this is held in assets which are considered to be liquid and which could be converted to cash if required.
- During 2022/23 the Fund made payments of £424 million in benefits and other outgoings and received £325 million in contribution income. The shortfall in contribution income versus benefits of £99 million was met from regular investment income of £125 million.
- The Fund has estimated that in 2023/24 it will pay out approximately £434 million in benefits and other out goings and is forecasting contribution income in the region of £325 million. This shortfall in contribution income verses benefits and other expenditure of £109 million will be met from other regular investment income, which is estimated to be £168 million, in 2023/24.
- The Fund has estimated that in 2024/25 it will pay out approximately £463 million in benefits and other out goings in the coming twelve months and is forecasting contribution income in the region of £332 million. This shortfall in contribution income verses benefits and other expenditure of £131 million will be met from other regular investment income, which is estimated to be £173 million, in 2024/25.

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 2022 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.

## Section 7 – Tyne and Wear Pension Fund Statements

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.

### **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.

## Section 7 – Tyne and Wear Pension Fund Statements

### 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**

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

## Section 7 – Tyne and Wear Pension Fund Statements

freehold buildings or long leasehold properties, in accordance with The Royal Institute of Chartered Surveyors Valuation Standards 9<sup>th</sup> Edition.

### **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.

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.



## Section 7 – Tyne and Wear Pension Fund Statements

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 of Chartered Surveyors Valuation Standards 9<sup>th</sup> Edition. 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.

### 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.

The items in the Net Assets Statement at 31 March 2022 for which there is significant risk of material adjustment in the forthcoming year are as follows:

## Section 7 – Tyne and Wear Pension Fund Statements

Item	Uncertainties	Effect if Actual Results differ from Assumptions
<b>Private Equity, infrastructure, global property and private debt (note 13 and note 17)</b>	Private equity, infrastructure, global property and private debt 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.	The Fund has a total of £1,259.933m included for private equity, £468.200m for infrastructure, £435.220m for global property and £494.294m for private debt. Based on the sensitivity numbers included in note 12 there is a possibility that this could be under or overstated in the accounts by £375.460m, £58.057m, £51.356m and £32.623m respectively.
<b>Actuarial Present Value of Promised Retirement Benefits (note 25)</b>	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.	The judgements mentioned are all under review. Therefore, there is a possibility that the valuation of £11,763.100m in note 25 for the “actuarial present value of the promised retirement benefits” could be under or overstated.
<b>Freehold and leasehold property</b>	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.	Based on the sensitivity number included in note 13 there is a possibility that the fair value for directly held property of £573.900m could increase or decrease by £32.712m. Similarly, residential property held in funds totalling £127.756m could increase or decrease by £9.837m and property unit trusts totalling £63.237m could increase or decrease by £3.605m.

### 5. Contributions Receivable

2020/21 £m	By category	2021/22 £m
(70.538)	Employees' normal contributions	(73.949)
	<b>Employers' contributions</b>	
(205.851)	Normal contributions	(214.125)
(7.778)	Deficit recovery contributions	(9.687)
-	Refund of exit surplus	8.243
<b>(213.629)</b>	<b>Total employers contributions</b>	<b>(215.569)</b>
<b>(284.167)</b>	<b>Total contributions</b>	<b>(289.518)</b>

## Section 7 – Tyne and Wear Pension Fund Statements

The contributions can be analysed by type of member body as follows:

2020/21 £m	By authority	2021/22 £m
(20.231)	South Tyneside Council (administering authority)	(21.482)
(149.115)	Other metropolitan councils	(159.929)
(79.623)	Other Part 1 scheduled bodies	(81.981)
(15.066)	Part 2 scheduled bodies	(16.037)
(20.132)	Admitted bodies	(10.089)
<b>(284.167)</b>	<b>Total contributions receivable</b>	<b>(289.518)</b>

### 6. Transfers In From Other Pension Funds

2020/21 £m	By category	2021/22 £m
(35.000)	Group transfers	(0.604)
(11.653)	Individual transfers	(9.511)
<b>(46.653)</b>	<b>Transfers in from other pension funds</b>	<b>(10.115)</b>

A Group Transfers payment was received during 2021/22 for £24.604m in respect of staff from Carlisle College to the NCG in 2017/18. An estimate of £24.000m was included in 2020/21 for this transaction along with an estimate of £11.000m 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 has been estimated but not paid, as at the 31 March 2022.

### 7. Benefits Payable

2020/21 £m	By category	2021/22 £m
328.084	Pensions	337.198
54.534	Commutations and lump sum retirement benefits	72.223
8.660	Lump sum death benefits	9.464
(12.249)	Recharges out	(11.819)
<b>379.029</b>	<b>Total benefits payable</b>	<b>407.066</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:

2020/21 £m	By authority	2021/22 £m
31.093	South Tyneside Council (administering authority)	32.598
229.414	Other metropolitan councils	257.549
68.528	Other Part 1 scheduled bodies	64.286
11.695	Part 2 scheduled bodies	13.141
38.299	Admitted bodies	39.492
<b>379.029</b>	<b>Total benefits payable</b>	<b>407.066</b>

## Section 7 – Tyne and Wear Pension Fund Statements

### 8. Payment to and on Account of Leavers

2020/21		2021/22
£m		£m
7.808	Individual transfers to other schemes	14.741
0.749	Refunds to members leaving service	0.854
0.012	State scheme premiums	0.007
<b>8.569</b>	<b>Payments to and on account of leavers</b>	<b>15.602</b>

There were no group transfers out of the Tyne and Wear Pension Fund during 2020/21 or 2021/22.

### 9. Management Expenses

Office expenses and other overheads have been charged. The following table shows a breakdown of the management expenses incurred during the year:

2020/21		2021/22
£m		£m
3.212	Administrative costs	3.045
66.597	Investment management expenses	81.057
1.611	Oversight and governance costs	1.966
<b>71.420</b>	<b>Management expenses</b>	<b>86.068</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:

2020/21		2021/22
£m		£m
26.219	Management and custody fees	35.099
23.749	Performance fees	31.005
14.066	Expenses charged within pooled vehicles	12.572
2.563	Transaction costs	2.381
<b>66.597</b>	<b>Investment management expenses</b>	<b>81.057</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.

## Section 7 – Tyne and Wear Pension Fund Statements

### 10. Investment Income

2020/21 £m		2021/22 £m
(5.600)	Income from equities	(6.994)
-	Income from bonds	-
(21.287)	Property rents (further breakdown below)	(22.239)
(35.170)	Pooled investments - unit trusts and other managed funds	(67.626)
(0.472)	Interest on cash deposits	(0.170)
(0.004)	Other	(0.023)
<b>(62.533)</b>	<b>Total before taxes</b>	<b>(97.052)</b>
-	Less taxes on income	0.005
<b>(62.533)</b>	<b>Total investment income</b>	<b>(97.047)</b>

### Net Rents from Properties

Net rents from properties can be analysed further, as follows:

2020/21 £m		2021/22 £m
	<b>Property income</b>	
(21.311)	Rental income	(22.232)
0.024	Direct operating expenditure	(0.007)
<b>(21.287)</b>	<b>Net Income</b>	<b>(22.239)</b>

### 11. Investments

31 March 2021 £m		31 March 2022 £m
	<b>Investment assets with Border to Coast</b>	
0.909	Equities	1.182
3,192.414	Pooled investment vehicles	4,110.410
	<b>Investment assets without Border to Coast</b>	
389.425	Equities	370.969
7,567.231	Pooled investment vehicles	7,396.903
435.640	Properties	573.900
442.034	Cash deposits	262.316
9.730	Other investment balances	11.787
<b>12,037.383</b>	<b>Total investment assets</b>	<b>12,727.467</b>
	<b>Investment liabilities</b>	
-	Cash deposits	-
(4.233)	Other investment balances	(8.996)
<b>(4.233)</b>	<b>Total investment liabilities</b>	<b>(8.996)</b>
<b>12,033.150</b>	<b>Net investment assets</b>	<b>12,718.471</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>2021/22</b>	<b>Market value 1 April 2021 £m</b>	<b>Purchases at cost and derivative payments £m</b>	<b>Sales proceeds and derivative receipts £m</b>	<b>Change in market value during the year £m</b>	<b>Market value 31 March 2022 £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	-	(180.330)	0.612	262.316
Other investment balances	5.497	1.760	(4.466)	-	2.791
<b>Total investments</b>	<b>12,033.150</b>	<b>1,515.102</b>	<b>(1,603.047)</b>	<b>773.266</b>	<b>12,718.471</b>

<b>2020/21</b>	<b>Market value 1 April 2020 £m</b>	<b>Purchases at cost and derivative payments £m</b>	<b>Sales proceeds and derivative receipts £m</b>	<b>Change in market value during the year £m</b>	<b>Market value 31 March 2021 £m</b>
Equities	357.545	55.051	(86.816)	64.554	390.334
Pooled investment vehicles	8,809.235	2,715.614	(3,042.435)	2,277.231	10,759.645
Properties	431.025	28.602	(29.833)	5.846	435.640
	<b>9,597.805</b>	<b>2,799.267</b>	<b>(3,159.084)</b>	<b>2,347.631</b>	<b>11,585.619</b>
Cash deposits	174.091	272.607	-	(4.664)	442.034
Other investment balances	4.645	1.349	(0.497)	-	5.497
<b>Total investments</b>	<b>9,776.541</b>	<b>3,073.223</b>	<b>(3,159.581)</b>	<b>2,342.967</b>	<b>12,033.150</b>

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31 March 2021		31 March 2022
£m		£m
	<b>Equities</b>	
15.808	UK quoted	19.084
0.909	UK unquoted	1.182
236.660	Overseas quoted	249.187
136.957	Overseas unquoted	102.698
<b>390.334</b>	<b>Total equities</b>	<b>372.151</b>
	<b>Pooled investment vehicles</b>	
54.098	Property unit trusts UK	72.608
4,796.236	Unitised insurance policies UK	4,737.676
4,897.802	Other managed funds UK	5,572.235
1,011.509	Other managed funds overseas	1,124.794
<b>10,759.645</b>	<b>Total pooled investment vehicles</b>	<b>11,507.313</b>
	<b>Properties</b>	
435.640	Freehold	573.900
<b>435.640</b>	<b>Total properties</b>	<b>573.900</b>
	<b>Cash deposits</b>	
373.485	Sterling	193.353
68.549	Foreign currency	68.963
<b>442.034</b>	<b>Total cash deposits</b>	<b>262.316</b>
	<b>Other investment balances</b>	
0.251	Outstanding trades	(1.425)
3.742	Outstanding dividends and tax recoveries	4.115
5.737	Debtors	7.124
(4.233)	Creditors	(7.023)
<b>5.497</b>	<b>Total other investment balances</b>	<b>2.791</b>
<b>12,033.150</b>	<b>Total investments</b>	<b>12,718.471</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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31 March 2021			31 March 2022			
Designated as fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost		Designated as fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost
£m	£m	£m		£m	£m	£m
			<b>Financial assets</b>			
390.334	-	-	Equities	372.151	-	-
10,759.645	-	-	Pooled investment vehicles	11,507.313	-	-
435.640	-	-	Properties	573.900	-	-
-	442.034	-	Cash deposits	-	262.316	-
-	3.993	-	Other investment balances	-	4.115	-
-	65.698	-	Debtors	-	47.697	-
<b>11,585.619</b>	<b>511.725</b>	-	<b>Total financial assets</b>	<b>12,453.364</b>	<b>314.128</b>	-
			<b>Financial liabilities</b>			
-	-	(11.445)	Creditors	-	-	(20.383)
-	-	<b>(11.445)</b>	<b>Total financial liabilities</b>	-	-	<b>(20.383)</b>
<b>11,585.619</b>	<b>511.725</b>	<b>(11.445)</b>	<b>Net assets or (liabilities)</b>	<b>12,453.364</b>	<b>314.128</b>	<b>(20.383)</b>

### Net Gains and Losses on Financial Instruments

2020/21 £m		2021/22 £m
	<b>Financial assets</b>	
2,342.967	Fair value through profit or loss	773.266
	<b>Financial liabilities</b>	
-	Fair value through profit or loss	-
<b>2,342.967</b>	<b>Total</b>	<b>773.266</b>

### Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments carried at fair value has been classified into three levels, according to the quality and reliability of information used to determine fair values.

#### Level 1

Financial instruments are level 1 where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Assets in this level are comprised of quoted equities, quoted fixed interest securities and unit trusts. Also included within this level are receivables and liabilities where the amount is known even where these are not quoted on active markets.

Listed investments are shown at bid prices. The bid value is based on the bid market quotation of the relevant stock exchange.

#### Level 2

Financial instruments at level 2 are those where quoted market prices are not available, for example where valuation techniques are used to determine fair value and where the techniques use inputs that are based significantly on observable market data.

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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 2022 valuations and 31 December 2021 valuations adjusted for cash flows and rolled forward to 31 March 2022 as appropriate. With £1,073m (40.4%) valued as at 31 March 2022 and £1,581m (59.6%) valued at 31 December 2021 plus cash flows until the 31 March 2022.

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 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	349.833	8,771.573	2,758.058	11,879.464
Non-financial assets at fair value through profit or loss	-	-	573.900	573.900
Loans and receivables	314.128	-	-	314.128
<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>

The corresponding values at 31 March 2021 were:

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Value at 31 March 2021	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	319.141	8,684.041	2,146.797	11,149.979
Non-financial assets at fair value through profit or loss	-	-	435.640	435.640
Loans and receivables	511.725	-	-	511.725
<b>Total financial assets</b>	<b>830.866</b>	<b>8,684.041</b>	<b>2,582.437</b>	<b>12,097.344</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(11.445)	-	-	(11.445)
<b>Total financial liabilities</b>	<b>(11.445)</b>	<b>-</b>	<b>-</b>	<b>(11.445)</b>
<b>Net financial assets</b>	<b>819.421</b>	<b>8,684.041</b>	<b>2,582.437</b>	<b>12,085.899</b>

### Reconciliation of Fair Value Measurement within Level 3

2021/22	Market value at 1 April 2021	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 2022
Asset type	£m	£m	£m	£m	£m	£m
Private Equity	1,004.080	189.890	(242.067)	137.259	151.687	1,240.849
Investment in BCPP	0.909	0.273	-	-	-	1.182
Infrastructure	319.885	158.195	(46.679)	9.996	26.803	468.200
Global Prop	323.888	102.334	(68.627)	41.573	36.052	435.220
Private Debt	397.503	99.520	(21.235)	18.205	0.301	494.294
UK Residential Property	100.532	7.936	(1.600)	11.445	-	118.313
UK Direct Property	435.640	56.128	(17.761)	95.836	4.057	573.900
	<b>2,582.437</b>	<b>614.276</b>	<b>(397.969)</b>	<b>314.314</b>	<b>218.900</b>	<b>3,331.958</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 2022.

Asset type	Assessed valuation range (+/-)	Value at 31 March 2022	Value on increase	Value on decrease
	%	£m	£m	£m
Private equity	29.8	1,240.849	1,610.622	871.076
Investment in BCPP	-	1.182	1.182	1.182
Infrastructure	12.4	468.200	526.257	410.143
Global property	11.8	435.220	486.576	383.864
Private debt	6.6	494.294	526.917	461.671
UK residential property	7.7	118.313	127.423	109.203
UK direct property	5.7	573.900	606.612	541.188
<b>Total</b>		<b>3,331.958</b>	<b>3,885.589</b>	<b>2,778.327</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.

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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 2022/23 financial year. The equivalent movements from 2021/22 are also shown.

<b>Asset type</b>	<b>Potential market movements in 2021/22 (+/-) %</b>	<b>Potential market movements in 2022/23 (+/-) %</b>
UK equities	17.9	17.0
Overseas equities	14.2	13.5
Global equities	16.5	15.5
UK bonds	5.8	6.3
Overseas bonds	13.1	0.0
Index-linked securities	10.9	12.5
UK property	1.9	5.7
UK residential property	8.3	7.7
Overseas property	9.9	11.8
Private equity	17.7	29.8
Infrastructure	9.2	12.4
Private debt	7.3	6.6
Cash	0.1	0.1

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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 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	272.120	0.1	272.392	271.848
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>12,718.471</b>		<b>14,330.913</b>	<b>11,106.029</b>

<b>Asset type</b>	<b>Value at 31 March 2021</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	1,066.453	17.9	1,257.348	875.558
Overseas equities	2,830.614	14.2	3,232.561	2,428.667
Global equities	1,876.227	16.5	2,185.804	1,566.650
UK bonds	2,830.223	5.8	2,994.376	2,666.070
Overseas bonds	81.532	13.1	92.213	70.851
Index-linked securities	236.561	10.9	262.346	210.776
UK property	489.739	1.9	499.044	480.434
UK residential property	100.532	8.3	108.876	92.188
Overseas property	323.888	9.9	355.953	291.823
Private equity	1,019.888	17.7	1,200.408	839.368
Infrastructure	319.884	9.2	349.313	290.455
Private debt	397.503	7.3	426.521	368.485
Cash and cash equivalents	456.113	0.1	456.569	455.657
Investment income due	3.742	-	3.742	3.742
Amounts due for sales	0.251	-	0.251	0.251
<b>Total</b>	<b>12,033.150</b>		<b>13,425.325</b>	<b>10,640.975</b>

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.

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### 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 2021 and 31 March 2022 are set out below. These represent the interest rate risk based on underlying financial assets at fair value.

31 March 2021 £m		31 March 2022 £m	
456.113	Cash and cash equivalents	272.120	
2,911.755	Fixed interest securities	2,901.887	
236.561	Index-linked securities	247.086	
<b>3,604.429</b>	<b>Total</b>	<b>3,421.093</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 2022 £m	Reasonable change predicted %	Value on increase	Value on decrease
			-1% rate change £m	+1% rate change £m
Cash and cash equivalents	272.120	0.1	272.392	271.848
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>3,421.093</b>		<b>3,711.581</b>	<b>3,130.605</b>

Asset type	Value at 31 March 2021 £m	Reasonable change predicted %	Value on increase	Value on decrease
			-1% rate change £m	+1% rate change £m
Cash and cash equivalents	456.113	0.1	456.569	455.657
Fixed interest securities	2,911.755	4.8	3,051.519	2,771.991
Index-linked securities	236.561	10.2	260.690	212.432
<b>Total</b>	<b>3,604.429</b>		<b>3,768.778</b>	<b>3,440.080</b>

### 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.



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The following table shows the Fund's currency exposures as at 31 March 2021 and at 31 March 2022:

Value at 31 March 2021 £m	Asset type	Value at 31 March 2022 £m
81.532	Overseas fixed interest	585.868
4,706.839	Overseas quoted equities	4,757.918
136.957	Overseas unquoted equities	102.698
1,011.509	Overseas pooled investment vehicles	1,124.794
81.124	Overseas currency	77.918
<b>6,017.961</b>	<b>Total</b>	<b>6,649.196</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 7.3%. The following table shows the impact of a 7.3% 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 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>

Asset type	Value at 31 March 2021 £m	Potential change %	Potential market movement £m	Value on increase £m	Value on decrease £m
Overseas fixed interest	81.532	7.1	5.813	87.345	75.719
Overseas quoted equities	4,706.839	7.1	335.597	5,042.436	4,371.242
Overseas unquoted equities	136.957	7.1	9.765	146.722	127.192
Overseas pooled investment vehicles	1,011.509	7.1	72.120	1,083.629	939.389
Overseas currency	81.124	7.1	5.784	86.908	75.340
<b>Total</b>	<b>6,017.961</b>		<b>429.079</b>	<b>6,447.040</b>	<b>5,588.882</b>

### 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.

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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 2022 was £188.630m (£370.240m in 2020/21). 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 2021 £m	Value at 31 March 2022 £m
<b>Money market funds</b>			
Aberdeen Standard	AAA	59.750	-
CCLA	AAA		39.750
Deutsche Global Liquidity Fund	AAA	59.750	39.750
Federated	AAA	59.750	-
Legal and General	AAA	49.750	-
Insight	AAA	45.750	39.750
<b>Bank deposit accounts</b>			
Lloyds Bank	A+	1.490	4.380
Bayerische Landesbank	A-	-	5.000
Australia and New Zealand	AA-	15.000	15.000
Close Brothers	A-	-	15.000
National Bank of Kuwait	A	-	10.000
SMBC International PLC	A	-	10.000
Goldman Sachs	A+	15.000	5.000
Santander	A	15.000	-
Helaba	A+	5.000	5.000
<b>Local authorities</b>			
Kingston upon Thames		10.000	-
City of Aberdeen Council		5.000	-
Basildon Borough Council		5.000	-
Brentwood Borough Council		5.000	-
London Borough of Barking and Dagenham Council		5.000	-
North Tyneside Council		5.000	-
Surrey County Council		5.000	-
Rugby Borough Council		4.000	-
<b>Total</b>		<b>370.240</b>	<b>188.630</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 2022.

## Section 7 – Tyne and Wear Pension Fund Statements

### 14. Current Assets and Liabilities

31 March 2021 £m		31 March 2022 £m
<b>Current assets</b>		
6.464	Contributions - members	7.590
52.966	Contributions and recharges due - employers	32.196
0.531	Sundry debtors	0.239
<b>59.961</b>	<b>Total current assets</b>	<b>40.025</b>
<b>Current liabilities</b>		
(1.178)	Unpaid benefits	(3.026)
(6.034)	Sundry creditors	(8.361)
<b>(7.212)</b>	<b>Total current liabilities</b>	<b>(11.387)</b>

The large decrease in Contributions and recharges due – employers is mainly due to an allowance being made as at 31 March 2021 in relation to group transfers in relation to the NCG group for all assets and liabilities for Carlisle College and Kidderminster College totalling £35.000m of which £11.000m is the amount of the Kidderminster College transfer agreed but not yet paid.

### 15. Agency Services

The Fund pays discretionary awards to the former employees of a number of employers. 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;

## Section 7 – Tyne and Wear Pension Fund Statements

2020/21	Payments on behalf of:	2021/22
£m		£m
2.402	Newcastle City Council	2.264
2.186	Northumberland County Council	2.099
2.023	Sunderland City Council	1.941
1.935	Gateshead Council	1.861
1.722	North Tyneside Council	1.624
0.779	South Tyneside Council	0.732
0.317	Nexus	0.292
0.238	Newcastle International Airport	0.227
0.231	Police and Crime Commissioner for Northumbria	0.224
0.062	Tyne and Wear Residuary Body	0.219
0.056	Tyne and Wear Fire and Rescue Service	0.051
0.050	University of Sunderland	0.049
	The Durham, Gateshead, Newcastle, North	
0.050	Tyneside, Northumberland, South Tyneside and	0.048
	Sunderland Combined Authority	
0.039	Northumbria University	0.039
0.013	Workshops for the Adult Blind	0.011
0.016	Magistrates' Courts	0.015
0.015	Assessment and Qualifications Alliance	0.015
0.011	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	0.008
0.007	National Parks Authority	0.007
0.007	Northumberland Magistrates Courts	0.007
0.007	Northumbria Tourist Board	0.006
0.007	One North East	0.007
0.006	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
0.004	Tyne and Wear Development Company Limited	0.003
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
0.003	Catholic Care North East	0.002
0.002	Blyth Housing Company	0.002
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
0.001	Tyne and Wear Enterprise Trust	-
<b>12.249</b>	<b>Total agency services</b>	<b>11.819</b>

## Section 7 – Tyne and Wear Pension Fund Statements

### 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 and The Prudential Assurance Company in 2001 for the investment of other AVCs specifically taken out by Fund members. A further provider was inherited from Northumberland County Pension Fund as part of the merger during 2020 in Phoenix Life Limited. 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.

In 2020/21 all existing policies that were managed by Equitable Life were transferred and are now administered by Utmost Life and Pensions, at the 1 April 2020 the funds held in respect of Northumberland County Pension Fund members were transferred to TWPF as a result of the merger, the figures quoted for 2020/21 and 2021/22 are for the combined holdings.

During 2021/22, £2.942m of contribution income was received into the AVC funds provided by The Prudential (£1.734m in 2020/21). As at 31 March 2022, these funds were valued at £20.588m (£21.571m in 2020/21).

During 2021/22, there was no contribution income received into the AVC funds provided by Utmost Life and Pensions (£0.000m in 2020/21). As at 31 March 2022, these funds were valued at £0.059m (£0.081m in 2020/21).

During 2021/22, £0.001m of contribution income was received into the AVC funds provided by Phoenix Life Limited (£0.001m in 2020/21). As at 31 March 2022, these funds were valued at £0.012m (£0.012m in 2020/21).

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 £4,110m with Border to Coast through a number of their sub funds. In addition, the Fund employed four external listed equity managers as at 31 March 2022. 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 four alternative asset classes of private equity, infrastructure, global property 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 four areas as follows:

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- 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.
- 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.

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 2021 £m			31 March 2022 £m	
<b>Investments managed by Border to Coast</b>				
841.260	7.0%	Global equities	904.892	7.1%
416.981	3.4%	UK equities	429.854	3.4%
1,873.634	15.6%	Investment grade credit	1,853.095	14.6%
-	0.0%	Multi asset credit	585.868	4.6%
26.065	0.2%	Private equity	140.455	1.1%
23.376	0.2%	Infrastructure	95.773	0.8%
12.006	0.1%	Private debt	100.473	0.8%
<b>3,193.322</b>	<b>26.5%</b>		<b>4,110.410</b>	<b>32.4%</b>
<b>Investment managed outside of the pool</b>				
435.640	3.6%	Abrdn	573.900	4.5%
334.460	2.8%	Janus Henderson Global Investors	-	0.0%
162.728	1.3%	JP Morgan Asset Management	140.162	1.1%
242.526	2.0%	Lazard Asset Management	253.241	2.0%
4,796.235	39.9%	Legal and General Investment Management	4,737.676	37.3%
139.844	1.2%	TT International	120.026	0.9%
119.808	1.0%	Wellington Management International	-	0.0%
993.823	8.3%	Private equity	1,119.478	8.8%
296.509	2.5%	Infrastructure	372.427	2.9%
323.888	2.7%	Global property	435.220	3.4%
100.532	0.8%	Residential property	127.756	1.0%
54.225	0.4%	UK property unit trusts	63.237	0.5%
385.497	3.2%	Private debt	393.821	3.1%
454.113	3.8%	Managed in-house	271.117	2.1%
<b>8,839.828</b>	<b>73.5%</b>		<b>8,608.061</b>	<b>67.6%</b>
<b>12,033.150</b>	<b>100.0%</b>	<b>Total investments</b>	<b>12,718.471</b>	<b>100.0%</b>

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### 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 2022 or at 31 March 2021.

#### 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 2022 and 31 March 2021, 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 £1.573m were out on loan as at 31 March 2022. The breakdown of securities on loan was:

31 March 2021		31 March 2022	
£m		£m	
1.475	Overseas equities	1.573	
<b>1.475</b>	<b>Total securities lending</b>	<b>1.573</b>	

The value of collateral against which the securities were lent out is £1.734m (£1.576m in 2020/21). 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

2020/21		2021/22	
£m		£m	
431.025	Balance at start of year	435.640	
18.697	Purchases	50.280	
5.634	New construction	5.242	
0.332	Subsequent expenditure	0.325	
(22.700)	Disposals	(13.982)	
2.652	Net decrease in market value	96.395	
<b>435.640</b>	<b>Balance at end of year</b>	<b>573.900</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:



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31 March 2021 £m		31 March 2022 £m
21.055	Within one year	22.593
72.025	Between one and five years	78.800
121.942	Later than five years	130.962
<b>215.022</b>	<b>Minimum due from leases</b>	<b>232.355</b>

The previous disclosures 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 2022, 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 £4,737.676m and represented 37.2% of the total net assets of the Fund. During 2021/22, the insurance contract covered sixteen individual funds, as follows:

31 March 2021 £m		31 March 2022 £m
465.983	UK equities	478.372
183.489	UK equities future worlds	205.643
175.544	Asia Pacific (excluding Japan) equities	179.333
62.143	Asia Pacific (excluding Japan) equities future worlds	67.080
234.555	Emerging markets equities	221.317
64.947	Emerging markets equities future worlds	60.161
600.482	Europe (excluding UK) equities	625.638
182.539	Europe (excluding UK) equities future worlds	195.382
195.118	Japan equities	190.372
61.262	Japan equities future worlds	59.484
506.814	North America equities (hedged)	419.764
-	North America equities (unhedged)	-
207.976	North America equities future worlds	237.453
1,034.967	Global equities	1,087.667
236.561	Index-linked gilts	247.086
502.322	Corporate bonds	462.924
81.533	Emerging markets passive government bonds	-
<b>4,796.235</b>	<b>Total</b>	<b>4,737.676</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 £3,773.709m and represented 29.6% of the total net assets of the Fund. As at 31 March 2022, the ACS covered four individual funds as follows:

## Section 7 – Tyne and Wear Pension Fund Statements

<b>31 March 2021 £m</b>		<b>31 March 2022 £m</b>
416.981	UK equities	429.854
841.260	Global equities	904.892
1,873.634	Investment grade credit	1,853.095
-	Multi asset credit	585.868
<b>3,131.875</b>	<b>Total</b>	<b>3,773.709</b>

### 22. Outstanding Commitments

As at 31 March 2022 the Fund had one hundred and three outstanding commitments to investments, as shown in the following table:

# Section 7 – Tyne and Wear Pension Fund Statements

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	£1.9
HarbourVest Partners VII Cayman Mezzanine Fund	2002	\$8.0	\$7.5	\$0.5	£0.3
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	£3.4
HarbourVest International Private Equity Partners V - Direct	2005	€30.0	€29.2	€0.8	£0.7
Pantheon Asia Fund IV	2005	\$20.0	\$18.9	\$1.1	£0.8
Pantheon Europe Fund IV	2005	€25.0	€23.4	€1.6	£1.3
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	£2.5
HarbourVest Partners VIII Cayman Venture Fund	2006	\$56.0	\$54.9	\$1.1	£0.9
Pantheon Europe Fund V	2006	€35.0	€33.2	€1.9	£1.6
Pantheon USA Fund VII	2006	\$35.0	\$32.6	\$2.4	£1.8
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	£0.5
Pantheon Asia Fund V	2007	\$20.0	\$18.7	\$1.3	£1.0
Pantheon Europe Fund VI	2007	€40.0	€37.9	€2.1	£1.8
Pantheon USA Fund VIII	2007	\$35.0	\$32.4	\$2.6	£2.0
Capital International Private Equity Fund V	2007	\$35.0	\$29.4	\$5.6	£4.2
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	\$30.7	\$4.3	£3.3
Lexington Capital Partners VII	2010	\$29.0	\$24.3	\$4.7	£3.5
Partners Asia-Pacific & Emerging Markets Real Estate 2009 LP	2010	\$40.0	\$37.6	\$2.4	£1.8
Partners Group Real Estate Secondary 2009 (EURO)	2010	€60.0	€57.2	€2.8	£2.4
Partners Group Global Real Estate 2011 S.C.A., SICAR	2010	€145.0	€127.9	€17.1	£14.5
Partners Group Global Infrastructure 2009	2010	€70.0	€61.2	€8.8	£7.5
Partners Group Direct Infrastructure 2011	2011	€85.0	€74.8	€10.2	£8.6
Partners Group Direct Real Estate 2011 S.C.A., SICAR	2011	\$100.0	\$92.3	\$7.8	£5.9
Partners Asia-Pacific Real Estate 2011 S.C.A., SICAR	2011	\$65.0	\$55.1	\$9.9	£7.5
HarbourVest International Private Equity Partners VI - Partnership	2011	€50.0	€47.5	€2.5	£2.1
Global Infrastructure Partners II	2011	\$43.0	\$39.1	\$4.0	£3.0
Coller International Partners VI	2012	\$45.0	\$31.6	\$13.4	£10.2
Pantheon Asia Fund VI	2012	\$40.0	\$37.0	\$3.0	£2.3
Pantheon Europe Fund VII	2012	€25.0	€22.4	€2.6	£2.2
Pantheon USA Fund IX	2012	\$30.0	\$26.9	\$3.1	£2.3
Partners Group Global Infrastructure 2012	2013	€45.0	€37.1	€7.9	£6.7
Partners Group Real Estate 2014	2013	\$64.0	\$46.5	\$17.5	£13.3
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	£21.8
Partners Group Real Estate Secondary 2013	2013	\$65.0	\$46.8	\$18.2	£13.8
HarbourVest Dover Street VIII Cayman Fund LP	2013	\$30.0	\$27.6	\$2.4	£1.8
HarbourVest Partners IX - Cayman Buyout Fund	2013	\$60.0	\$51.2	\$8.9	£6.7
HarbourVest Partners IX - Cayman Venture Fund	2013	\$30.0	\$28.5	\$1.5	£1.1
Antin Infrastructure Partners II	2013	€24.0	€20.9	€3.1	£2.6
HarbourVest Partners 2013 Cayman Direct Fund LP	2014	\$30.0	\$29.0	\$1.0	£0.7
Lexington Capital Partners VIII	2014	\$30.0	\$27.3	\$2.7	£2.0
Infracapital Partners II	2014	£19.6	£18.4	£1.2	£1.0
HarbourVest International Private Equity Partners VII - Partnership	2014	\$70.0	\$59.9	\$10.2	£7.7
Neuberger Berman Crossroads Fund XX	2014	\$26.0	\$19.6	\$6.4	£4.9
Coller International Partners VII	2015	\$45.0	\$31.2	\$13.8	£10.4
HarbourVest Partners X - AIF Buyout Fund	2015	\$50.0	\$34.3	\$15.8	£12.0
HarbourVest Partners X - AIF Venture Fund	2015	\$25.0	\$22.1	\$2.9	£2.2
HarbourVest Dover Street IX LP	2016	\$30.0	\$25.2	\$4.8	£3.6
Partners Group Direct Infrastructure 2015	2016	\$140.0	\$109.2	\$30.8	£23.4
HarbourVest Partners Co-Investment Fund IV AIF	2016	\$30.0	\$27.9	\$2.1	£1.6
Aberdeen UK PRS Opportunities LP	2016	£60.0	£52.1	£7.9	£7.9
Pantheon Access EUR 2016	2017	€24.3	€15.5	€8.8	£7.4
Pantheon Access USD 2016	2017	\$65.0	\$55.0	\$10.0	£7.6
HIPEP VIII Partnership Fund	2017	\$80.0	\$43.0	\$37.0	£28.1
Infracapital Greenfield Partners I	2017	£20.0	£14.1	£5.9	£5.9
Pantheon Global Infrastructure III	2017	\$55.0	\$39.0	\$16.0	£12.2
Pantheon Global Infrastructure III (former NCC)	2017	\$54.0	\$38.5	\$15.5	£11.8
Infracapital Partners III	2017	£20.0	£16.2	£3.8	£3.8
Partners Group Real Estate Secondary 2017	2017	\$135.0	\$78.3	\$56.7	£43.0
Pantheon Access USD 2017	2017	\$65.2	\$41.3	\$23.9	£18.2
HarbourVest Partners XI	2018	\$100.0	\$54.0	\$46.1	£35.0
Lexington Capital Partners IX	2018	\$70.0	\$44.1	\$25.9	£19.7
Pantheon Access EUR 2018	2018	€50.0	€18.3	€31.7	£26.8
Pantheon Access USD 2018	2018	\$120.0	\$88.3	\$31.7	£24.1
HarbourVest Partners Co-Investment V Feeder AIF	2018	\$70.0	\$63.0	\$7.0	£5.3
AMP Global Infrastructure II	2018	\$55.0	\$42.0	\$13.0	£9.9

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Partners Group Real Estate Opportunities 2019	2018	\$380.0	\$113.4	\$266.6	£202.5
Partners Group Global Value Real Estate 2019	2018	€165.0	€87.6	€77.4	£65.4
HPS Core Senior Lending Fund	2018	\$250.0	\$224.9	\$25.1	£19.0
Pemberton European Debt Investments Jersey II	2018	£190.0	£163.1	£26.9	£26.9
Hearthstone Residential Fund I	2019	£60.0	£60.0	£0.0	£0.0
Coller International Partners VIII	2019	\$80.0	\$22.2	\$57.8	£43.9
Border to Coast Private Equity S1A	2019	£80.0	£39.8	£40.2	£40.2
HarbourVest Dover Street X	2019	\$80.0	\$41.6	\$38.4	£29.2
Border to Coast Infrastructure S1A	2019	£60.0	£24.0	£36.0	£36.0
Partners Group Global Infrastructure 2018	2019	€110.0	€53.5	€56.5	£47.7
Border to Coast Private Debt S1A&B	2019	£160.0	£59.2	£100.8	£100.8
Pantheon Private Debt PSD II	2019	\$200.0	\$74.3	\$125.7	£95.5
Border to Coast Private Equity S1B	2020	£120.0	£36.1	£83.9	£83.9
Border to Coast Infrastructure S1B	2020	£90.0	£21.5	£68.5	£68.5
Hearthstone Residential Fund II	2020	£30.0	£4.6	£25.4	£25.4
Border to Coast Private Equity S1C	2021	£350.0	£48.2	£301.8	£301.8
Border to Coast Infrastructure S1C	2021	£150.0	£73.3	£76.8	£76.8
Border to Coast Private Debt S1C	2021	£350.0	£38.3	£311.7	£311.7
Partners Group Direct Infrastructure 2020	2022	£70.0	£15.8	£54.3	£41.2
Partners Group Real Estate Secondary 2021	2022	£280.0	£28.0	£252.0	£191.4
Border to Coast Private Equity S2A	2022	£225.0	£0.0	£225.0	£225.0
Border to Coast Infrastructure S2A	2022	£250.0	£0.0	£250.0	£250.0
Border to Coast Private Debt S2A	2022	£300.0	£0.0	£300.0	£300.0
Border to Coast Climate Opportunities S2	2022	£465.0	£0.0	£465.0	£465.0
Henley Secure Income PUT	2022	£40.0	£10.0	£30.0	£30.0
CBRE UK Affordable Housing Fund	2022	£70.0	£0.0	£70.0	£70.0
<b>Total outstanding commitments</b>					<b>£3,663.6</b>

The Sterling figures for these outstanding commitments are based on the closing exchange rates on 31 March 2022. The total outstanding as at 31 March 2022 was £3,663.600m.

### 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 six 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, A. Donaldson, R. Dix, J. Price, R. Goldsworthy, and J. Foreman. The Chair of the Pensions Committee, A. Walsh, and Committee members R. Dodd, G. Haley, M. Peacock and G. Thompson are deferred members of the Fund.

The Chair of the Pensions Committee, A. Walsh, is as 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.

#### Employers

During 2021/22 South Tyneside Council, had related party transactions with the Fund totalling £0.740m (£0.914m in 2020/21), analysed as follows:

## Section 7 – Tyne and Wear Pension Fund Statements

- South Tyneside Council charged the Fund £0.670m (£0.878m in 2020/21) in respect of services provided, primarily being, legal, financial, information technology services and building costs.
- The Fund charged South Tyneside Council £0.070m (£0.070m in 2020/21) 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.

2020/21		2021/22
£m		£m
0.267	Short term benefits	0.335
0.047	Post-employment benefits	0.059
<b>0.314</b>	<b>Total</b>	<b>0.394</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 2021/22 the Fund has recognised an impairment loss of £0.001m (£0.105m in 2020/21) 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 2019 these were valued by the actuary at £11,763.100m.

This figure was calculated using the following information supplied by the actuary. These are taken from the report: Whole of Pension Fund Disclosures under IAS 26 – Tyne and Wear Pension Fund – 5 June 2020. A full copy is available on request.

### 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.

## Section 7 – Tyne and Wear Pension Fund Statements

	Value as at 31 March 2019	Value as at 31 March 2016
	£m	£m
Fair value of net assets	8,788.100	6,427.400
Actuarial present value of the promised retirement benefits (see notes)	11,763.100	8,657.300
Deficit in the Fund as measured for IAS 26 purposes	(2,975.000)	(2,229.900)

### McCloud / Sargeant judgement

The actuarial present value of the defined benefit obligation at 31 March 2019 includes an estimated liability in relation to the McCloud/Sargeant judgement of £112.400m.

The McCloud/Sargeant judgement (December 2018) found that the transitional arrangements put in place when the firefighters' and judges' pension schemes were reformed constituted illegal discrimination. The Government has since committed to compensate members of all public service schemes who were illegally discriminated against. In relation to the LGPS in England and Wales all members joined the new 2014 Scheme for membership after 1 April 2014, but members within 10 years of normal retirement were given an underpin (or 'better of both') promise, so their benefits earned after 1 April 2014 would be at least as valuable in terms of amount and when they could be drawn, as if they had remained in the 2008 Scheme.

The remedy for the LGPS is expected to be consulted upon in the summer. The additional liability included within this note assumes the underpin will be extended to cover all members who were actively participating in the Scheme on 1 April 2012 (and not just those within 10 years of retirement) and will apply on retirement or the date of leaving service if earlier.

### Equalisation and Indexation of Guaranteed Minimum Pensions

The actuarial present value of the defined benefit obligation includes an estimated liability in relation to the equalisation and indexation of Guaranteed Minimum Pensions (GMPs) beyond the arrangements already formally in place, which apply to members whose State Pension Age (SPA) is between 6 April 2016 and 5 April 2021 inclusive. Those arrangements require the LGPS to pay pension increases on GMPs at the full rate of CPI for those members, whereas GMP legislation only requires limited price increases to be applied. The additional liability included within this note assumes those arrangements for fully indexing GMPs will be extended to members whose SPA is after 5 April 2021. This has increased the defined benefit obligation by in the region of 0.1% to 0.2%.

### Cost Management Process

The actuarial present value of the defined benefit obligation does not allow for any potential additional liability which may arise from the cost management valuations.

Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable.

HM Treasury and the SAB have paused their reviews following the 'McCloud' judgement in the Court of Appeal. The cost cap process will not recommence until the remedy as applies to the LGPS has been decided.

## Section 7 – Tyne and Wear Pension Fund Statements

On 24 April 2020 a number of Trades Unions filed court proceedings to challenge the Government's decision to pause the cost management process. If successful this could lead to higher liabilities and employer costs although it is not yet known how such changes, and those required due to the McCloud case, will affect the cost management valuation due as at 31 March 2020 which it is expected would lead to changes in benefits and/or member contributions in future.

The principal assumptions used by the actuary were:

	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2016
	(% per annum)	(% per annum)
Discount rate	2.4	3.4
CPI inflation *	2.2	1.8
Rate of general increase in salaries **	3.7	3.3

\* In excess of Guaranteed Minimum Pension increases in payment where appropriate

\*\* 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 analysis carried out as part of the 2019 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 <sup>st</sup> March 2019	31 <sup>st</sup> March 2016
<b>Males</b>		
Future lifetime from age 65 (currently aged 65)	21.8	23.0
Future lifetime from age 65 (currently aged 45)	23.4	25.2
<b>Females</b>		
Future lifetime from age 65 (currently aged 65)	24.9	26.5
Future lifetime from age 65 (currently aged 45)	26.7	28.8

Different mortality assumptions have been used for other categories of member as set out in the actuary's report on the 2019 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 2019 valuation of the Fund, which are detailed in the actuary's valuation report.

### 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).

## Section 7 – Tyne and Wear Pension Fund Statements

- 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 2019 the Fund's assets are likely to have fallen in value due to the emerging Covid-19 crisis. This crisis has also caused a reduction in corporate bond yields, which will have led to an increase in the value of the defined benefit obligation (liabilities) on an accounting basis. The impact on the net pensions asset will depend on the Fund's asset performance, but we would expect most LGPS Funds' IAS 26 balance sheet positions to have deteriorated over the year, with a higher IAS 26 deficit at 31 March 2020. It is too early to say what impact the higher rates of mortality will have on the funding position of the Fund. At time of writing, ONS data is showing that the cumulative deaths in 2020 to date are well outside the range of the outcomes seen in recent years. The impact on longevity for the Fund's members will additionally be affected by the indirect impact of Covid-19, including the health of the surviving population, and the economic, social and political consequences of tackling Covid-19. In both of the above cases, the impact on longevity could be positive or negative.

### 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 by 1 year. In each case, only the assumption mentioned is altered; all other assumptions remain the same.



## Section 7 – Tyne and Wear Pension Fund Statements

### 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	-241.8	246.9
% change in present value of defined benefit obligation	-2.1%	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	31.6	-31.2
% change in present value of defined benefit obligation	0.3%	-0.3%

#### 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	215.3	-210.6
% change in present value of defined benefit obligation	1.8%	-1.8%

#### Post retirement mortality assumption

Adjustment to members' life expectancy	- 1 year	+ 1 year
	£m	£m
£ change to present value of the defined benefit obligation	-449.6	452.1
% change in present value of defined benefit obligation	-3.9%	3.9%

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 £0.030m in the year to 31 March 2022 (£0.029m in 2020/21). These have been included within Oversight and Governance Costs included in note 11.

The Fund is audited by Ernst and Young LLP who received a fee of £0.027m (£0.027m in 2020/21) for carrying out this audit, they received no additional income (£0.008m 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 11.

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.

## 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:

## Section 7 – Tyne and Wear Pension Fund Statements

### 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 US equity market was the strongest performer and returned 16.1% during the year. This was followed by UK equities which were up by 13.0% and UK property which rose by 10.5%. At the other extreme, Emerging Market equities were down by 6.8% and UK gilts fell by 5.1%.

In this volatile environment the Fund's diversified investment structure produced a total return in 2021/22 of 7.0% (after adjusting for all fees and expenses), which was 1.8% above its benchmark return of 5.2%. Inflation as measured by the Consumer Prices Index (CPI), was up by 7.0% over the year. Average Earnings increased by 4.8%.

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 7.6% per annum (after fees and expenses), is above the benchmark return of 6.4% per annum. This is above both CPI at 3.4% per annum, and the increase in average earnings at 4.9% per annum.

The Fund's ten-year return is 9.2% per annum (after fees and expenses), which is also above the benchmark return of 8.1% per annum. This is above both CPI at 2.6% per annum, and the increase in average earnings at 3.6% per annum.

## 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.

## Section 7 – Tyne and Wear Pension Fund Statements

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

The Triennial Actuarial Valuation at 31 March 2022 was published on 31 March 2023. This valuation assesses the assets and liabilities for the Pension Fund and sets the employer contribution rates from 1 April 2023 for 3 years.

	31 March 2019	31 March 2022
	£ m	£ m
Net Liabilities	8,285.8	11,550.8
Assets	8,788.1	12,747.1
<b>Surplus</b>	<b>502.3</b>	<b>1,196.3</b>
Funding Level	106%	110%

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 results as at 31 March 2022 included in this note 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 Actuarial assumptions used to calculate the promised value of benefits at 31 March 2022 were:

#### Funding Assumptions

Pension Increase Rate (CPI) 2.3%

Salary Increase Rate 3.8%

Discount Rate 4.45%

# Section 7 – Tyne and Wear Pension Fund Statements

## Organisations Participating in the Fund as at 31 March 2022

### Councils

Gateshead Council  
Newcastle City Council  
North Tyneside Council  
Northumberland County Council  
South Tyneside Council  
Sunderland City Council

### Other Part 1 Scheduled Bodies

Academy 360  
Acer Learning Trust  
Aim High Academy Trust  
All Saints Academies Trust  
Aspire North East Multi Academy Trust  
Balmoral Learning Trust  
Barnes Academy Trust  
Barnwell Academy Trust  
Beacon of Light School  
Berwick Academy  
Biddick Academy Trust  
Bishop Bewick Catholic Education Trust  
Bishop Chadwick Catholic Education Trust  
Bishop Wilkinson Catholic Education Trust  
Brighter Academy Trust  
Castle View Enterprise Academy  
City of Sunderland College  
Consilium Academies  
Cramlington Learning Village  
Cramlington Village Primary School  
Dayspring Trust  
Diamond Hall Infant Academy  
Discover Learning Trust  
Discovery Learning Limited  
Emmanuel Schools Foundation  
Eppleton Academy Primary School  
Extol Academy Trust  
Former North East Regional Airport Committee  
Former Tyne and Wear County Council  
Former Tyne and Wear Residuary Body  
Gateshead College  
Gateshead Housing Company  
Gosforth Federated Academies Limited  
Grasmere Academy  
Grindon Hall Christian School  
Hadrian Learning Trust  
Holy Trinity Church of England Academy (South Shields) Trust  
Inspire Multi Academy Trust  
Iris Learning Trust  
Jigsaw Learning Trust  
Joseph Swan Academy  
Kenton School Newcastle  
Kibblesworth Academy  
Learning Matters Trust Limited  
Lord Lawson of Beamish Academy  
Meadowdale Academy  
Monkton Academy  
Monkton Infants School  
Monkwearmouth College  
NCG  
Newcastle East Mixed Academy Trust (NEAT)  
Newcastle Education Action Zone  
North East Learning Trust  
North Tyneside College  
North View Academy Trust  
Northern Lights Learning Trust  
Northumberland Church of England Academy  
Northumberland Magistrates Court  
Northumberland National Park Authority  
Northumbria Police Authority  
Northumbria University  
Oak Learning Trust  
Our Lady of Mercy Catholic Education Trust  
Pele Trust  
Police and Crime Commissioner for Northumbria  
Ponteland Academy Trust  
Prosper Learning Trust  
Redby Primary Academy

### Other Part 1 Schedule Bodies (continued)

Red House Academy  
River Tees Multi Academy Trust  
Riverside Primary Academy  
Ryhope Infant School Academy  
Smart Multi Academy Trust  
South Tyneside Education Action Zone  
South Tyneside Homes  
St Aidan's Education Trust  
St Cuthbert's Catholic High School  
St Joseph's Catholic Education Trust  
St Mary's Catholic School Trust  
Sunderland Education Action Zone  
The Ascent Academies Trust  
The Cedars Academy Trust  
The Chief Constable for Northumbria  
The Durham, Gateshead, South Tyneside and Sunderland Combined Authority  
The Eden Academy  
The Illuminaire Multi Academy Trust  
The Laidlaw Schools Trust  
The Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority  
The Northern Education Trust  
The Three Rivers Learning Trust  
Trinity Academy Newcastle  
Tyne and Wear Fire and Rescue Service  
Tyne Coast Academy Trust  
Tyne Coast College  
Tyne Community Learning Trust  
Tyne Metropolitan College  
Tynemouth College  
University of Sunderland  
Valour Multi Academy Trust  
Vision Learning Trust  
Wearside College  
West Newcastle Academy  
Whickham School and Sports College  
Whitburn Church of England Academy  
Wise Academies  
Woodard Academies Trust  
XP School Trust Limited (Gateshead)  
Your Homes Newcastle

### Part 2 Scheduled Bodies

Ashington Town Council  
Birtley Town Council  
Blue Square Trading Limited  
Care and Support Sunderland Limited  
Castle View Fitness Centre  
Choppington Parish Council  
Corbridge Parish Council  
Hexham Town Council  
Illuminaire Business Services Limited  
Learning World  
Morpeth Town Council  
Neat Active Limited  
Newbiggin by the sea Town Council  
Nexus  
Northumberland Inshore Fisheries & Conservation Authority  
Northumbria University Nursery Limited  
Ponteland Town Council  
Regent Funeral Services  
Seaton Valley Community Council  
Sunderland Care and Support Limited (SCSL)  
Sunderland Live Limited  
The Intraining Group Limited  
Together For Children  
University of Sunderland London Campus Limited  
Victims First Northumbria  
West Bedlington Town Council  
Zero Carbon Futures (North) Limited

# Section 7 – Tyne and Wear Pension Fund Statements

## Admitted Bodies

Action for Children  
Active Northumberland  
Age Concern Newcastle  
Age UK Northumberland  
Assessment and Qualification Alliance  
Aramark Limited  
Association of North East Councils  
Azure Business Centres Limited  
Balfour Beatty Living Places Limited  
Baltic Flour Mills Visual Arts Trust  
Barnardo's Services Ltd  
Bell Decorating Group Limited  
Benton Grange School  
Benwell Young Peoples Development Project  
Bernica Group (Berwick Housing)  
Bernica Group (Wansbeck Housing)  
Brunswick Young Peoples Project  
BT South Tyneside Limited  
Bullough Contract Services (Ryton)  
Bullough Contract Services (Southmoor)  
Bullough's Cleaning Services  
Bullough's Cleaning Services (Mulpile Schools)  
Byker Community Trust  
Capita Property and Infrastructure Limited  
Carillion Services Limited (Jarrow School)  
Carillion Services Limited (Lord Lawson Academy)  
Carillion Integrated Services Limited (NEFRA)  
Carillion Services Limited (SSCS)  
Castle Morpeth Housing  
Catholic Care North East  
CBS Outdoor Limited  
  
Child Care Enterprise Limited  
  
Churchill Contract Services Limited (Parkhead)  
Compass Contract Services (UK) Ltd (Whickham School)  
Compass Contract Services (UK) Ltd (Lord Lawson of Beamish Academy)  
Compass Contract Services Ltd (Hilton Primary)  
Compass Contract Services Ltd (Red House Academy)  
Compass Contract Services Ltd (Thomas Hepburn and Thorp Academies)  
Compass Group UK and Ireland  
Compass Trading (UK) Limited  
Dataspire Solutions Limited  
DB Regio Tyne and Wear Limited  
Disability North  
Energieo Limited  
Engie Buildings Limited  
Engie Services Limited (N Tyneside)  
Engie Services Limited (PB)  
Feversham School  
Gateshead Law Centre  
Gentoo Group Limited  
Greenwich Leisure Limited  
Groundwork South Tyneside and Newcastle  
  
Hebburn Neighbourhood Advice Centre  
Higher Education Funding Council for England  
Hutchinson Catering Limited (George Stephenson)  
Information North (North Regional Library System)  
Insitu Cleaning  
International Centre for Life  
Involve North East  
Jarvis Accommodation Services Limited  
Jarvis Workspace Facilities Management Limited  
Karbon Homes  
Karbon Homes Limited (Byker)  
Kenton Park Sports Centre  
KGB Cleaning and Support Services Limited  
Kier North Tyneside Limited  
Lovell Partnership Limited  
Maxim Facilities Management Ltd (S Tyneside)  
Maxim Facilities Management Limited (Harton Academy)  
Mears Limited  
Milecastle Housing  
Mitie Cleaning (North) Limited  
Mitie PFI Limited (Boldon School)  
Mitie PFI Limited (North Tyneside)  
Morrison Facilities Services Limited 1  
Morrison Facilities Services Limited 2  
Morse  
Museums Libraries and Archives North East  
National Car Parks  
National Glass Centre  
Newcastle Family Service Unit  
Newcastle Gateshead Initiative Limited  
Newcastle Healthy City Project  
  
Newcastle International Airport  
  
Newcastle Tenants and Residents Federation  
Newcastle Tenants Federation  
  
Newcastle Theatre Royal Trust Limited  
  
Newcastle West End Partnership  
Newcastle Youth Congress  
  
No Limits Theatre Company  
  
Norcare  
Norland Road Community Centre  
North Country Leisure  
North Country Leisure 2  
North East Innovation Centre  
North East Law Centre  
North East Metro Operations Limited  
North East Regional Employers Organisation  
North Tyneside City Challenge  
North Tyneside Disability Advice  
Northern Arts Association  
Northern Council for Further Education  
Northern Counties School for the Deaf  
Northern Grid for Learning

## Section 7 – Tyne and Wear Pension Fund Statements

### Admitted Bodies (continued)

Northumberland Aged Miners Association  
Northumberland Care Trust  
Northumbria Tourist Board  
Northumbria Healthcare NHS Foundation Trust  
OCS Group UK Limited (Jarrow)  
OCS Group UK Limited (SSCS)  
One North East  
Orian Solutions Limited (Gateshead)  
Orian Solutions Limited (Newcastle)  
Orian Solutions Limited (ST Benet Biscop Academy)  
Orian Solutions Ltd (Washingwell Primary)  
Orian Solutions Ltd (Southmoor)  
Ouseburn Trust  
Parsons Brinkerhoff  
Passenger Transport Company  
Percy Hedley Foundation  
Port of Tyne Authority  
Praxis Service  
Property Management Integrated Services and Employment Company  
Queens Hall Arts Centre  
Raich Carter Sports Centre  
RM Education  
Remondis JBT Limited  
Robertson Facilities Management Limited  
Robertson Facilities Management Limited (Newcastle Phase 2)  
Scolarest (Newcastle Schools)  
Scolarest PFI (Baldon School)  
Search Project  
Simonside Community Centre  
S L M Community Leisure Charitable Trust  
S L M Fitness and Health Limited  
S L M Food and Beverage Limited  
Sodexo Limited  
Sodexo Limited (Tyne Coast)  
South Tyneside Football Trust  
South Tyneside Integrated Care Limited  
South Tyneside Victim Support  
St. Mary Magdalene and Holy Jesus Trust  
St. Mary the Virgin Hospital  
Stadler Rail Service UK Limited  
Stagecoach Services Limited  
Suez Recycling and Recovery LTD (Gateshead)  
Suez Recycling and Recovery LTD (Sunderland)  
Sunderland City Training and Enterprise Council  
Sunderland Empire Theatre Trust  
Sunderland Outdoor Activities  
Sunderland People First Co-operative Community Interest Company  
Sunderland Street Lighting Limited  
Taylor Shaw  
The Disabilities Trust  
The Human Support Group Limited  
The Ozanam House Probation Hostel Committee  
Thomas Gaughan Community Association  
TT2 Limited  
Tyne and Wear Archives and Museums Enterprises Limited  
Tyne and Wear Development Company Limited  
Tyne and Wear Development Corporation  
Tyne and Wear Enterprise Trust  
Tyne and Wear Play Association  
Tyne and Wear Small Business Service  
Tyne Waste Limited  
Tyneside Deaf Youth Project  
Tyneside Training and Enterprise Council  
Urban Green  
Valley Citizens Advice Bureau  
Walker Profiles (North East) Limited  
Wallsend Citizen Advice Bureau  
Wallsend Hall Enterprise Limited  
Woodhorn charitable Trust  
Workshops for the Adult Blind

The schedule includes organisations that are no longer in existence, but for which there remains a liability in 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.

#### Arm's Length Management Organisation

A procurement option involving the creation of a company to deliver housing services on behalf of the Council. Whilst the Council still retains some management control the company can pursue additional funding sources and so deliver more regeneration to the borough.

#### 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.

## Section 8 – Glossary of Financial Terms

### 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 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.



## Section 8 – Glossary of Financial Terms

### 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.

### 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.

## Section 8 – Glossary of Financial Terms

### **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.

### **Current Value**

The valuation assigned to operational property, plant and equipment so that measurement is based on service potential rather than fair value.

### **Curtailement**

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.

## Section 8 – Glossary of Financial Terms

### 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.

### 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.

## Section 8 – Glossary of Financial Terms

### 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.

### 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.

## Section 8 – Glossary of Financial Terms

### **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.

### **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.

## Section 8 – Glossary of Financial Terms

### 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 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.

## Section 8 – Glossary of Financial Terms

### 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.

### 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.



# Section 9 – Annual Governance Statement

## South Tyneside Council and Tyne and Wear Pension Fund

### Annual Governance Statement 2021/22

#### Introduction

1. Everything we do is focused around delivering our ambitious vision and Community Priorities, set out in 2021 by the Leader of the Council to provide a sharper focus on the shorter-term and recovery priorities for the Council in direct response to the Covid-19 pandemic.
2. To be successful it is essential that we have effective governance arrangements in place. This means effective leadership, clear direction, open and transparent decision-making and being held accountable for achieving the vision and priorities. These arrangements will ensure that we are resilient, and we identify, understand, manage and are able to withstand any risks that emerge which may impact on our community, our business or our reputation.
3. This document is the Council's Annual Governance Statement, which we are required by law to publish alongside our financial statements. It shows how the Council carries out its functions and the review of our governance arrangements to ensure these are effective in enabling us to carry out these functions. This statement also allows us to demonstrate to our community, the wider public and all stakeholders that the Council is run well.

#### Scope of responsibility

4. We recognise our responsibilities for ensuring 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 and putting arrangements in place to continuous improvement.
5. In discharging these responsibilities our Elected Members and officers are held accountable through our established arrangements for the governance of our affairs and the stewardship of the resources at its disposal.
6. To this end 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".
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.

#### The purpose of the governance framework

8. 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 those objectives have led to the delivery of appropriate, cost-effective services.
9. The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk and can therefore only provide



## Section 9 – Annual Governance Statement

reasonable and not absolute assurance. However, it is designed to identify and prioritise risks to achievement of our policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage these in an efficient, effective and economic way.

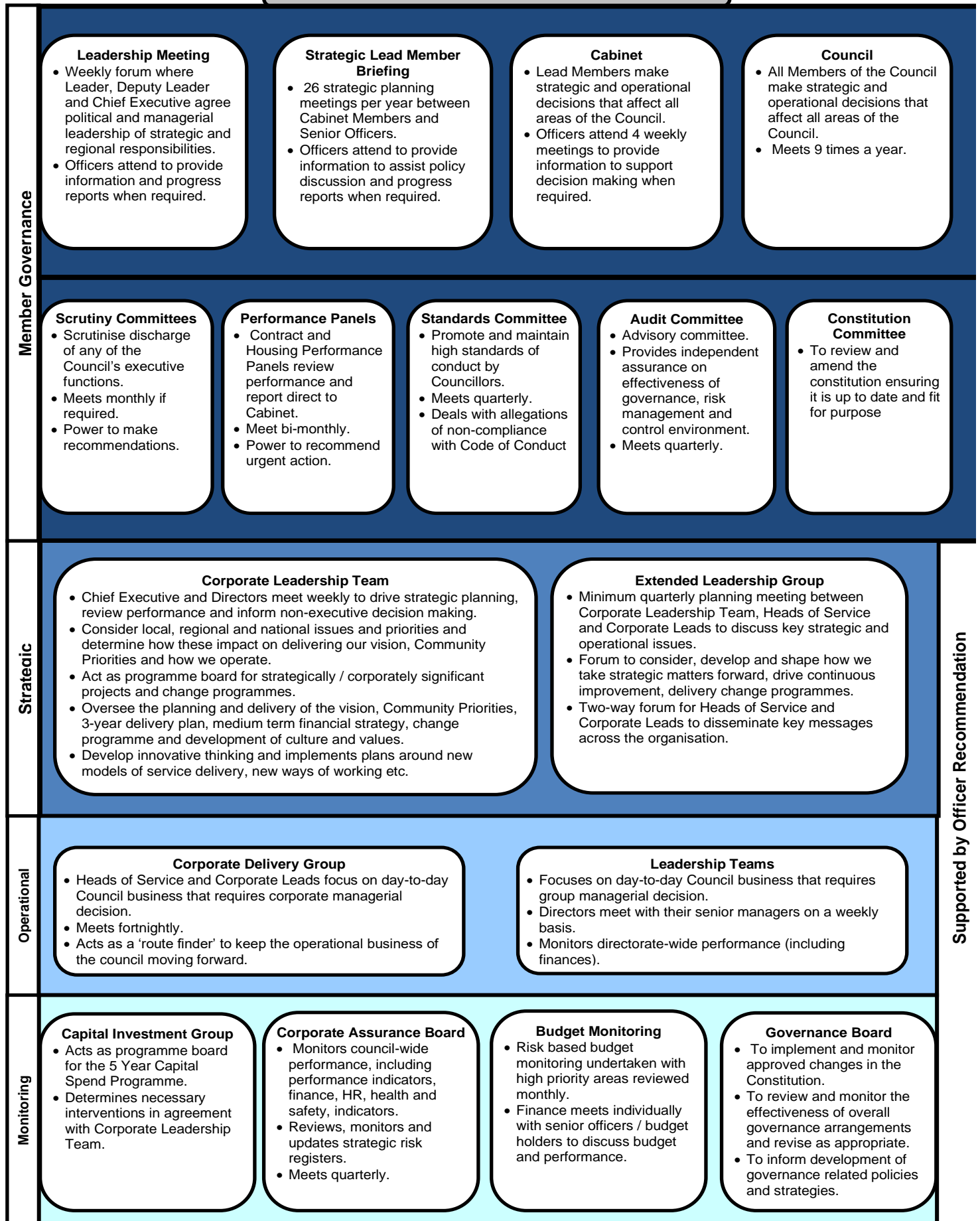
10. The governance framework has been in place throughout the financial year ending 31 March 2022 and up to the date of approval of the Statement of Accounts for 2021/22.

### The governance framework

11. We have 54 Councillors who are democratically accountable to residents of the Borough. Councillor Tracey Dixon is the Leader and appoints the Cabinet and Deputy Leader. The Cabinet is the main 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.
12. The Council's new Chief Executive, Jonathan Tew, took up post in August 2021. A revised senior management structure was implemented which provides certainty and stability across our statutory roles and provides rigour in our strategic planning and assurance frameworks around vulnerable people and governance.
13. Our services are now delivered through 6 directorates as follows:
- Business and Resources
  - Adult Social Care and Commissioning
  - Childrens Services
  - Public Health
  - Governance and Corporate Affairs
  - Regeneration and Environment
14. The Council's overarching governance arrangements at Member, strategic and operational levels and the associated monitoring arrangements are illustrated in the diagram on the next page.

# Section 9 – Annual Governance Statement

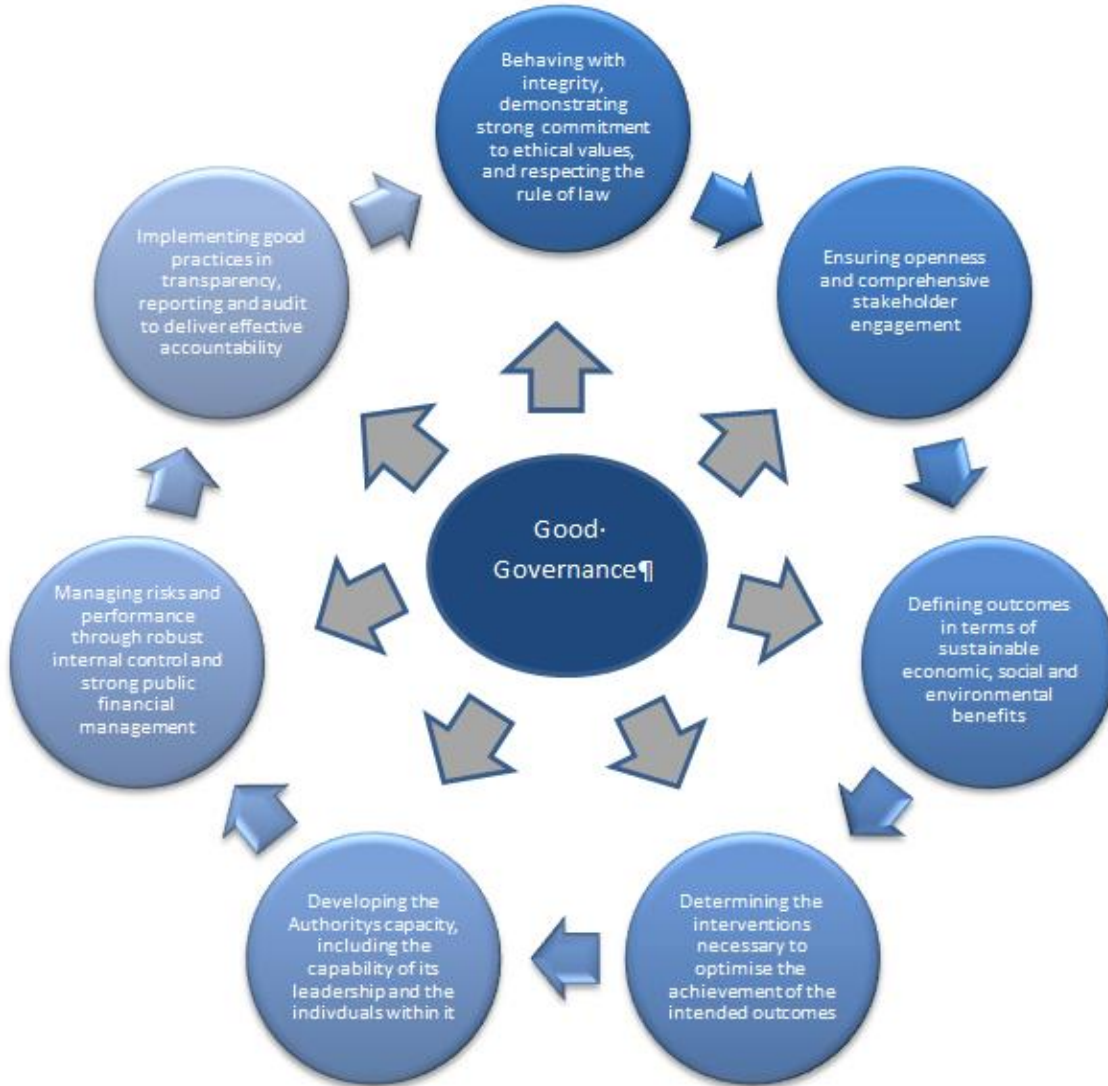
## Governance Arrangements: Shaped to Deliver



Supported by Officer Recommendation

## Section 9 – Annual Governance Statement

15. 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. This sets out the fundamental principles of corporate governance as shown in the following diagram:



16. Underpinning these principles CIPFA have identified the features that need to be in place for Councils to demonstrate that they comply with the framework. The next seven diagrams describe how the Council complies with the seven principles of good governance. In some cases these principles interrelate. They outline:
- the core principle,
  - what the Council is trying to achieve, and
  - the **key** policies, procedures and systems that the Council has put in place to ensure that it complies with the principles.
17. These diagrams reflect the key features of the Council's governance arrangements. The Council has a number of detailed policies and procedures to run its business which are available on the Council's website or on request.

# Section 9 – Annual Governance Statement

## CORE PRINCIPLE 1:

Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law



How does the Council demonstrate that this core principle is achieved?

- Our council values
- Constitution
- Members Codes of Conduct
- Member Induction Programme
- Elected Member Development Strategy
- Register of Interests, Gifts and Hospitality
- Standards Committee
- Procedure for dealing with complaints against members
- Monitoring Officer to ensure law is adhered to
- Proper Officer Roles
- Code of Corporate Governance
- Employees Code of Conduct
- Corporate Induction Programme
- Employment Procedure Rules
- Procurement Procedure Rules
- Financial Procedure Rules
- Access to Information Procedure Rules
- Information Security Policy
- Anti fraud and corruption arrangements inc Counter Fraud Strategy
- Speakout Policy (whistleblowing)
- Complaints Procedure

## CORE PRINCIPLE 2:

Ensuring openness and comprehensive stakeholder engagement



How does the Council demonstrate that this core principle is achieved?

- Council Vision and Strategy
- Council Annual Report
- Borough Council and other meetings held in public wherever possible
- Borough Council meetings streamed live
- Agendas, reports and minutes of meetings published online
- Member Surgeries
- Community Area Forums
- Performance Management Framework
- External inspections, consultations, peer reviews
- Accounts published annually
- Transparency Code
- Freedom of Information Scheme
- Complaints Procedure
- Key decisions process

# Section 9 – Annual Governance Statement

**CORE PRINCIPLE 3:**  
Defining outcomes in terms of sustainable economic, social and environmental benefits



How does the Council demonstrate that this core principle is achieved?

- Refresh of the Council vision and preparation work for new Council Plan
- Community Priorities
- Medium Term Financial Plan
- Service Plans
- Performance Management Framework
- South Tyneside Partnership
- Treasury Management Strategy
- Procurement
- Capital Strategy
- Economic Recovery Plan
- Sustainable South Tyneside Strategy
- All key baseline data in one place

**CORE PRINCIPLE 4:**  
Determining the interventions necessary to optimise the achievement of the intended outcomes



How does the Council demonstrate that this core principle is achieved?

- Risk Management Framework
- Performance Management Framework
- Key decision process
- Corporate Assurance Board
- Governance Board
- Scrutiny Committee
- Committee Structures
- Accurate Management Data

# Section 9 – Annual Governance Statement

## CORE PRINCIPLE 5:

Developing the Authority's capacity, including the capability of its leadership and the individuals within it



How does the Council demonstrate that this core principle is achieved?

- Induction Training
- Members Induction and Training
- Job Descriptions
- Organisational Development Strategy
- Wellbeing Strategy
- Employee Performance Management
- Corporate Training Programme
- Managers Toolkit
- Succession Planning Programme
- Occupational Development Strategy
- Occupational Health

## CORE PRINCIPLE 6:

Managing risks and performance through robust internal control and strong public financial management



How does the Council demonstrate that this core principle is achieved?

- Risk Management Framework
- Strategic Risk Register maintained by Corporate Assurance Board
- Operational risk management within service areas
- Performance Management Framework
- Scrutiny Committees
- Policies and procedures
- Internal Audit
- Data Protection Officer
- Regularly share key tips around cyber awareness and data protection to supplement formal training
- Medium Term Financial Plan
- Regular budget monitoring
- Service and service continuity plans
- Counter Fraud Strategy
- Speak Out Policy (whistleblowing)
- External Audit
- Audit Committee
- Accounts published annually

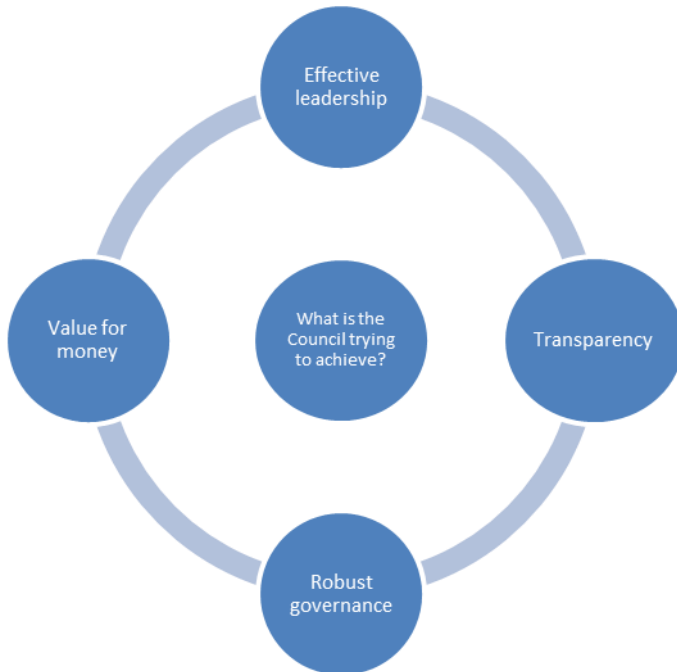


## Section 9 – Annual Governance Statement

### CORE PRINCIPLE 7:

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

How does the Council demonstrate that this core principle is achieved?



- Committee Reports
- Freedom of Information
- Transparency reporting
- Accounts published annually
- Annual Governance Statement
- Audit Committee
- Internal Audit
- Peer Review

### Review of effectiveness

18. We have a responsibility to conduct, at least annually, a review of the effectiveness of our governance framework which includes the system of internal control. The review of effectiveness was carried out by the Governance Board which includes the Chief Financial Officer, Monitoring Officer and deputies, Data Protection Officer and Head of Internal Audit.

19. We have adopted best practice and our approach to this review was as follows:

- Establishing statutory obligations and organisational objectives.
- Identifying key risks to achievement of these obligations and objectives.
- Identifying and evaluating key controls and actions taken to mitigate and manage these risks.
- Obtaining assurances on the effectiveness of key controls.
- Evaluating assurances received and identifying any gaps in controls / assurance.
- Developing an action plan to address any identified weaknesses.
- Producing the Annual Governance Statement.
- Report to Audit Committee (for approval) and to General Purposes Committee (supporting the approval of the financial statements).

# Section 9 – Annual Governance Statement

## Sources of assurance

20. We have identified sources of assurance that enable us to review effectiveness of our governance arrangements and confirm that they are operating adequately. We have also identified areas for improvement where we feel our arrangements do not provide us with the required assurances. The key areas of assurance are detailed below.

## Corporate Assurance

21. Back in March 2020, when the first UK lockdown was announced, the impacts of the UK's exit from the EU were beginning to resonate with local businesses. The combination of these two major events led to one of the biggest challenges the Council has ever faced. During the pandemic especially, the Council was pivotal in implementing Government policy at pace and coming up with innovative local solutions to protect the health, wellbeing and livelihoods of local people and businesses. In South Tyneside, we set up brand new services, re-prioritised, re-focused our services and worked around the clock to meet new and changing demands, whilst continuing to provide many essential and statutory services within a context of significant uncertainty and workforce pressures.
22. Throughout 2021/22 we have continued to effectively deliver services to our residents. We have continued to adapt and improve our working practices as restrictions have changed and lessons have been learned. In many instances these will become our 'new normal' around how we deliver services or operate. Our emergency response co-ordination and decision-making continued through our gold, silver and bronze governance structure as appropriate during the year.
23. Our updated medium-term financial plan reflects financial modelling around financial pressures and longer-term impacts of the pandemic and taking account of continued additional Government funding received.
24. The Council and its Committee met throughout the year with public meetings recommencing in May 2021. The Committee structure ensures that strategic and key operational decisions are made with appropriate oversight and scrutiny.
25. Officer governance arrangements have been strengthened during the year. The new Chief Executive took up post in August 2021 and implemented a revised senior management structure which provides certainty and stability across our statutory roles and provides rigour in our strategic planning and assurance frameworks around vulnerable people and governance. As part of this the Monitoring Officer led a new directorate, Governance and Corporate Affairs to provide renewed focus on our governance arrangements.
26. We have embarked on a journey to refresh the 20 Year Vision for South Tyneside and will have a clear plan setting out what we will do to achieve this over the next three years. We are committed to are working with local people and businesses, employees, and key partner organisations to build an underpinning evidence base of data, intelligence, and insight to shape our top priorities for South Tyneside and inform our future plans.
27. We commissioned a Local Government Association Corporate Peer Challenge to undertake a review and give us a position statement as to where we are as an organisation to inform this process. The review found that the Council's services are



## Section 9 – Annual Governance Statement

performing well and that there is a clear pride in the local area and its many assets, and that there is a shared ambition across the Council to make a difference for residents, businesses, and stakeholders. The Council responded well to the pandemic and there are many examples of employees going ‘above and beyond’ to support residents. The Council has faced a challenging few years, which includes managing the pandemic as well as some internal events, and good progress has been made with regards to the Council’s governance arrangements.

28. The ‘Our Council’ Change Programme, which is our response to the Peer Challenge recommendations and feedback we heard during our period of review and reflection, has been developed to help enable the Council to move forward in a positive, coordinated and structured way, working with key stakeholders. The programme will help strengthen the Council’s foundations and help the Council to modernise and strengthen how the Council makes decisions, manages its resources, and supports employees and elected members to deliver exceptional services for residents. The programme will impact all employees and elected members and how we work. It’s structured around five core themes: Vision, Organisation Development, Resources, Governance and Capacity.
29. The Council have also established a 12 Month Delivery Plan that clearly sets out all the key things the Council will be delivering over the coming year, in addition to the huge amount of ‘business as usual’ services that we provide year in and year out.
30. The Leadership Team, consisting of the Leader, Deputy Leader, Chief Executive and directors, and Corporate Leadership Team, consisting of the Chief Executive and directors meet on a regular basis to discuss key strategic and operational issues. Executive decisions are taken by Cabinet or full Council in line with the scheme of delegation. However, these are subject to appropriate scrutiny and challenge by officers, through forums such as directorate leadership teams and Corporate Delivery Group, and members through forums such as Lead Member Briefing and overview and scrutiny committees.
31. The Governance Board and Corporate Assurance Board, our key officer groups which consider governance arrangements and assurance matters, have met on a regular basis. Between them the groups determine improvements to governance arrangements, maintain and manage the Strategic Risk Register, review and challenge performance etc. During 2021/22 these groups have driven a review of our corporate approach to risk management which will formalise and enhance existing arrangements.
32. Performance reports to Corporate Assurance Board provide a holistic view of performance across the Council covering areas including key performance indicators, financial and staffing performance, health and safety, freedom of information, data protection and complaints.
33. There are robust financial governance processes in place to set and monitor budgets with cost pressures and savings factored into budgets. We have a track record of delivering savings with 81% of the 2021/22 budget savings achieved and the bulk of the remainder expected to be delivered in future years. The comparative figure for 2020/21 was 56%, due to the impact of the pandemic with shortfall effectively covered by additional Government funding, and for 2019/20 was 87%.

## Section 9 – Annual Governance Statement

34. The CIPFA resilience index provides a range of financial sustainability measures such as reserve levels and trends, dependency upon Government grant etc. Applying the measures in the index the Council compares favourably with other authorities that have a similar population demographic.
35. There is an agreed affordable Capital Programme for 2022-27. The Council has a track record of delivering the programme within budget and timescales.
36. Internal Audit conclude that, on the whole there is a sound system of control in place across the Council although there are some areas where controls are not consistently applied or fully effective. We also continue to receive an unqualified opinion on our financial statements from the external auditors.
37. Our control and risk management framework are monitored regularly through the Audit Committee.
38. We have an Organisational Development Strategy in place to support effective succession planning and ongoing talent management. We have undertaken an extensive review of these arrangements during the year as we look to refresh and enhance our organisational development plans encompassing culture, values, member development, equality, diversity and inclusion etc.
39. We completed an Employee Wellbeing Survey which provided a broadly positive picture with 70% of respondents saying the Council is a great place to work, 74% feeling a sense of achievement for the work they do and 86% feeling trusted to get on with their job.
40. Absence monitoring and reporting procedures are in place, with absence clinics being facilitated in services where absence rates are high and stress-related absences regularly reviewed to ensure appropriate support is offered, including through our dedicated Occupational Health team. We continued to promote uptake of Covid-19 vaccines and how to access has been promoted as well as ensuring the availability of lateral flow testing for key workers. This has been supported by rigorous Covid-19 related risk-assessments on workplace settings.
41. Our Modern Workplace Programme underpinned by the planned adoption of new digital tools to support collaborative, efficient and flexible working, is now established. We have seen enhancements to employee productivity through refreshed mobile-working technology and introducing new digital tools and products. We continue to rationalise workspaces and have introduced 'drop down' zones, hybrid meeting room etc to enable us to use our accommodation in much more flexible ways.
42. A health and safety governance framework is in place. Senior officers and trade unions attend directorate health and safety meetings which include robust incident, accident 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.
43. Lone working procedures (governing training, risk assessments, sharing intelligence on potentially violent clients, and protocol for raising alarm in the event of an incident) are continually being reviewed. Training and lone working devices have been offered to all Elected Members and provided to those who have requested it. Safety and security for Council staff and elected members within Council facilities continues to be reviewed on an ongoing basis.

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44. Robust emergency planning arrangements are in place. A range of appropriate staff participate in emergency planning and strategic and tactical response training on a regular basis.
45. We have increased resourcing, strengthened technical measures and ICT infrastructure and improved governance around managing risks associated with cyber security. ICT disaster recovery plans are in place, tested and kept under constant review. Our staff and members also receive regular guidance and training around cyber awareness, cyber security, information security and data protection.
46. Business Continuity Plans are in place for all services with critical functions and an overarching Corporate Business Continuity Plan is under development.

### Assurances

47. Our Covid Leadership Board continued to meet weekly to oversee the continuing response to the pandemic including support in the care sector, monitoring risks to maximizing vaccine take-up, reduce infection rates and the impact of Covid-19 on service delivery. It was supported by a Health Protection Board on relevant matters.
48. Strengthened governance has been put in place to support a new domestic abuse strategy aimed at tackling the historic and continued high incidence of such abuse within the Borough. The Domestic Abuse Partnership Board will adopt a whole system approach to ensure appropriate support but also work with perpetrators.
49. Children's Services received an overall judgement rated of Good by Ofsted at its last inspection. Work continues with regional local authorities as part of the Tyneside Alliance (Partners in Practice programme). Monthly Director Children's Services and Director Adult Services assurance meetings and monthly performance clinics also take place to review and challenge performance using independent data.
50. The statutory Safeguarding Partnership provides assurance that local safeguarding measures are in place and effective as defined by statutory guidance covering both adults and children. The Partnership works closely with a number of member agencies.
51. There are a number of strategies and plans in place to continue to manage demand. Within Adult Social Care the Accommodation Strategy and Help to Live at Home Model are two key projects critical to managing demand and our "Let's Talk Together" approach is helping to focus upon the strengths and assets of individuals and developing associated professional practice. For Children's Services investment in the Edge of Care Service is reducing the number of 11-15 year olds entering the system, the Children's and Complex Services Panel is overseeing placements and we are embedding our family hubs. We have also obtained capital funding to build an assessment centre and new children's homes.
52. The statutory Health and Wellbeing Board monitors improvements in health inequalities and our Health and Well-Being Strategy is being refreshed. There are performance mechanisms in place to monitor and measure progress. Some key pieces of work to improve health inequalities include development of Best Start in Life Model, misuse service, Alcohol Hard Reduction Strategy and Physical Activity Strategy.
53. Closer integration and joint working across the health and care system is led through the Alliance Executive Committee adopting the principles of alliancing. Formal

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governance covering commissioning and resourcing decisions across the health care system within the Borough of South Tyneside continues to develop in response to the Government White Paper – “Working Together to Improve Health”.

54. We are progressing and delivering our bold and ambitious Economic Recovery Plan for the Borough which is focused on the climate change emergency, the coronavirus (COVID-19) pandemic, our long-standing structural barriers to growth and the EU exit. It presents the key economic drivers of our recovery and a series of interventions to help us build the right conditions for future growth, with a major focus upon skills, green growth and inclusivity.
55. We have project governance in place for our key economic development and infrastructure projects such as the International Advanced Manufacturing Park (IAMP), redevelopment work in our town centres, strategic highways programme and the Housing Delivery programme. These include detailed risk assessments that are regularly reviewed and updated when necessary. Programmes such as IAMP and Holborn development are also supported by partnership boards bringing together the local authority and other partners.
56. Strategic partnership working is governed through the Economic Regeneration Board and Cleaner Greener Communities Board. Both these bodies report to the Local Partnership Board which includes representatives from the commercial sector, emergency services, Department for Work and Pensions, third sector, health and the Council.
57. The Council are involved in a range of partnerships and shared service arrangements and have established trading companies. Designated officers are assigned to manage these arrangements on behalf of the Council and ensure they operate in line with key objectives. These officers attend regular update meetings, Board meetings etc to obtain assurances around the effective operation of these arrangements.

### Overall conclusion of the Council’s governance arrangements

58. The annual review of the governance framework found that overall the Council has robust governance arrangements in place. This conclusion is based on the assurances and improvements identified from the review and detailed in the following table.
59. Only those improvements identified which are felt to be significant to the delivery of the Council’s objectives are outlined in the table below. The Council has also agreed action plans for other areas felt to be less significant to ensure continual improvement.

### Way forward

60. The steps that have been taken or need to be taken to improve the issues identified are set out in the action plan that follows.

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No	Issue	Action taken / response	Responsible Officer	Target Date
1	<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 and also undermine local democracy and decision -making.</p>	<p>The Constitution has been revised to address some of the underlying issues, we have adopted the LGA model code of conduct, continue to develop new member induction training and Standards Committee has been active. These mechanisms have all been used to improve informal dialogue between political groups and as a tool to support members in achieving good standards in public office.</p>	<p>Monitoring Officer (with the support of all elected members)</p>	<p>Ongoing</p>
2	<p><b>Financial Resilience</b></p> <p>The Council has set another challenging budget for 2022-23 and we continue to see additional pressures as part of the cost of living crisis, e.g. significant increases in inflation, fuel prices, food process etc.</p>	<p>The Medium-Term Financial Plan 2022-2027 allocates resources towards our priorities.</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>Director of Business and Resources</p>	<p>Ongoing</p>
3	<p><b>Social Care</b></p> <p>The Council cannot effectively manage increasing demand social care, for both adults and children, within existing resources and experience difficulties recruiting to vacant posts creating 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. This is supported by the Accommodation Strategy which looks to address some market capacity issues.</p> <p>Children’s Social Care continue to embed the new strengths-based practice framework for practitioners which identifies and builds on positive relationships and interventions with families.</p>	<p>Director of Adult Social Services and Commissioning / Director of Children's Services</p>	<p>Ongoing</p>

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		<p>There will also be additional capital investment in Assessment Centres and Childrens Homes.</p> <p>Both Adult and Childrens Social Care are reviewing recruitment and retention arrangements to explore how capacity issues might be addressed.</p>		
4	<p><b>Peer Review</b></p> <p>The peer review identified there is much more to do to transform practices into a modern and open council. This includes a continuation and deepening of the governance work and a wide-ranging review of the organisation's existing policies, processes, and procedures which need further attention to match with the Council's ambitions.</p>	<p>Our Council change programme has been established which builds around 5 key themes:</p> <ul style="list-style-type: none"> <li>• Vision - Being clear on where we are, where we need to go and how we're going to get there.</li> <li>• Organisational Development - A comprehensive Organisational Development programme aimed at future proofing the organisation and facilitating culture change through leadership development, learning, support, and wellbeing offers for all employees and elected members.</li> <li>• Resource - Clear alignment between what we want to achieve and our people, money, equipment, and facilities, while reviewing how well we are doing.</li> <li>• Governance - Making fair, informed and appropriate decisions</li> <li>• Capacity - More capacity to support how we need to work as a Council.</li> </ul>	Political / Officer Leadership	Ongoing