

South Tyneside Council | 31 May 2024

Financial Statements Unaudited 2023-24



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 2024 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 of Business and Resources, having a specific role in ensuring the adequacy of resources and proper financial administration. Our Medium Term Financial Plan (MTFP) sets out how we will achieve this over a future five-year horizon. The Statement of Accounts looks back at our results over the past financial year.

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

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

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

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

To achieve the Vision and Ambitions we developed a three-year Strategy, which identified a set of 'Priorities' under each core 'Ambition', complete with detail on the actions that the Council will take to make progress over the three year period 2023-2026. The areas of focus, work and projects set out in the three-year Strategy were developed with close consideration to the strategic objectives, priorities, and actions contained within the wider

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framework of strategies and plans which guide service activity across the Council and wider partnerships. The aim is to align our resources more closely with delivery of the Vision and Ambitions. We have started this journey through direction of both revenue and capital investment into adults and children’s social care such as extra care facilities and children’s homes which both reduce costs to the authority and ensures our looked after children remain in the borough.

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



WE ARE **PROUD** TO MAKE A DIFFERENCE

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

3. Revenue Financial Summary for the Year

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

The following table summarises our in-year revenue spending position including expenditure by schools. The Council underspent its budget by £0.055m 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>
Revenue spending			
Adult Social Care & Commissioning Directorate	72.425	72.790	0.365
Children's Social Care, Learning & Early Help Directorate	46.014	53.627	7.613
Public Health Directorate	14.652	14.394	(0.258)
Business and Resources Directorate	(20.758)	(28.807)	(8.049)
Governance and Corporate Affairs Directorate	7.265	7.710	0.445
Place and Communities Directorate	32.726	32.519	(0.207)
Net cost of services and operating expenditure	152.324	152.233	(0.091)
Funding sources			
General government grants	(56.060)	(56.024)	0.036
Non-domestic rates retained	(13.409)	(13.409)	-
Contribution to Collection Fund	(0.500)	(0.500)	-
Contribution from earmarked reserves	(10.080)	(10.080)	-
Council tax payers	(72.275)	(72.275)	-
Total revenue funding	(152.324)	(152.288)	0.036
Contribution (to)/ from General Fund balance for the year	-	(0.055)	(0.055)

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

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

Adult Social Care & Commissioning Directorate

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

The Directorate overspent its budget by £0.365m due to pressures from commissioned care packages which were partly offset by the use of earmarked reserves.

Children's Social Care, Learning & Early Help Directorate

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

The revenue spending highlights during the year were as follows:

- The cost of looked after children through foster placements, social work staffing levels and out of borough child placements continues to be a pressure for the Council with this service exceeding budget by £5.975m in the year. The Council continues to manage these demand-led pressures through pro-active intervention to support families, increasing provision within the Borough to minimise more expensive costs, improved professional practice, adopting a multi-agency approach and aligning expenditure more closely to meet need. This is safely limiting the

Section 1 – Narrative Statement by Director Business and Resources

numbers of looked after children contrary to national trends although the level of new referrals remains high. The Council's Children's Services function has recently been reassessed by Ofsted and has shown considerable improvement in year. This will continue to be rigorously monitored during 2024/25.

- Within the Learning and Early Help service there were cost pressures of £1.638m primarily relating to an increase in the number of pupils with special educational needs requiring transport to school.

Public Health Directorate

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

The directorate underspent its budget by £0.258m, mainly due to lower than budgeted contractual costs.

Business and Resources Directorate

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

The revenue spending highlights during the year were as follows:

- A pressure of £1.6m in relation to the 2023/24 pay award being higher than budgeted due to current high levels of inflation, which has been adjusted for as part of the 2024/25 budget.
- £0.3m pressure on culture due to the additional costs of the events programme, including the summer, winter and remembrance day events and additional support for the Great North Run
- A £0.4m underspend on Libraries and Leisure due to increased membership income offsetting additional staffing costs and repairs to buildings and equipment.
- A £0.4m underspend on inflation budgets from improved social care commissioning.
- The Council maintained a reasonable income collection performance despite the impact of the cost of living upon communities within the borough. During the year, 94% of council tax income due was collected in year (94% in 2022/23). Most of the amounts outstanding will be received after the year-end. The comparative figure for business rates collection was 98% (97% in 2022/23).

Section 1 – Narrative Statement by Director Business and Resources

Governance and Corporate Affairs Directorate

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

The revenue spending highlights during the year were as follows:

- A pressure of £0.729m relating to the increased cost of temporary legal staff to cover existing vacancies and specialist advice relating to demand with adults and children's safeguarding.
- An underspend of £0.190m on Members Support and Elected Members in relation to members allowances and subsistence.

Place and Communities Directorate

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

The revenue spending highlights during the year were as follows:

- Within Environment there were underspends of £1.2m primarily relating to waste disposal costs, namely reduced tonnages due to increased recycling and increased income from the energy from waste facility due to the higher than average energy rates nationally.
- Within Place there was a cost pressure of £0.97m relating increased costs for the Handy Estates Service and underachievement of income across the service. There was also a pressure of £0.4m in relation to the repair and maintenance of the Council's buildings.

4. Capital Investment Financial Summary for the Year

The following table summarises capital investment of £90.69m during the year and the capital funding the Council has used to finance this spending. The original capital budget, agreed as part of the 2023-28 MTFP, has been revised to reflect the full impact of known contractual commitments from the previous year and new funding approvals received in year. £53.91m 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.

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Capital investment summary	Revised £m	Actual £m	Carry £m	Variance from £m
Children, Learning and Early Help	13.379	3.498	9.880	(0.001)
Business and Resources	4.114	3.470	0.642	(0.002)
Adult Social Care & Commissioning	2.620	3.005	-	0.385
Regeneration and Environment	89.245	49.957	41.178	1.890
Public Sector Housing	31.684	30.763	2.075	1.154
Total capital investment	141.042	90.693	53.775	3.426

Capital financing summary	Actual £m
Unsupported borrowing	(36.647)
Capital receipts	(2.349)
Funding from the General Fund and HRA	(2.275)
Funding from the major repairs reserve	(29.660)
Government grant and other contributions	(19.762)
Total capital funding	(90.693)

The capital investment highlights during the year were as follows:

Adult Social Care & Commissioning Directorate

- £2.5m has been invested in adaptations to private dwellings such as walk in showers and stair lifts. This allows people to live independently for longer within their own home rather than requiring residential care.
- £0.5m has been invested in Borrowdale House extra care facility. This service provides the ability to support more people to be re-enabled when discharged from hospital to prevent unnecessary residential care placements and increase the potential for people to return home with an evidenced based level of care and support.

Children, Learning and Early Help Directorate

- £1.9m was invested in the construction of two new children's social care facilities within the borough and an assessment centre with construction expected to be completed during 2024/25.
- £1.5m was spent during the year on school improvements funded from devolved formula and other specific education capital grants.

Business and Resources Directorate

- £2.2m was invested in technology to ensure our computing and digital facilities and infrastructure continue to be effective and resilient, able to both 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.

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- £0.6m was spent on improvements to South Shields Museum & Art Gallery to refurbish and replace the existing electrical, heating and energy infrastructure within the building, including LED light fittings, solar panels and a new energy efficient boiler including air source heat pumps. The improvements were funded from a grant from Arts Council England.

Place and Communities Directorate

- £13.3m has been invested in a variety of infrastructure schemes ranging from road safety measures, resurfacing highways, renewal of footbridges and improved footpaths throughout the borough.
- £6.1m 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) and the development of the Viking and Hebburn Mine Water Energy Networks.
- £3.7m has been spent on measures to remodel the Council's building estate so that it is fit for purpose and meets the need of occupants. This allows for a reduction in the number of buildings maintained generating savings in running costs and receipts from the sale of any surplus assets.
- £11.5m has been invested in land at Holborn, South Shields to support regeneration of the riverside.
- £3.4m has been spent on fleet replacement to reduce the number of more expensive hire vehicles utilised and contribute towards carbon reduction through more environmentally friendly vehicles.

Public Sector Housing

- £22.8m has been spent on improving 2,033 homes to the South Tyneside decent homes standard, including £3.1m spent on communal area improvements and updating fire safety measures within low/ high rise blocks.
- £1.0m was spent on improvements to vacant properties to bring them back into occupation, £2.9m invested in adaptations to properties for tenants with special needs, £1.0m on improvements to infrastructure, £0.4m on area redevelopment schemes and £0.6m on local estate improvements.
- £1.7m has been invested in developing new houses to increase the properties available to tenants.

5. 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 £200m. This has been achieved through a relentless focus upon value for money,

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delivering services through new and innovative means and prioritising resources to meet the Council's strategic objectives as set out in its plans.

The 2023 Autumn Budget and Spending Review provided allocations for Government Departmental funding over the period to March 2025 only. It was confirmed that core local government spending power is set to rise by 7.5% for 2024/25, which will fall to 1% a year in real terms for the following 4 years. Despite requests for certainty over our funding, the funding allocation received from Government to individual Councils was for 2024/25 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. The impact of the cost of living crisis on our own costs and demand for our services, are substantially increasing the level of future financial risk faced by councils.

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

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

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

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

Defined Benefit Obligation

As at year end the Council had a defined benefit asset with the Tyne and Wear Pension Fund of £24.9m (£21.5m liability in 2022/23). If the Council ceased operations, this would have to be transferred to the successor body or ultimately paid to 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 had minority representation on the board of STHVTL. The Council provided a loan facility of

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up to £40.0m to STHVTL which was secured on the value of the sites to be developed or assets acquired. The loans allowed the company to fund initial build and acquisition costs for dwellings and its cost was serviced from rental and sales income those assets generate. In July 2023 the assets and liabilities of STHVTL were transferred in their entirety to another registered social landlord, Karbon Homes.

Centaurea Homes Limited (CHL)

In March 2017 the Council established Centaurea Homes Limited, a wholly owned private limited company, in order to develop high quality housing for sale within the borough. Loans are provided to CHL by the Council at a market rate in order to provide development finance and working capital. During the year the Council issued £nil in new loans (£nil in 2022/23).

6. Material Movements in Assets and Liabilities

The value of Council dwellings has increased by £27.2m primarily as a result of an upturn in property values as demand for housing continues to increase and continued investment in the housing stock through the capital investment programme.

The value of other property plant and equipment increased by £13.9m primarily due to the investment in assets through the capital investment programme.

Cash and cash equivalents increased by £7.8m during the year due to additional borrowing being taken to meet the Council's cash flow, with short term investments reduced by £24.78m this year.

Short term borrowing has increased by £41.4m due to cash flow. Long term borrowing reduced by £10.0m to reflect movement of long-term loans to short term.

The liability relating to the defined benefit obligation has reduced by £21.5m or 100% compared to the previous year whilst conversely the asset relating to the defined benefit pension scheme has increased by £24.9m. This is primarily due to changes in the financial assumptions that underpin the liability.

7. Reserves and Balances

As at year end the Council held earmarked reserves of £33.3m (£58.3m in 2022/23). School balances have a surplus of £2.1m (£4.0m surplus in 2022/23). 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% of net budget in this reserve (£3.0m and 2.2% in 2022/23).

Another key reserve that we hold to deal with our specific risks is the future funding reserve. As at year end the Council held £4.3m in this reserve (£15.1m in 2022/23).

As at year end the Council held £3.3m (£3.0m in 2022/23) in capital receipts for the purposes of investing in our assets in future years.

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The Council agreed a reserves policy as part of its 2024-29 Medium Term Financial Plan in which it established a minimum balance of £10m for its unearmarked general fund reserve.

8. Group Results

The Group Accounts fully incorporate the results of STHL and CHL which are both subsidiary companies of the Council. They also reflect the Council's share as associate of STHVTL and 50% share of IAMP LLP as a joint venture. Further details about these relationships can be found in the Group introduction on page 101 of these accounts. The Group results revealed a deficit for the year of £28.3m (£41.4m in 2022/23) incorporating a net deficit of £0.2m (£7.6m in 2022/23) from STHL and CHL. The net assets of the Group stood at £691.3m at year end (£639.9m in 2022/23).

9. Housing Revenue Account (HRA)

The HRA is ring-fenced, relating to the management and maintenance of the Council's housing stock. All expenditure must be met from rents and other charges. The decrease in year on the HRA balance was £6.683m (increase of £1.273m in 2022/23). Revenue reserves at year end stood at £17.881m (£24.563m in 2022/23) which will be used to support future years' expenditure on housing including anticipated liabilities to meet longer-term stock maintenance requirements.

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

Net expenditure on PFI schemes during the year was £25.846m (£23.037m in 2022/23). Revenue contributions provided funding of £14.720m (£11.911m in 2022/23), or 57%, and the remaining £11.126m (£11.126m in 2022/23) was funded using PFI credits from Government.

11. Borrowing Facilities

The Council has established a set of prudential indicators and developed a measurement and reporting process that highlights any breaches of these indicators. There were no breaches during the year. The Council increased its debt having taken no new long-term loans in the year (Nil in 2022/23) from the Public Works Loan Board (PWLB). 4 new short term loans were taken for a total of £50.0m from the PWLB (£6.0m Public Sector in 2022/23). At 31 March 2024 the Council had £0.1m borrowing repayable within twelve months (£6.1m in 2022/23) from other local authorities, pension funds and the private sector and £65.9m with the PWLB (£18.6m in 2022/23). Loans to the value of £21.0m were repaid during the year (£12.4m in 2022/23).

12. Medium Term Prospects

Our MTFP for 2024 to 2029 was approved by Council and published in February 2024. Our key stakeholders, including our trade unions, business sector and voluntary sector partners, members of the public and our own staff helped us to make decisions to ensure that our limited resources are directed to the top priorities for the residents of the borough. Our MTFP identifies what we need to spend to maintain current services, what our priority-led spending plans are and our plans to redirect current spending from lower priority areas

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in line with our new emerging strategic plans. In addition, the plans include our financial strategy on what level of reserves we plan to hold and how these are to be utilised. Due to restrictions in Government funding and additional costs pressures arising from a sustained period of higher rates of inflation, revenue savings will need to continue to be delivered over the medium-term.

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

13. Changes to the Statement of Accounts

The proposed implementation of a new accounting standard IFRS 16 for leases has been postponed for a number of years by central Government but will now come into operation on 1 April 2024.

14. The Statement of Accounts

The Statement of Accounts are set out on pages 17 to 161. 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.
- **Independent Auditors' Report** (page 18) sets out the opinion of our auditors Ernst and Young LLP following their audit of the Statement of Accounts. Audit report to follow.

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

- **Movement in Reserves Statement** (page 19) 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 20) 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 21) 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.

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- **Cash Flow Statement** (page 22) 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 23 to 91). 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 92 to 97) 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 98 to 99) 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 100 to 115) 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 116 to 161) 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.

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

31 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 161, 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 2024.



Signed:

Date: 31 May 2024

Stuart Reid, Director of Business and Resources

Section 3 – Independent Auditors’ Report

Independent auditors’ report to the Members of South Tyneside Council

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
Balance at 31 March 2022 carried forward		(74.130)	(23.290)	(1.602)	(5.379)	(104.401)	(175.780)	(280.181)
Movement in reserves during 2022/23								
Total comprehensive (income) and expenditure		42.392	(8.447)	-	-	33.945	(371.186)	(337.241)
Adjustments between accounting basis and funding basis under regulations	3	(31.358)	7.173	(1.517)	4.405	(21.297)	21.297	-
(Increase) or decrease in 2022/23		11.034	(1.274)	(1.517)	4.405	12.648	(349.889)	(337.241)
Balance at 31 March 2023 carried forward		(63.096)	(24.564)	(3.119)	(0.974)	(91.753)	(525.669)	(617.422)
Movement in reserves during 2023/24								
Total comprehensive (income) and expenditure		40.298	(12.033)	-	-	28.265	(71.240)	(42.975)
Adjustments between accounting basis and funding basis under regulations	3	(21.671)	18.716	(0.250)	0.974	(2.231)	2.231	-
(Increase) or decrease in 2023/24		18.627	6.683	(0.250)	0.974	26.034	(69.009)	(42.975)
Balance at 31 March 2024 carried forward		(44.469)	(17.881)	(3.369)	-	(65.719)	(594.678)	(660.397)

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.

2022/23	2022/23	2022/23	Note	2023/24	2023/24	2023/24
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£m	£m	£m		£m	£m	£m
114.609	(58.533)	56.076	Adult social care	129.746	(65.343)	64.403
2.567	(0.863)	1.704	Commissioning and quality assurance	2.817	(0.882)	1.935
117.176	(59.396)	57.780	Sub total adult social care and commissioning	132.563	(66.225)	66.338
40.813	(7.655)	33.158	Children and families social care	42.072	(4.885)	37.187
150.073	(122.786)	27.287	Learning and early help	166.704	(139.639)	27.065
190.886	(130.441)	60.445	Sub total children's social care, learning and early help	208.776	(144.524)	64.252
16.229	(17.453)	(1.224)	Public health	15.657	(16.096)	(0.439)
16.229	(17.453)	(1.224)	Sub total public health	15.657	(16.096)	(0.439)
62.252	(58.340)	3.912	Corporate finance	56.666	(56.284)	0.382
8.417	(1.326)	7.091	Digital and ICT services	8.777	(1.793)	6.984
10.757	(5.205)	5.552	Libraries and leisure	10.786	(5.786)	5.000
8.141	(2.791)	5.350	Other business and resources services	11.238	(6.848)	4.390
89.567	(67.662)	21.905	Sub total business and resources	87.467	(70.711)	16.756
7.337	(0.947)	6.390	Legal and governance	3.502	(1.185)	2.317
3.204	(1.101)	2.103	Communications, engagement and support services	5.602	(0.673)	4.929
			Other governance and corporate affairs	1.841	(0.562)	1.279
10.541	(2.048)	8.493	Sub total governance and corporate affairs	10.945	(2.420)	8.525
27.664	(9.239)	18.425	Environment	25.152	(7.273)	17.879
17.372	(10.532)	6.840	Place	11.167	(5.681)	5.486
40.722	(12.085)	28.637	Asset and programme management	37.791	(9.056)	28.735
6.782	(5.287)	1.495	Other regeneration and environment services	27.634	(16.318)	11.316
92.540	(37.143)	55.397	Sub total regeneration and environment	101.744	(38.328)	63.416
50.119	(69.099)	(18.980)	Local authority housing (HRA)	51.456	(73.517)	(22.061)
567.058	(383.242)	183.816	Cost of services	608.608	(411.821)	196.787
15.044	(5.489)	9.555	Other operating income and expenditure	17.065	(5.995)	11.070
40.294	(3.845)	36.449	Financing and investment income and expenditure	29.424	(2.680)	26.744
-	(195.875)	(195.875)	Taxation and non-specific grant income	-	(206.336)	(206.336)
622.396	(588.451)	33.945	Deficit on the provision of services	655.097	(626.832)	28.265
			Items that will not be reclassified to the deficit on the provision of services			
		(52.307)	Surplus on revaluation of property, plant and equipment			(34.895)
		-	Deficit or (surplus) from investments in equity instruments designated as fair value through other comprehensive income			-
		13.361	Impairment losses on non-current assets charged to the revaluation reserve			11.165
		(332.240)	Remeasurements of the defined benefit obligation	41		(47.510)
		(371.186)	Other comprehensive (income) and expenditure			(71.240)
		(337.241)	Total comprehensive (income) and expenditure			(42.975)

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.

31 March 2023 £m		Note	31 March 2024 £m
	Non-current assets		
557.027	Council dwellings	11	584.229
725.599	Other property, plant and equipment	11	739.483
3.146	Heritage assets		3.527
2.010	Intangible assets	12	2.596
8.112	Long term investments	13	8.112
-	Asset related to Defined Benefit Pension Scheme	41	24.860
57.342	Long term debtors	13	58.015
1,353.236	Total non-current assets		1,420.822
	Current assets		
24.774	Short term investments	13	-
0.820	Inventories		1.000
53.502	Short term debtors	14	50.622
11.440	Cash and cash equivalents	15	19.170
1.289	Assets held for sale	16	3.054
91.825	Total current assets		73.846
	Current liabilities		
(58.920)	Short term creditors	17	(61.926)
(2.493)	Cash and cash equivalents - bank overdraft	15	(2.644)
(24.736)	Short term borrowing	13	(66.098)
(5.445)	PFI liability due in less than one year	19	(5.292)
(5.565)	Capital grants receipts in advance	31	(4.773)
(1.089)	Short term provisions	18	(1.166)
(98.248)	Total current liabilities		(141.899)
(6.423)	Total net current assets or (liabilities)		(68.053)
	Non-current liabilities		
(0.543)	Long term creditors	13	(0.561)
(2.458)	Long term provisions	18	(2.294)
(628.745)	Long term borrowing	13	(618.719)
(74.648)	Long term PFI liability	19	(69.356)
(21.460)	Liability related to defined benefit obligation	41	-
(1.537)	Other long term liabilities	13	(1.442)
(729.391)	Total non-current liabilities		(692.372)
617.422	Total net assets		660.397
	Reserves		
(91.753)	Usable reserves	20	(65.719)
(525.669)	Unusable reserves	21	(594.678)
(617.422)	Total reserves		(660.397)

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.

2022/23 £m		Note	2023/24 £m
(33.945)	Cash and non-cash outflow from the provision of services		(28.265)
189.981	Adjustment to the deficit on the provision of services for non-cash movements	22	103.687
(165.166)	Adjustment for items included in the deficit on the provision of services that are investing and financing activities	22	(57.721)
(9.130)	Net cash flow from operating activities		17.701
(2.562)	Investing activities	23	(34.458)
(11.191)	Financing activities	24	24.336
(22.883)	Net increase or (decrease) in cash and cash equivalents		7.579
31.830	Cash and cash equivalents at the start of the year		8.947
8.947	Cash and cash equivalents at the end of the year		16.526

The notes to the core financial statements are presented on pages 23 to 91 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.

2022/23	2022/23	2022/23		2023/24	2023/24	2023/24	2023/24	2023/24
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
63.438	(7.362)	56.076	Adult social care	71.286	1.462	72.748	(8.345)	64.403
1.214	0.490	1.704	Commissioning and quality assurance	1.505	(0.063)	1.442	0.493	1.935
64.652	(6.872)	57.780	Sub total adult social care and commissioning	72.791	1.399	74.190	(7.852)	66.338
30.419	2.739	33.158	Children and families social care	33.927	3.045	36.972	0.215	37.187
20.477	6.810	27.287	Learning and early help	19.700	2.890	22.590	4.475	27.065
50.896	9.549	60.445	Sub total children's social care, learning and early help	53.627	5.935	59.562	4.690	64.252
12.520	(13.744)	(1.224)	Public health	14.394	0.099	14.493	(14.932)	(0.439)
12.520	(13.744)	(1.224)	Sub total public health	14.394	0.099	14.493	(14.932)	(0.439)
(25.045)	28.957	3.912	Corporate finance	(40.653)	2.032	(38.621)	39.003	0.382
5.150	1.941	7.091	Digital and ICT services	5.515	0.051	5.566	1.418	6.984
1.168	4.384	5.552	Libraries and leisure	2.160	(0.050)	2.110	2.890	5.000
4.006	1.344	5.350	Other business and resources services	4.172	(0.202)	3.970	0.420	4.390
(14.721)	36.626	21.905	Sub total business and resources	(28.806)	1.831	(26.975)	43.731	16.756
3.204	(1.101)	2.103	Legal and governance	2.154	-	2.154	0.163	2.317
4.639	(0.624)	5.263	Communications, engagement and support services	4.458	0.024	4.482	0.447	4.929
2.698	(0.323)	1.127	Other governance and corporate affairs	1.097	-	1.097	0.182	1.279
10.541	(2.048)	8.493	Sub total governance and corporate affairs	7.709	0.024	7.733	0.792	8.525
13.606	4.819	18.425	Environment	13.353	0.054	13.407	4.472	17.879
(0.808)	7.648	6.840	Place	4.823	(0.122)	4.701	0.785	5.486
13.380	15.257	28.637	Asset and programme management	13.522	0.335	13.857	14.878	28.735
1.321	0.174	1.495	Other regeneration and environment services	0.821	(0.245)	0.576	10.740	11.316
27.499	27.898	55.397	Sub total regeneration and environment	32.519	0.022	32.541	30.875	63.416
(1.273)	(17.707)	(18.980)	Local authority housing (HRA)	6.683	-	6.683	(28.744)	(22.061)
146.352	37.464	183.816	Cost of services	158.917	9.310	168.227	28.560	196.787
-	9.555	9.555	Other operating income and expenditure	-	-	-	11.070	11.070
-	36.449	36.449	Financing and investment income and expenditure	-	-	-	26.744	26.744
(136.820)	(59.055)	(195.875)	Taxation and non-specific grant income	(152.288)	9.940	(142.348)	(63.988)	(206.336)
9.532	24.413	33.945	Deficit on the provision of services	6.629	19.250	25.879	2.386	28.265
(23.290)			HRA balance at start of year			(24.563)		
(7.722)			General Fund unallocated balance at start of year			(4.808)		
(31.012)			Total balances at start of year			(29.371)		
(1.273)			Movement in HRA balance in year			6.683		
2.915			Movement in General Fund unallocated balance in year			2.408		
-			Transfers from Earmarked to General Fund reserves			(8.814)		
1.642			Total movement in balances for the year			9.091		
(24.563)			HRA balance at end of year			(17.880)		
(4.808)			General Fund unallocated balance at end of year			(11.214)		
(29.371)			Total balances at end of year			(29.094)		

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 2024:

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

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 £92.892m (£97.567m in 2022/23) 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.

The Council owns assets leased to third parties e.g. factory and retail units, with a value at 31 March 2024 of £33.365m (£33.447m in 2022/23). Whilst the Council does receive rental income, the primary purpose of holding these assets is job creation and regeneration of the borough. The assets have therefore been accounted for as property, plant and equipment rather than investment properties on the Balance Sheet.

Section 4 – Notes to the Core Financial Statements

Newcastle Airport Holding

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about what may happen in the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from these assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are described in this note.

Approach to Fair Value

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

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

Beacon Approach to Valuations

The Council adopts a beacon approach to the valuation of dwellings and sheltered housing units. This involves valuing a single property in an area and then applying that valuation to properties in a similar location and with similar characteristics. The Council has identified 251 beacon properties to cover the whole borough (251 in 2022/23). Property values are affected by several factors and a 1% movement on the assumed valuation would change the reported value of dwellings by £3.641m (£3.816m in 2022/23) and other land and buildings by £0.422m (£0.361m in 2022/23).

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 2023 would change the reported value of other land and buildings and surplus assets by £2.921m (£3.215m in 2022/23).

Useful Economic Lives

Property, plant and equipment are depreciated over useful lives that are dependent on

Section 4 – Notes to the Core Financial Statements

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 £4.368m (£3.640m in 2022/23) for every year that useful lives had to be reduced.

Newcastle Airport Valuation

The valuation of the investment in Newcastle Airport is subject to a number of complex judgements relating to the discount rate used, the levels of income that will be generated by the company in future years, the current value of any surplus assets available to the company and a discount factor to reflect the lack of marketability of the shares. An expert firm of accountants was engaged to provide the Council with a valuation as at 31 March 2022. A further 10% movement in the value of the shareholding would adjust the balance sheet by £0.811m (£0.811m in 2022/23).

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 69 and 70.

However, the assumptions interact in complex ways. During 2023/24 the Council's actuaries advised that the defined benefit obligation for funded liabilities had increased by £8.990m (£95.670m in 2022/23) as a result of estimates being corrected for experience and decreased by £45.020m (£457.830m in 2022/23) due to updating of financial and demographic assumptions. Re-measurement of Fund assets led to a £10.550m decrease (£33.180m increase in 2022/23).

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

2023/24	General Fund balance £m	Usable reserves		Major repairs reserve £m	Movement in unusable reserves £m
		Housing revenue account £m	Capital receipts reserve £m		
Adjustments primarily involving the capital adjustment account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(37.502)	(27.566)	-	-	65.068
Contribution towards the major repairs reserve	-	28.686	-	(28.686)	-
Revaluation (losses) or gains on property, plant and equipment	(10.310)	16.178	-	-	(5.868)
Amortisation of intangible assets	(0.696)	(0.020)	-	-	0.716
Capital grants and contributions applied	18.659	1.103	-	-	(19.762)
Capital receipts not linked to non-current assets	0.913	0.132	(1.417)	-	0.372
Revenue expenditure funded from capital under statute	(4.186)	(0.140)	-	-	4.326
Amounts of current and non-current assets written off as part of the loss on disposal	(0.650)	(5.712)	-	-	6.362
Other movements	-	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Provision for the financing of capital investment	11.390	-	-	-	(11.390)
Capital expenditure charged against balances	2.275	-	-	-	(2.275)
Adjustments primarily involving the capital receipts reserve and the major repairs reserve:					
Transfer of cash sale proceeds credited as part of the loss on disposal	-	6.205	(6.205)	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	2.349	-	(2.349)
Use of the capital receipts reserve in lieu of debt set aside	-	-	4.872	-	(4.872)
Contribution towards administrative costs of non-current asset disposals	(0.001)	(0.150)	0.151	-	-
Contribution towards the payments to the Government capital receipts pool	-	-	-	-	-
Use of the major repairs reserve to finance new capital expenditure	-	-	-	29.660	(29.660)
Adjustments primarily involving the pensions reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 41)	(20.200)	-	-	-	20.200
Employer's pensions contributions and direct payments to pensioners payable in the year	19.010	-	-	-	(19.010)
Other adjustments to unusable reserves:					
Amount by which finance costs charged are different from finance costs chargeable in accordance with statutory requirements	0.185	-	-	-	(0.185)
Amount by which council tax and non-domestic rates are different from income in accordance with statutory requirements	(0.246)	-	-	-	0.246
Adjustment between the General Fund and DSG Adjustment Account	0.157	-	-	-	(0.157)
Employee benefits accrued during the year	(0.469)	-	-	-	0.469
Total adjustments	(21.671)	18.716	(0.250)	0.974	2.231

Section 4 – Notes to the Core Financial Statements

The equivalent figures for the previous year are as follows:

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

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

General Fund Balance

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

Section 4 – Notes to the Core Financial Statements

Housing Revenue Account (HRA) Balance

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

Capital Receipts Reserve

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

Major Repairs Reserve

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

Note 4. Major Items of Income and Expenditure

In 2022/23 £14.215m 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 2023/24 is £18.147m.

Note 5. Expenditure and Funding Analysis Note

Section 4 – Notes to the Core Financial Statements

2023/24	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	2.071	0.085	-	(10.500)	(8.345)
Commissioning and quality assurance	0.001	0.014	-	0.478	0.493
Sub total adult social care and commissioning	2.072	0.098	-	(10.022)	(7.852)
Children and families social care	0.121	0.083	-	0.011	0.215
Learning and early help	9.234	1.670	(6.557)	0.128	4.475
Sub total children's social care, learning and early help	9.355	1.753	(6.557)	0.139	4.690
Public health	-	0.011	-	(15.003)	(14.992)
Sub total public health	-	0.011	-	(15.003)	(14.992)
Corporate finance	1.587	(1.606)	16.571	22.451	39.003
Digital and ICT services	2.181	0.029	-	(0.791)	1.419
Libraries and leisure	3.344	0.033	-	(0.488)	2.890
Other business and resources services	0.565	0.026	-	(0.171)	0.420
Sub total business and resources	7.677	(1.517)	16.571	21.000	43.731
Legal and governance	0.030	0.012	-	0.121	0.163
Communications, engagement and support services	0.048	0.026	-	0.373	0.447
Other governance and corporate affairs	-	0.011	-	0.171	0.182
Sub total governance and corporate affairs	0.078	0.049	-	0.665	0.792
Environment	6.370	0.048	(2.667)	0.721	4.472
Place	1.147	0.033	-	(0.335)	0.845
Asset and programme management	17.627	0.056	(2.680)	(0.125)	14.878
Other regeneration and environment services	9.955	0.041	-	0.743	10.739
Sub total regeneration and environment	35.099	0.178	(5.347)	1.004	30.934
Local authority housing (HRA)	(28.744)	-	-	-	(28.744)
Cost of services	25.536	0.572	4.668	(2.217)	28.560
Other operating income and expenditure	0.651	0.028	-	10.392	11.070
Financing and investment income and expenditure	-	0.590	6.458	19.696	26.744
Taxation and non-specific grant income	(18.659)	-	(11.126)	(34.203)	(63.988)
Deficit on the provision of services	7.528	1.190	-	(6.333)	2.386

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

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

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

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

Section 4 – Notes to the Core Financial Statements

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:

2022/23	Adjustments for capital purposes	Net change for the pension adjustments	Adjustments for PFI and leasing purposes	Other differences	Total adjustments
	£m	£m	£m	£m	£m
Adult social care	0.306	2.395	-	(10.064)	(7.362)
Commissioning and quality assurance	(0.000)	0.353	-	0.137	0.490
Sub total adult social care and commissioning	0.306	2.748	-	(9.927)	(6.872)
Children and families social care	0.212	2.334	-	0.193	2.739
Learning and early help	4.868	6.122	(5.931)	1.751	6.810
Sub total children's social care, learning and early help	5.079	8.456	(5.931)	1.944	9.549
Public health	-	0.196	-	(13.939)	(13.744)
Sub total public health	-	0.196	-	(13.939)	(13.744)
Corporate finance	(0.023)	0.118	11.126	17.736	28.957
Libraries and leisure	3.917	0.970	-	(0.503)	4.384
Digital and ICT services	1.950	0.780	-	(0.789)	1.941
Other business and resources services	0.511	0.721	-	0.113	1.344
Sub total business and resources	6.356	2.589	11.126	16.558	36.626
Performance and communications	-	1.015	-	0.282	1.297
Corporate Governance	0.014	0.324	-	0.080	0.417
Sub total governance and corporate affairs	0.014	1.339	-	0.361	1.714
Environment	5.294	1.507	(2.620)	0.638	4.819
Regeneration and housing	14.833	1.952	(2.724)	1.195	15.257
Transport and infrastructure	6.824	0.843	-	(0.019)	7.648
Other regeneration and environment services	0.440	0.359	-	(0.625)	0.174
Sub total regeneration and environment	27.393	4.663	(5.343)	1.190	27.898
Local authority housing (HRA)	(17.707)	-	-	-	(17.707)
Cost of services	21.441	19.990	(0.148)	(3.813)	37.464
Other operating income and expenditure	(1.582)	1.336	-	9.800	9.555
Financing and investment income and expenditure	-	9.800	6.624	20.024	36.449
Taxation and non-specific grant income	(23.853)	-	(11.126)	(24.076)	(59.055)
Deficit on the provision of services	(3.993)	31.126	(4.649)	1.935	24.413

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

2022/23		2023/24
£m		£m
197.786	Employee benefit expenses	199.370
8.604	Support services recharges	9.116
320.126	Other service expenses	349.390
49.993	Depreciation, revaluations, amortisation and impairment	59.411
38.408	Interest payments	28.457
8.727	Precepts and levies	9.045
-	Payments to housing receipts pool	-
(1.248)	Loss or (profit) on disposal of current and non-current assets	0.308
622.396	Total expenditure	655.097
(191.213)	Fees, charges and other service income	(209.367)
0.972	Interest and investment income	(3.795)
(83.421)	Income from council tax and non domestic rates	(85.939)
(314.789)	Grants and contributions	(327.731)
(588.451)	Total income	(626.832)
33.945	Deficit on the provision of services	28.265

Section 4 – Notes to the Core Financial Statements

Note 6. Transfers to or from Earmarked Reserves

This note details the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure. Earmarked reserves are held for specific purposes and are not intended to support general Council spending.

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

	Balance at 31 March 2022	Transfers out 2022/23	Transfers in 2022/23	Balance at 31 March 2023	Transfers out 2023/24	Transfers in 2023/24	Balance at 31 March 2024
	£m	£m	£m	£m	£m	£m	£m
Strategic reserve	(3.021)	-	-	(3.021)	-	-	(3.021)
School balances	(7.209)	3.829	(0.672)	(4.052)	4.158	(2.234)	(2.128)
Insurance reserve	(2.567)	-	-	(2.567)	-	(0.200)	(2.767)
Future funding reserve	(16.212)	1.064	-	(15.148)	10.818	-	(4.330)
Emergency reserve	(19.271)	6.206	(1.129)	(14.194)	9.759	-	(4.435)
Other reserves	(18.128)	2.971	(4.149)	(19.306)	4.600	(1.867)	(16.573)
Total earmarked reserves	(66.408)	14.070	(5.950)	(58.288)	29.335	(4.301)	(33.254)

Strategic Reserve

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

School Balances

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

Insurance Reserve

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

Future Funding Reserve

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

Emergency Reserve

This reserve represents Government funding retained to meet additional Council costs and to deliver on various Government initiatives.

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 31 May 2024. 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 2024.

Section 4 – Notes to the Core Financial Statements

Note 8. Other Operating Income and Expenditure

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

2022/23		2023/24
£m		£m
8.727	Levies	9.045
2.075	Deficit on trading undertakings	1.717
(1.247)	Loss or (profit) on the disposal of current and non-current assets	0.308
9.555	Total other operating income and expenditure	11.070

Note 9. Financing and Investment Income and Expenditure

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

2022/23		2023/24
£m		£m
28.584	Interest payable and similar charges	27.866
1.910	Impairment of financial and non-financial assets	0.968
9.800	Net interest expense of defined benefit liability and interest income on scheme assets	0.590
(3.698)	Interest receivable	(2.680)
(0.147)	Income in relation to investment properties	-
36.449	Total financing and investment income and expenditure	26.744

Note 10. Taxation and Non-specific Grant Income

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

2022/23		2023/24
£m		£m
(68.895)	Council tax income	(72.244)
(14.527)	Non-domestic rates	(13.695)
(42.874)	Non-domestic rates Government grants	(48.799)
(44.623)	Other unringfenced Government revenue grants	(51.836)
(24.956)	Capital grants and contributions	(19.762)
(195.875)	Total taxation and non-specific grant income	(206.336)

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
2023/24	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation									
At 1 April 2023	656.556	429.835	64.422	87.282	16.562	3.403	49.384	1,307.444	88.756
Additions	25.560	12.918	0.269	6.186	0.322	0.793	15.833	61.881	0.298
Revaluation to revaluation reserve	6.727	(11.426)	4.996	-	-	0.936	-	1.233	0.041
Revaluation to Comprehensive Income and Expenditure Statement	12.508	(9.127)	(2.720)	-	-	(0.200)	-	0.461	(0.612)
Impairment to Comprehensive Income and Expenditure Statement	(6.219)	(4.493)	-	(0.001)	-	-	-	(10.713)	-
Sales and other derecognition	(5.966)	(0.376)	(0.160)	(1.346)	-	(0.658)	-	(8.506)	-
Reclassification of assets	(0.285)	2.126	(0.608)	5.835	-	0.706	(22.721)	(14.947)	-
At 31 March 2024	688.881	419.457	66.199	97.956	16.884	4.980	42.496	1,336.853	88.483
Depreciation									
At 1 April 2023	(99.529)	(46.141)	-	(46.960)	(7.189)	(0.038)	-	(199.857)	(5.677)
Depreciation to Comprehensive Income and Expenditure Statement	(17.789)	(18.624)	-	(6.451)	(0.956)	(0.020)	-	(43.840)	(4.104)
Depreciation to revaluation reserve	8.681	13.385	-	-	-	0.021	-	22.087	-
Depreciation to Comprehensive Income and Expenditure Statement on revaluation	2.916	2.487	-	-	-	-	-	5.403	0.612
Sales and other derecognition	1.028	0.123	-	1.344	-	0.012	-	2.507	-
Reclassification of assets	0.041	0.191	-	-	-	(0.004)	-	0.228	-
At 31 March 2024	(104.652)	(48.579)	-	(52.067)	(8.145)	(0.029)	-	(213.472)	(9.169)
Balance sheet amount at 31 March 2023	557.027	383.694	64.422	40.321	9.373	3.366	49.384	1,107.587	83.077
Balance sheet amount at 31 March 2024	584.229	370.878	66.199	45.888	8.739	4.952	42.496	1,123.381	79.311

The value shown for other land and buildings at 31 March 2024 includes £3.219m in respect of leased assets (£3.355m in 2022/23).

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

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

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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:

	23/24		22/23	
	Infrastructure Assets	PFI Included in Infrastructure Assets	Infrastructure Assets	PFI Included in Infrastructure Assets
	£m	£m	£m	£m
Balance sheet amount at 1 April	175.039	14.490	170.123	15.395
Additions	23.060	-	14.375	-
Depreciation	(10.335)	(0.905)	(9.242)	(0.905)
Impairment	(0.089)	-	(0.217)	-
Other movements in costs	12.656	-	-	-
Balance sheet amount at 31 March	200.331	13.585	175.039	14.490
	31 March 2024		31 March 2023	
	£m		£m	
Infrastructure assets	200.331		175.039	
Other PPE assets	1,123.382		1,107.588	
Total PPE assets	1,323.713		1,282.627	

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 2023 unless significant spending in year has taken place in which case the valuation date is either 31 December 2023 or 31 March 2024. 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.

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	Council dwellings	Other land and buildings	Surplus asset	Other assets	Total
	£m	£m	£m	£m	£m
Valued at historic cost	-	0.603	1.400	73.439	-
Valued at current value in:					
2023/24	220.168	127.732	1.598	-	349.498
2022/23	163.557	83.508	-	-	247.065
2021/22	53.591	111.287	-	23.683	188.561
2020/21	108.588	96.330	0.065	-	204.983
2019/20 or Prior	38.325	17.618	1.890	-	57.833
Total cost or valuation	584.229	437.078	4.953	97.122	1,123.382

Capital Commitments

As at 31 March 2024 the Council has entered into several contracts for the construction or enhancement of property, plant and equipment budgeted to cost £7.130m (£14.925m in 2022/23). Details of capital contract commitments over £0.500m as at 31 March 2024 are as shown in the table below.

Capital scheme		Remaining commitment at 31 March 2024	Period of commitment
		£m	Years
Holborn Riverside Development	Strong communities	4.906	1.5
Children's social care facilities	Healthy and well	2.224	1
Total		7.130	

Note 12. Intangible Assets

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

2022/23		2023/24
Software		Software
£m		£m
Balance at start of year:		
7.207	Gross book value	8.314
(5.781)	Accumulated amortisation	(6.304)
1.426	Net book value at start of year	2.010
1.112	Additions	1.343
-	Disposals	(0.217)
(0.005)	Impairment to Comprehensive Income and Expenditure Statement	-
-	Amortisation written out on disposal	0.176
(0.523)	Amortisation for the period	(0.716)
2.010	Net book value at end of year	2.596
Comprising:		
8.314	Gross book value	9.440
(6.304)	Accumulated amortisation	(6.844)
2.010	Net book value at end of year	2.596

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	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2023	2024	2023	2024	2023	2024	2023	2024
	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets at fair value through other comprehensive income - designated equity instruments								
Newcastle Airport	8.110	8.110	-	-	-	-	-	-
Financial assets at fair value through profit or loss								
Other equity instruments	0.002	0.002	-	-	-	-	-	-
Financial assets at amortised cost								
Deposits with banks and other financial institutions	-	-	-	-	24.774	-	-	-
Loans to associates	-	-	40.258	2.879	-	-	0.440	-
Loans to Newcastle Airport	-	-	10.083	7.815	-	-	-	-
Other long and short term debtors	-	-	7.001	47.321	-	-	16.281	12.003
Total financial assets	8.112	8.112	57.342	58.015	24.774	-	16.721	12.003
Non financial assets	-	-	-	-	-	-	36.781	38.619
Total assets	8.112	8.112	57.342	58.015	24.774	-	53.502	50.622

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	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2023	2024	2023	2024	2023	2024	2023	2024
	£m	£m	£m	£m	£m	£m	£m	£m
Financial liabilities at amortised cost								
Long and short term borrowing	(628.745)	(618.719)	-	-	(24.736)	(66.098)	-	-
Long and short term creditors	-	-	(0.332)	(0.343)	-	-	(39.266)	(48.055)
PFI liabilities	-	-	(74.648)	(69.356)	-	-	(5.445)	(5.292)
Finance lease liabilities	-	-	(1.537)	(1.442)	-	-	(0.086)	(0.095)
Total financial liabilities	(628.745)	(618.719)	(76.517)	(71.141)	(24.736)	(66.098)	(44.797)	(53.442)
Non financial liabilities	-	-	(0.211)	(0.218)	-	-	(19.568)	(13.776)
Total liabilities	(628.745)	(618.719)	(76.728)	(71.359)	(24.736)	(66.098)	(64.365)	(67.218)

Material Soft Loans made by the Council

During the year the Council granted no loans (nil in 2022/23) to IAMP LLP (a company set up in partnership with Sunderland City Council). The loans have previously been given to fund the acquisition of land in order to create a site that can be subject to further development. The overall aim is to create an internationally-recognised destination for advanced manufacturing in the North East, which will create over 5,000 new jobs and attract over £400m of private sector investment into the region.

The loans are at nil interest and therefore the Council has reflected net charge of £0.182m (£0.177m in 2022/23) as part of interest payable and similar charges in the Comprehensive Income and Expenditure Statement to recognise the interest income it has previously foregone as a result of these transactions. This amount has been reversed out and transferred to the financial instruments adjustment account such that there is no cost or benefit to Council taxpayers. The value of the interest is based on the Council's borrowing cost plus an allowance for the risk that the loans might not be repaid and assumes will be repayable by 2030, which is when development by the company is expected to be complete.

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

Section 4 – Notes to the Core Financial Statements

2022/23	Soft loans	2023/24
£m		£m
5.902	Balance at start of year	6.079
0.009	Fair value adjustment on initial recognition	0.009
0.168	Fair value adjustment released	0.173
6.079	Balance at end of year	6.261

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

Newcastle Airport

Under the Airport Act 1986, Newcastle International Airport Limited (NIAL) was formed and seven local authorities were allocated shares in consideration for all the property, rights and liabilities that were transferred into the new company. On 4 May 2001, the seven local authority shareholders of NIAL (the “LA7”) created NIAL Holdings Limited, which is 51% owned by LA7 and 49% owned by InfraBridge following their purchase on 16 November 2012. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Limited (NALAHCL), a company wholly owned by the seven authorities. NALAHCL has a called up share capital of 10,000 shares with a nominal value of £1 each. The Council holds a 10.12% interest in NALAHCL, valued at £8.110m (£8.110m in 2022/23). 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. No such events have occurred. The shares have been reviewed in year using a combination of forecast EBITDA and an assessment of international airport share price movements.

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 2023 (nil for the year ended 31 December 2022).

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 2022/23). 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 agreed to modify the terms of these loans and accepted that under the unprecedented circumstances the airport could defer interest repayments for three years (three years deferred in 2022/23) 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. Interest payments resumed in 2023/24 and in addition, catch up payments commenced in the same year which is earlier than previously forecast. This has resulted in a further restatement of the loan value with a cumulative modification gain of £0.073m (£0.433m loss in 2022/23) being recognised. The decrease in loss recognised is credited to the financing and investment income and expenditure line of the CIES. Furthermore, the Council looked at several observable factors regarding the robustness of the airport operations going forward resulting in an expected lifetime loss provision of £0.174m (£0.190m in 2022/23) in the event all repayments are not made or further delayed at some time in the future.

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

NIAL Group Limited made a profit before tax of £10.245m and a profit after tax of £6.104m for the year ended 31 December 2023. In the previous year, the Group made a profit before tax of £0.135m and a loss after tax of £2.181m.

Significant Observable Inputs – Level 3

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

Trading of shares only takes place when one or more of the LA7 or InfraBridge wishes to sell their shareholding.

Financial Instruments Designated as Fair Value through Profit or Loss

Investments designated as fair value through profit or loss exposes the Council to potential losses of £0.000m (£0.000m in 2022/23).

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:

	2022/23				2023/24			
	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
Expenses								
Impairment losses charged to deficit on provision of services	-	2,048	-	2,048	-	2,204	-	2,204
Modification losses	-	-	(0.137)	(0.137)	-	-	(0.506)	(0.506)
Interest expense	28,584	-	-	28,584	27,866	-	-	27,866
Income								
Interest income	-	(3,698)	-	(3,698)	-	(2,680)	-	(2,680)
Dividends	-	-	-	-	-	-	-	-
Net loss or (profit) for the year	28,584	(1,650)	(0,137)	26,797	27,866	(0,476)	(0,506)	26,884
Impairment losses (or reversals) recognised as other comprehensive income and expenditure	-	-	(1,725)	(1,725)	-	-	(1,725)	(1,725)
Total loss or (profit) for the year	28,584	(1,650)	(1,862)	25,072	27,866	(0,476)	(2,231)	25,159

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.
-

Section 4 – Notes to the Core Financial Statements

- 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 2023		31 March 2024	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
PWLB	(639.127)	(493.424)	(676.507)	(558.000)
Other local authorities	(6.018)	(6.018)	-	-
Pension funds	-	-	-	-
Market debt (LOBOs)	(8.291)	(9.243)	(8.288)	(10.450)
Other private sector	(0.045)	(0.045)	(0.022)	(0.022)
Financial liabilities	(653.481)	(508.730)	(684.817)	(568.472)

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

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

Note 14. Short Term Debtors

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

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31 March 2023 £m		31 March 2024 £m
	Amounts falling due in one year	
10.718	Central Government bodies	9.082
3.630	Other local authorities	3.704
1.155	NHS bodies	4.516
5.032	Housing tenants	5.609
22.268	Council tax payers	24.749
1.546	Non-domestic ratepayers	1.465
0.997	South Tyneside Homes Limited	0.607
0.353	Tyne and Wear Pension Fund	0.375
25.983	Other debtors	20.466
71.682	Total amounts falling due in one year	70.573
	Allowances for bad debts	
(3.424)	Housing tenants	(4.082)
(9.101)	Council tax payers	(9.954)
(0.980)	Non-domestic ratepayers	(0.995)
(4.675)	Other debtors	(4.920)
(18.180)	Total bad debt allowances	(19.951)
53.502	Net debtors	50.622
	Amounts written off during the year	
0.210	Housing rents (excluding write ons)	0.119
0.099	Council tax (including costs but excluding write ons)	0.369
0.074	Non-domestic rates (including costs)	0.058
0.345	Other debtors (net of VAT recovered)	0.211
0.728	Total amounts written off during the year	0.757

The total non-domestic rate write off for the year was £0.118m (£0.150m in 2022/23) with the balance being met proportionately by the Government and preceptors as defined by the rates retention scheme.

Note 15. Cash and Cash Equivalents

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

31 March 2023 £m		31 March 2024 £m
0.054	Cash held by the Council	0.052
2.346	Bank accounts	4.239
9.040	Money market funds	14.879
11.440	Total cash and cash equivalent assets	19.170
(2.493)	Bank overdraft facility	(2.644)
(2.493)	Cash and cash equivalent liabilities	(2.644)
8.947	Total cash and cash equivalent	16.526

Section 4 – Notes to the Core Financial Statements

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. Assets held for disposal relate to schools that are expected to transfer to either academy or trust status in the next twelve months. The following table shows the movements in year:

AHFS 2022/23 £m	AHFD 2022/23	AHFS 2023/24	AHFD 2023/24 £m
1.586	- Balance at start of year	1.289	-
0.374	- Assets transferred from property, plant and equipment	0.195	1.868
0.016	- Additions	-	0.025
(0.687)	- Assets sold	(0.323)	-
1.289	- Balance at end of year	1.161	1.893

Note 17. Short Term Creditors

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

31 March 2023			31 March 2024			
Creditors	Receipts in advance	Total	Creditors	Receipts in advance	Total	
£m	£m	£m	£m	£m	£m	
(9.407)	(5.268)	(14.675)	Central Government bodies	(9.313)	(4.784)	(14.097)
(0.892)	(0.175)	(1.067)	Other local authorities	(1.307)	(0.176)	(1.483)
(1.588)	(0.552)	(2.140)	NHS bodies	(1.867)	(0.523)	(2.390)
-	(2.561)	(2.561)	Housing tenants	-	(2.198)	(2.198)
-	(2.366)	(2.366)	Council tax payers	-	(2.289)	(2.289)
(3.359)	-	(3.359)	South Tyneside Homes Limited	(7.877)	-	(7.877)
(4.442)	-	(4.442)	Council employees	(4.923)	-	(4.923)
(8.765)	-	(8.765)	Tyne and Wear Pension Fund	(2.323)	-	(2.323)
(17.346)	(2.199)	(19.545)	All other creditors	(22.011)	(2.335)	(24.346)
(45.799)	(13.121)	(58.920)	Total creditors	(49.621)	(12.305)	(61.926)

Note 18. Long and Short Term Provisions

An analysis of the provisions balances is as follows:

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	Injury and damage compensation claims £m	Other provisions £m	Total £m
Balance at 1 April 2022	(1.615)	(1.946)	(3.561)
Additional provisions	(0.619)	(2.064)	(2.683)
Amounts used	0.861	1.836	2.697
Unused amounts reversed	-	-	-
Balance at 31 March 2023	(1.373)	(2.174)	(3.547)
Additional provisions	(0.618)	(1.544)	(2.162)
Amounts used	0.820	1.429	2.249
Unused amounts reversed	-	-	-
Balance at 31 March 2024	(1.171)	(2.289)	(3.460)
Short term provisions	-	(1.166)	(1.166)
Long term provisions	(1.171)	(1.123)	(2.294)
Balance at 31 March 2024	(1.171)	(2.289)	(3.460)

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

Note 19. PFI and other Long Term Contracts

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

PFI details	Boldon school	Street lights	Jarrow school	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)	22.048	13.584	-	21.926	35.334
Unitary charge payments in year (£m)	3.036	5.096	3.892	4.805	8.321
Additional payments and (receipts) in year (£m)	0.004	-	0.085	0.267	0.340
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:

PFI details	Boldon school	Street lights	Jarrow school	Epinay school	Joint waste project
Closing net book value of assets (£m)	23.122	14.490	-	22.216	37.739
Unitary charge payments in year (£m)	2.877	4.705	3.676	4.451	6.866
Additional payments in year (£m)	0.274	0.083	(0.030)	(0.178)	0.312

Section 4 – Notes to the Core Financial Statements

Boldon School

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

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

Street Lights

This scheme involves the replacement and maintenance of the whole of the borough's street lighting stock and covers the replacement of outdated lighting columns and street signage, providing new lighting in areas not served before the contract start date and maintaining the stock to a minimum standard. The street lighting assets owned by the Council were transferred to the operator at the commencement of the contract and will return at the end of the contract.

Jarrow School

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

Epinay School

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

Joint Waste Project

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

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

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

Section 4 – Notes to the Core Financial Statements

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:

2022/23		2023/24	
£m		£m	
(84.743)	Opening balance	(80.093)	
(6.625)	Interest and contingent rents	(6.085)	
11.275	Repayments	11.530	
(80.093)	Closing balance	(74.648)	
(5.445)	Short term liability	(5.292)	
(74.648)	Long term liability	(69.356)	
(80.093)	Closing balance	(74.648)	

The estimated outstanding unitary charge payments for all long term PFI contracts in operation at 31 March 2024 are analysed in the following table:

2023/24	Repayment of liability £m	Interest charge £m	Lifecycle costs £m	Contingent rents £m	Service charges £m	Total £m
Amounts due:						
Within one year	5.292	5.187	1.197	0.385	10.245	22.306
Two to five years	23.546	16.999	5.354	1.927	43.401	91.227
Six to ten years	28.970	10.576	6.741	0.279	48.346	94.912
Eleven to fifteen years	16.840	1.759	6.256	0.318	22.992	48.165
Sixteen to twenty years	-	-	-	-	-	-
Total	74.648	34.521	19.548	2.909	124.984	256.610

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

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

Section 4 – Notes to the Core Financial Statements

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

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 January 2023 and is due to expire on the 31 December 2027 with the option to extend for a further two years at an estimated contract value over the 5 year period of £10.723m.

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 2023 £m		31 March 2024 £m
(4.808)	General Fund balance	(11.214)
(58.288)	Earmarked reserves	(33.254)
(24.564)	Housing revenue account balance	(17.882)
(3.119)	Useable capital receipts balance	(3.369)
(0.974)	Housing major repairs reserve	-
(91.753)	Total usable reserves	(65.719)

Note 21. Unusable Reserves

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

31 March 2023 £m		31 March 2024 £m
(279.709)	Revaluation reserve	(291.258)
(264.149)	Capital adjustment account	(275.661)
21.460	Pensions reserve	(24.860)
(8.110)	Financial instruments revaluation reserve	(8.110)
4.476	Employee benefits adjustment account	4.944
1.609	Financial instruments adjustment account	1.424
(4.091)	Deferred capital receipts reserve	(4.091)
5.586	Dedicated Schools Grant Adjustment Account	5.429
(2.741)	Collection Fund adjustment account	(2.495)
(525.669)	Total unusable reserves	(594.678)

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

Section 4 – Notes to the Core Financial Statements

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.

2022/23 £m	Revaluation reserve	2023/24 £m
(252.462)	Balance at start of year	(279.709)
(52.307)	Upward revaluation of non-current assets	(34.895)
13.360	Valuation impairment charged to reserve	11.165
1.254	Accumulated gains on assets sold or scrapped	1.209
10.446	Other amounts written off to the capital adjustment account	10.972
(279.709)	Balance at end of year	(291.258)

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.

2022/23 £m	Capital adjustment account	2023/24 £m
(242.473)	Balance at start of year	(264.149)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
62.242	Charges for depreciation and impairment of non-current assets	65.068
(12.635)	Revaluation (losses) or gains on property, plant and equipment	(5.868)
0.525	Amortisation of intangible assets	0.716
4.390	Revenue expenditure funded from capital under statute	4.326
10.222	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	6.362
6.290	Capital receipts not linked to assets	0.372
(11.700)	Adjusting amounts written out of the revaluation reserve	(12.180)
59.334	Net written out amount of the cost of non-current assets consumed in the year	58.796
	Capital financing applied in the year	
(5.600)	Use of the capital receipts reserve to finance new capital expenditure	(2.349)
(24.077)	Use of the major repairs reserve to finance new capital expenditure	(29.660)
(26.965)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(19.762)
(11.139)	Provision for the financing of capital investment charged against the General Fund balance	(11.390)
(10.730)	Capital receipts in lieu of debt set aside	(4.872)
(2.499)	Capital expenditure charged against the General Fund and HRA balances	(2.275)
(81.010)	Total capital financing applied	(70.308)
(264.149)	Balance at end of year	(275.661)

Pensions Reserve

The pensions reserve absorbs the timing differences arising from the different arrangements

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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 credit balance on the pensions reserve therefore shows increased benefits earned by past and current employees and the resources the Council has set aside to meet them.

2022/23	Pensions reserve	2023/24
£m		£m
322.570	Balance at start of year	21.460
(332.240)	Actuarial (gains) or losses on pensions assets and defined benefit liability	(47.510)
50.040	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	20.200
(18.910)	Employers pension contributions and direct payments to pensioners payable in year	(19.010)
21.460	Balance at end of year	(24.860)

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.

Dedicated Schools' Grant

The Authority has a deficit in respect of its schools budget therefore in line with guidance this has been charged to the Dedicated Schools Grant adjustment account which has been regarded as an unusable reserve.

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:

2022/23		2023/24
£m		£m
62.222	Depreciation and impairment	65.049
(12.634)	Revaluation (losses) or gains of property, plant and equipment	(5.868)
0.525	Amortisation of intangibles	0.716
(10.017)	(Decrease) or increase in creditors	5.376
(12.210)	Decrease or (increase) in debtors	0.497
2.491	Increase in impairment provision for bad debts	1.755
(0.011)	(Increase) or decrease in inventories	(0.181)
31.130	Movement in defined benefit obligation	1.190
135.220	Carrying amount of current and non-current assets sold or scrapped	38.362
0.177	Movements in fair values of soft loans	0.165
(6.912)	Other non-cash items charged or (credited) to the deficit on the provision of services	(3.374)
189.981	Adjustment to the deficit on the provision of services for non-cash movements	103.687

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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:

2022/23		2023/24
£m		£m
(127.300)	Proceeds from short term and long term investments	(34.300)
(9.346)	Proceeds from sale of property, plant and equipment	(3.905)
(26.965)	Capital grants credited to the deficit on the provision of services	(19.762)
(1.555)	Collection Fund (credited) or debited to the deficit on the provision of services	0.246
(165.166)	Adjustment for items included in the deficit on the provision of services that are investing and financing activities	(57.721)

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

2022/23		2023/24
£m		£m
2.324	Interest received	3.651
(28.863)	Interest paid	(25.508)

Note 23. Investing Activities

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

2022/23		2023/24
£m		£m
(85.190)	Purchase of property, plant and equipment, heritage assets and intangible assets	(86.343)
(85.000)	Purchase of short term and long term investments	(7.718)
8.796	Proceeds from the sale of property, plant and equipment and assets held for sale	4.455
127.300	Proceeds from short term and long term investments	34.300
31.532	Other receipts from investing activities	20.848
(2.562)	Net cash flows from investing activities	(34.458)

Note 24. Financing Activities

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

2022/23		2023/24
£m		£m
6.000	Cash receipts of short and long term borrowing	50.000
(4.728)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	(5.531)
(12.351)	Repayments of short term borrowing	(21.022)
(0.112)	Other receipts or (payments) for financing activities	0.889
(11.191)	Net cash flows from financing activities	24.336

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:

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		2021/22	2022/23	2023/24
		£m	£m	£m
South Shields open air market	Turnover	(0.060)	(0.064)	(0.064)
	Expenditure	0.014	0.014	0.014
Cumulative surplus over last 3 years: £0.001m	Deficit or (surplus)	(0.046)	(0.050)	(0.050)
School and other catering	Turnover	(5.376)	(5.120)	(5.608)
	Expenditure	7.147	7.560	7.375
Cumulative deficit over last 3 years: £4.109m	Deficit	1.771	2.440	1.767
Building regulation charging	Turnover	(0.327)	(0.306)	(0.323)
	Expenditure	(0.014)	(0.009)	0.323
Cumulative surplus over last 3 years: £0.342m	Deficit or (surplus)	(0.341)	(0.315)	-
Total trading activity	Turnover	(5.763)	(5.490)	(5.995)
	Expenditure	7.147	7.565	7.712
Cumulative deficit over last 3 years: £3.766m	Deficit	1.384	2.075	1.717

Note 26. Pooled Budgets

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

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

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

2022/23		2023/24	2023/24	2023/24
Council share of net cost		Pooled budgets net cost	NHS partners income to the Council	Council share of net cost
£m		£m	£m	£m
14.018	Better Care Fund	55.744	(5.771)	49.973
26.983	Learning disabilities	37.532	(7.715)	29.817
0.668	Joint equipment store	1.394	(0.697)	0.697
-	Nursing care and continuing care	23.110	(23.110)	-
-	Section 117 mental health	0.569	(0.569)	-
41.669	Total	118.349	(37.862)	80.487

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Note 27. Members' Allowances

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

2022/23		2023/24	
£m		£m	
0.748	Members' allowances	0.771	
0.038	Other Members' expenses	0.042	
0.786	Total Members' allowances paid	0.813	

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".

2022/23				2023/24			
Council and Statutory	Community School based	Total	Leavers accounted for in year	Council and Statutory	Community School based	Total	Leavers accounted for in year
62	49	111	1 £50,000 - £54,999	111	78	189	1
39	29	68	- £55,000 - £59,999	37	37	74	1
17	15	32	- £60,000 - £64,999	34	23	57	1
5	10	15	- £65,000 - £69,999	16	11	27	1
9	7	16	- £70,000 - £74,999	5	9	14	-
7	5	12	- £75,000 - £79,999	7	9	16	-
-	6	6	- £80,000 - £84,999	4	4	8	-
3	2	5	- £85,000 - £89,999	-	5	5	-
4	2	6	- £90,000 - £94,999	6	3	9	1
-	2	2	- £95,000 - £99,999	-	2	2	-
1	1	2	1 £100,000 - £104,999	5	-	5	-
-	1	1	- £105,000 - £109,999	-	3	3	-
1	-	1	- £130,000 - £134,999	1	-	1	-
148	129	277	2	226	184	410	5

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:

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Post title		Salary and allowances £	Compensation for loss of office £	Pension contribution £	Total remuneration £
Officers over £150,000					
Chief Executive - J Tew	2022/23	170,421	-	32,712	203,133
	2023/24	176,386	-	33,727	210,113
Other senior officers					
Director Business and Resources	2022/23	126,948	-	24,945	151,893
	2023/24	131,357	-	26,009	157,366
Director Regeneration and Environment	2022/23*	120,346	-	20,970	141,316
	2023/24*	118,891	-	21,702	140,593
Director of Childrens Services	2022/23^	104,110	50,144	29,226	183,480
	2023/24^	61,944	-	11,741	73,685
Interim Director of Childrens Services	2022/23^	30,940	-	-	30,940
	2023/24^	132,763	-	25,493	158,256
Director of Adult Social Care	2022/23	120,346	-	23,420	143,766
	2023/24	124,558	-	23,436	147,994
Director of Governance & Corporate Affairs	2022/23	114,707	-	22,712	137,419
	2023/24*	118,746	-	23,512	142,258
Director of Public Health	2022/23	96,748	-	17,766	114,514
	2023/24	100,134	-	17,501	117,635
Total remuneration 2022/23		884,566	50,144	171,751	1,106,461
Total remuneration 2023/24		964,779	0	183,121	1,147,900

^ 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:

2022 /23			2023 /24		
Total exit Packages	Total Paid £m	Exit package cost band	Total exit Packages	Total Paid £m	
35	0.259	£1 - £20,000	18	0.101	
1	0.024	£20,001 - £40,000	2	0.043	
2	0.097	£40,001 - £60,000	2	0.084	
1	0.095	£80,001 - £100,000	1	0.080	
-	-	£100,001 - £150,000	1	0.109	
-	-	£201,000 - £250,000	1	0.234	
39	0.474	Total	25	0.651	

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

Note 29. External Audit Costs

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

2022/23 £m		2023/24 £m
0.127	Fees with regard to external audit services carried out by the appointed auditor for the year	0.364
0.024	Fees for the certification of grant claims and returns for the year	0.023
-	Audit Variation Fee	0.069
0.151	Total fees payable to external auditors	0.456

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

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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 2023/24 are shown in the following table.

2023/24	Central expenditure £m	Individual schools budget £m	Total £m
Final DSG before academy recoupment and high needs recoupment			156.249
Academy and high needs figure recouped in year			49.910
Total DSG after academy and high needs recoupment for current year			106.339
Agreed initial budgeted distribution in year	23.259	83.080	106.339
In year adjustments	-	(0.223)	(0.223)
Final budget distribution for year	23.259	82.857	106.116
Less: Actual central expenditure	25.176	-	25.176
Less: Actual ISB deployed to schools	-	83.466	83.466
In year carry forward to following year	(1.918)	(0.609)	(2.526)
DSG unusable reserve at end of previous year			(4.569)
Addition to DSG unusable reserve from current year			(2.526)
Total of DSG unusable reserves at the end of current year			(7.095)
Net DSG position at the end of current year			(7.095)

The equivalent table for the previous year is shown below:

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

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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:

2022/23 £m		2023/24 £m
	Credited to taxation and non-specific grant income	
(34.937)	Non-domestic rates top up grant	(36.711)
(23.853)	Capital grants and contributions	(16.052)
(15.449)	Revenue support grant	(17.312)
(11.126)	Private finance initiative	(11.126)
(1.410)	Covid-19 Grants	-
(7.522)	Small business rate relief grant	(11.632)
(10.723)	Adult social care support grant	(16.787)
(0.570)	New homes bonus grant	(0.004)
(0.722)	Benefits administration grant	(0.685)
(0.869)	Troubled families grant	(1.027)
(5.272)	Other unringfenced grants	(9.062)
(112.453)	Total credited to taxation and non-specific grant income	(120.398)
	Credited to services	
(100.801)	Dedicated schools grant	(106.116)
(41.750)	Housing benefit	(42.286)
(14.190)	Public health grant	(14.656)
(7.148)	Pupil premium grant	(7.531)
(10.485)	Better care fund grants	(10.486)
(0.263)	Other Covid-19 grants	(0.039)
(1.899)	Education and skills funding agency	(1.318)
(0.144)	Teachers pensions grant	-
(0.862)	Free school meals grant	-
(3.112)	Grants supporting revenue expenditure funded by capital under statute	(4.813)
(0.101)	Teachers pay grant	(0.989)
(0.572)	Physical education and sports grant	-
(0.064)	Partners in practice grant	-
(3.014)	Household Support Fund	(2.950)
-	CSC Innovation, Practice & Reform Grant	-
(11.763)	Other ringfenced grants	(15.643)
(196.168)	Total credited to services	(206.827)
(308.621)	Total grants	(327.225)

The following unutilised grants were held as receipts in advance:

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31 March 2023 £m		31 March 2024 £m
	Revenue grants	
(0.564)	Education and skills funding agencies	(1.850)
(1.011)	Department for Health Covid-19 grant	(1.011)
(2.885)	Other grants	(2.446)
(4.460)	Total revenue grants	(5.307)
	Capital grants	
(1.589)	Department for Education schools	(1.906)
(3.976)	Other grants and contributions	(2.867)
(5.565)	Total capital grants	(4.773)
(10.025)	Total grants	(10.080)

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.

2022/23 £m		2023/24 £m
787.286	Opening capital financing requirement (CFR)	795.908
	Capital investment	
84.019	Additions to property, plant and equipment	84.940
0.036	Loans treated as capital expenditure	-
1.171	Additions to other long term assets	1.402
4.391	Revenue expenditure funded from capital under statute	4.326
0.016	Other movements	(0.024)
89.633	Total capital investment	90.644
	Sources of finance	
(5.600)	Capital receipts	(2.349)
(26.965)	Government grants and other contributions	(19.762)
(24.077)	Major repairs reserve	(29.660)
	Sums set aside from revenue	
(2.500)	Direct revenue contributions	(2.275)
(7.276)	Sums set aside from revenue	(7.489)
(3.863)	PFI and finance lease repayments	(3.901)
(10.730)	Capital receipts in lieu of debt set aside	(4.872)
(81.011)	Total finance and debt set aside	(70.308)
8.622	Movement in CFR	20.336
795.908	Closing CFR	816.244
	Explanation of movement in year	
(5.080)	Decrease in underlying need to borrow (supported by Government financial assistance)	(5.141)
13.703	Increase in underlying need to borrow (unsupported by Government financial assistance)	25.477
8.622	Increase in CFR	20.336

Loans treated as Capital Expenditure

The Council issued no new capital loans 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 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:

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	£m
Decent Homes	23.813
Town centre and Holborn regeneration	15.955
Highways, infrastructure and footpaths	13.680
Asset enhancement	8.578
Other housing improvements	6.950
Social care works	5.078
Fleet vehicle replacement	3.442
Hebburn minewater	2.836
Computing and digital facilities	2.820
Viking energy network Jarrow	2.161
International Advanced Manufacturing Park	1.584
Schools and education	1.540
Climate change agenda	1.249
Recycling and environmental schemes	0.703
West Holborn Energy Network	0.303

Note 33. Leases

Council as Lessee - Finance Leases

The Council holds the lease of Cleadon Park facility which commenced in July 2010 and is 14 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 2023 £m		31 March 2024 £m
	Finance lease liabilities (net present value of minimum lease payments):	
0.086	- current	0.095
1.537	- non-current	1.442
1.178	Finance costs payable in future years	1.009
2.801	Minimum lease payments	2.546

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 2023 £m	31 March 2024 £m	31 March 2023 £m	31 March 2024 £m
Not later than one year	0.086	0.095	0.255	0.255
Later than one year and not later than five years	0.441	0.487	1.018	1.018
Five years to ten years	0.865	0.955	1.273	1.273
Later than ten years	0.231	-	0.255	-
	1.623	1.537	2.801	2.546

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

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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 2023 £m		31 March 2024 £m
0.014	Not later than one year	0.012
0.048	Later than one year and not later than five years	0.048
0.094	Later than five years	0.061
0.156		0.121

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 2023 £m		31 March 2024 £m
5.365	Not later than one year	5.535
7.720	Later than one year and not later than five years	6.111
14.695	Later than five years	14.787
27.780		26.433

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 £327.225m (£308.621m in 2022/23) in support of its revenue spending as detailed in note 31.

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

- One Member is the Chair, and three members are part of the board of South Tyneside Homes Limited; one member was part of the board of South Tyneside Housing Ventures Trust Limited until it was transferred to Karbon Homes in July 2023; one Member is a Director of the board of Centaurea Homes Limited; one Member is a Director of NIAL Holdings Limited. There are three Members who Chair a School Governing Body (3 in 2022/23). All of these schools receive allocations as part of the individual schools budget funded by Dedicated Schools Grant.
- The Director of Business and Resources is a Director of Inspired Spaces Stag (Project Co1) Limited and Inspired Spaces Stag (Project Co2) Limited. The directorship is

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delivered from the Council's shareholding in these companies.

- The Director of Place and Communities and the Head of Finance are directors of the Centaurea Homes Limited Board.
- The Leader of the Council and Director Governance and Corporate Affairs serve as members of the North East Combined Authority (NECA) leadership board alongside the three other constituent authorities.

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

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

South Tyneside Homes Limited buys services back from the Council and was charged £5.116m (£5.040m in 2022/23) in respect of support services provided. A further £2.480m (£3.385m in 2022/23) was recovered in respect of services such as waste disposal, fleet maintenance and profit sharing arrangements. The Council paid a management fee of £11.124m (£10.312m in 2022/23) and a further £50.384m (£41.977m in 2022/23) 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 provided social housing to residents thereby increasing the number of available affordable homes in the borough. The Council had one nominated representative on the board of this company and has incorporated it as an associate within the Group Accounts. The Council had agreed to a £40.000m loan arrangement with STHVTL to allow them to create and develop their housing stock. These loans were repayable over a maximum of 49 years and no later than 31 March 2063. There were no additional loans or advances made during the year (Nil in 2022/23) and £0.171m (£0.425m in 2022/23) principal repaid. A further £0.127m (£1.549m in 2022/23) was recovered from the company primarily in relation to interest on the loans. The Council paid across £0.461m in respect of tenants rent it has collected on behalf of the company during the year (£1.619m in 2022/23). On 16 July 2023 all assets and liabilities of STHVTL transferred to Karbon Homes.

The Council established Centaurea Homes Limited (CHL), a wholly owned private limited company, on 30 March 2017 in order to develop high quality housing for sale within the borough and to become an important component of the broad range of housing initiatives employed by the Council. It is also intended to repatriate profits generated as a result of business activity back to the Council in order to further invest in frontline services in the borough. Loans are provided to CHL by the Council at a market rate in order to provide development finance and working capital. During the year the Council issued no new loans (none in 2022/23), generating £0.000m in interest receipts (£0.100m in 2022/23). The Council also recovered £0.078m (£0.075m in 2022/23) from CHL in relation to services provided to the Company. The Council received £0.100m (nil in 2022/23) in dividends as a result of this shareholding.

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 2022/23) in the various companies established to run the contracts. The companies received contractual payments from the Council netting to £9.049m (£7.919m in 2022/23) in respect of construction and facilities management costs of Jarrow and Epinay Schools which were funded through a PFI

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arrangement. The Council received £0.003m (nil in 2022/23) in dividends as a result of these shareholdings.

During the year the Council paid grants and other sums totalling £0.194m (£0.208m in 2022/23) to NECA, together with a transport levy of £8.909m (£8.597m in 2022/23). It also recovered £0.269m (£0.038m in 2022/23) for services provided and received funding of £3.027m (£2.014m in 2022/23) towards capital projects.

The Council administers the Tyne and Wear Pension Fund and charged £0.456m (£0.479m 2022/23) in respect of support services provided. £3.759m (£3.422m in 2022/23) was also recovered in respect of pay costs for pensions staff, associated overheads and other costs. The Council also paid to the Fund £0.074m (£0.072m in 2022/23) in respect of treasury management duties.

The Council administers the accounts for NALAHCL on behalf of the LA7 and NIAL and charged £0.043m (£0.032m in 2022/23) in relation to officer time and expenses. The Council recognised £0.911m income from interest on loan notes with the airport (£0.798m in 2022/23) and nil dividends (nil in 2022/23). No payments were made to the company in year (nil in 2022/23).

In partnership with Sunderland Council a limited liability partnership, IAMP LLP, was incorporated in England and Wales on 11 July 2016 in order to develop an international advanced manufacturing park which is located in both boroughs. The purpose of the company is to receive land and funds from the Councils and be governed by a board of six council representatives (three from each authority). IAMP LLP has entered into a development agreement with a “partner” to deliver the development. The Company’s activities are part funded by the Government with the two councils each taking a 50% share of any other funding required and any assets or liabilities held. Any loans given to the company are secured against the land being purchased. The Council issued no new loans during the year (Nil in 2022/23). The Council spent £0.000m (Nil in 2022/23) on behalf of the company, which they would normally be reimbursed from the loans issued.

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 2023 £m	Amount due to the Council	31 March 2024 £m
10.718	Central Government	9.082
0.353	Tyne and Wear Pension Fund	0.375
9.893	NIAL	10.065
0.997	South Tyneside Homes Limited	0.607
0.194	InspiredSpaces STaG Limited	0.165
0.072	North East Combined Authority	0.545
6.080	IAMP LLP	6.262
38.327	South Tyneside Housing Ventures Trust Limited	-
-	Centaurea Homes Limited	-
66.634	Total	27.101

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

31 March 2023 £m	Amount due from the Council	31 March 2024 £m
(9.406)	Central Government	(9.313)
(8.765)	Tyne and Wear Pension Fund	(2.323)
(3.359)	South Tyneside Homes Limited	(7.877)
(0.005)	IAMP LLP	(0.007)
(0.128)	South Tyneside Housing Ventures Trust Limited	-
(21.663)	Total	(19.520)

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:

2022/23 £m		2023/24 £m
0.170	Learning and early help	0.046
2.824	Regeneration and housing	3.908
0.006	Corporate finance	0.001
7.624	Local authority housing (HRA)	6.847
10.624	Cost of services	10.802

During 2023/24 there were more planned property demolitions relating to town centre regeneration, resulting in an increased charge.

Note 36. Contingent Liabilities

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

Section 4 – Notes to the Core Financial Statements

Note 37. Contingent Assets

The creation of an arm's length management organisation on 1 April 2006 resulted in the transfer of past service pension deficit to South Tyneside Homes Limited. The deficit had accrued as a result of the transfer of former South Tyneside Council employees into the company. For the year ending 31 March 2024, the actuary assessed the surplus relating to the defined benefit asset of the company at £28.200m (£19.950m in 2022/23). If the figure does become a liability again in the future the Council has guaranteed to fund the past service pension deficit. The Pension Committee agreed the Council's guarantee to fund any pension deficit arising, were the liability to fall due. Therefore, in such a case, there is no possibility of reimbursement from the other member organisations of the Tyne and Wear Pension Fund.

Note 38. Financial Instruments Risks

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The treasury management function of the Council is undertaken within the Pension Service, because of the greater insight this service has on the economic environment and other market related risks. The Council has fully adopted CIPFA's 2021 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 22 February 2024 which can be accessed via the following link:

<https://southtyneside.gov.uk/article/22035/Council-budget-2024-2029-Medium-Term-Financial-Plan>

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

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

Section 4 – Notes to the Core Financial Statements

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 2024 the Council limited direct deposits with their own retail bank to a maximum of £25.000m (£25.000m in 2022/23) as well as for those institutions which are part owned by the Government. A maximum limit of £10.000m (£10.000m in 2022/23) applied when lending to other local authorities and £15.000m (£15.000m in 2022/23) for all other institutions on the Council lending list. In addition, a £15.000m (£15.000m in 2022/23) 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.

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

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

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

There has never been any default on the repayment of loans or deposits with banks and other financial institutions nor any of the loans outstanding with South Tyneside Housing Ventures Trust Limited or Karbon Homes. 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 £0.506m (£0.137m in 2022/23) in respect of the Newcastle Airport loan notes.

Section 4 – Notes to the Core Financial Statements

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.

2022/23		2022/23		2023/24		2023/24	
Customers and trade receivables amortised cost	Long term loans at amortised cost			Customers and trade receivables amortised cost	Long term loans at amortised cost		
Lifetime expected credit loss not credit impaired	Lifetime expected credit loss not credit impaired			Lifetime expected credit loss not credit impaired	Lifetime expected credit loss not credit impaired		
£m	£m			£m	£m		
6.587	0.129	Balance at start of year		8.099	0.189		
(0.555)	-	Amounts written off		(0.330)	-		
2.067	0.060	Changes in risk parameters		1.233	(0.016)		
8.099	0.189	Balance at end of year		9.002	0.173		

Credit Risk Exposure

The Council has the following exposure to credit risk at 31 March 2024:

2022/23		Credit risk rating	2023/24
Gross carrying amount			Gross carrying amount
£m			£m
	Twelve month expected credit loss exposure		
10.000	Australia New Zealand Bank	A+	-
-	Santander Bank	A+	-
15.000	Helaba	A+	-
-	National Bank of Kuwait	A+	-
-	Goldman Sachs International Bank	A+	-
-	SMBC International PLC	A	-
47.014	Other cash equivalents and short term investments		49.482
72.014	Total twelve month expected credit loss exposure		49.482
	Lifetime expected credit loss exposure		
10.083	Credit risk increased significantly since initial recognition		7.815
16.281	Simplified approach		11.588
26.364	Total lifetime expected credit loss exposure		19.403
98.378	Total credit loss exposure		68.885

Collateral

For financial assets totalling £2.588m (£2.006m in 2022/23) 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 (now transferred to Karbon Homes) 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 2022/23) 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.

Section 4 – Notes to the Core Financial Statements

The Council's policy is to ensure that no more than 40% (40% in 2022/23) of loans are due to mature within any financial year and 75% (75% in 2022/23) 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 2023 £m	Liabilities outstanding	31 March 2024 £m
(639.127)	PWLB	(676.507)
(8.291)	Market debt	(8.288)
(0.045)	Other private sector	(0.022)
(6.018)	Other local authorities	-
(283.637)	PFI liabilities	(256.610)
(36.473)	Creditors	(39.332)
(2.801)	Finance lease liabilities	(2.546)
(976.392)	Total	(983.305)
(84.008)	Less than one year	(127.991)
(32.277)	Between one and two years	(22.254)
(91.001)	Between two and five years	(104.992)
(155.631)	Between five and ten years	(136.184)
(613.475)	More than ten years	(591.884)
(976.392)	Total	(983.305)

Market Risk

Interest rate risk

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

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

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

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

Section 4 – Notes to the Core Financial Statements

The Council has several strategies for managing interest rate risk. Our treasury management policy sets a maximum of 35% (35% in 2022/23) 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 2024, for every 1% increase in interest rates, with all other variables held constant, the financial effect would be as shown in the following table:

2022/23		2023/24
£m	Interest rate risk	£m
0.030	Increase in interest payable on variable rate borrowings	0.030
(0.826)	Increase in interest receivable on variable rate investments	(0.626)
(0.796)	Impact on Comprehensive Income and Expenditure Statement	(0.596)
<hr/>		
(0.175)	Share of overall impact on the HRA Income and Expenditure Statement	(0.082)
0.337	(Increase) or decrease in fair value of fixed rate investment assets (no impact on Comprehensive Income and Expenditure Statement)	0.337
(89.054)	Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure Statement)	(88.133)

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

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £8.110m in Newcastle Airport (£8.110m in 2022/23). 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.

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2023/24	1 April 2023	Amount received during year	Amount applied during year	31 March 2023	Government stock investments	Invested in Council funds
	£m	£m	£m	£m	£m	£m
Westoe trust	(0.362)	(0.018)	0.001	(0.379)	-	0.379
Marine park trust	(0.183)	(0.009)	-	(0.192)	-	0.192
Other trust funds	(0.160)	(0.014)	0.006	(0.168)	0.021	0.147
Total balances	(0.705)	(0.041)	0.007	(0.739)	0.021	0.718

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 2022/23) 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:

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

Note 40. Pension Schemes Accounted for as Defined Contribution

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

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

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

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

During the year, the Council paid £8.531m to the Teachers' Pensions Agency in respect of teachers' retirement benefits, representing 23.7% of pensionable pay (£8.058m and 23.7% respectively in 2022/23). There were no employee contributions remaining payable at the year-end. The Council sum remaining payable at year end totalled nil (£0.944m in 2022/23).

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During the year, the Council paid £0.052m to NHS Pensions in respect of public health employees' retirement benefits, representing 14.38% of pensionable pay (£0.046m and 14.38% in 2022/23). There were no employee contributions remaining payable at the year-end. The Council sum remaining payable at year end totalled £0.006m (£0.007m in 2022/23).

The Council expects to pay out in the region of £8.583m in the year ending 31 March 2024 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 in the 2014 scheme.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash must be generated to meet actual pension payments as they eventually fall due.

During the year, the Council made direct payments to the Fund in respect of early retirements (known as "strain on the fund") payable over the next three years. Early retirements result in reduced pension contributions payable to the Fund and earlier payments of benefits. The sum to be paid by the Council in the year was estimated by the actuary to be £0.110m (£0.040m in 2022/23).

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.

Section 4 – Notes to the Core Financial Statements

The Fund follows a robust risk management process which can be found in note 13 of the Tyne and Wear Pension Fund Accounts (page 139). 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 2024 are estimated at £17.820m. 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 reached state pension age by 5 April 2021.

The main financial assumptions adopted as at 31 March 2024

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:

31 March 2023		31 March 2024
% per annum		% per annum
4.70	Discount rate	4.80
2.70	Inflation rate (consumer price index)	2.60
2.70	Rate of increase to pensions in payment	2.60
2.70	Pension accounts revaluation rate	2.60
4.20	Rate of general increase in salaries	4.10

The main demographic assumptions adopted as at 31 March 2024

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.

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31 March 2023	Post retirement mortality	31 March 2024
	Males	
21.6	Future lifetime from age 65 (currently aged 65)	21.0
22.9	Future lifetime from age 65 (currently aged 45)	22.3
	Females	
24.6	Future lifetime from age 65 (currently aged 65)	24.2
26.1	Future lifetime from age 65 (currently aged 45)	25.6

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 153).

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 2024 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	(905.930)	-1.6%	(835.390)	1.6%
Adjustment to salary increase rate	(922.500)	0.2%	(919.740)	-0.1%
Adjustment to pension increase rate	(933.550)	1.4%	(906.850)	-1.5%
	- 1 Year		+ 1 Year	
Adjustment to mortality age rating assumption	(943.680)	2.5%	(897.640)	-2.5%

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

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

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

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Impact on projected service cost	+0.1% per annum	Change	-0.1% per annum	Change
	£m		£m	
Adjustment to discount rate	17.820	-4.0%	19.300	4.1%
Adjustment to salary increase rate	18.540	0.0%	18.540	0.0%
Adjustment to pension increase rate	19.300	4.1%	17.800	-4.0%
	- 1 Year		+ 1 Year	
Adjustment to mortality age rating assumption	19.170	3.4%	17.910	-3.4%

Asset Allocation

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

Asset split at 31 March 2023			Asset split at 31 March 2024		
Quoted	Unquoted	Total	Quoted	Unquoted	Total
40.1%	11.1%	51.2% Equities	39.5%	11.1%	50.6%
-	10.5%	10.5% Property	-	10.4%	10.4%
1.3%	-	1.3% Government bonds	1.3%	-	1.3%
19.5%	-	19.5% Corporate bonds	19.5%	-	19.5%
4.5%	-	4.5% Multi Asset Credit	4.6%	-	4.6%
1.8%	-	1.8% Cash	0.7%	-	0.7%
0.0%	11.2%	11.2% Other investments	0.0%	12.9%	12.9%
67.2%	32.8%	100.0% Total	65.6%	34.4%	100.0%

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 17.82 years (16.44 years in 2022/23). The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active members	32%
Deferred pensioners	15%
Pensioners	53%

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

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(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 2025 the Council expects to pay £1.210m directly to beneficiaries.

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

The main financial and demographic assumptions adopted as at 31 March 2024

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 assets to the Balance Sheet:

31 March 2023			31 March 2024	
Funded	Unfunded		Funded	Unfunded
£m	£m		£m	£m
921.200	-	- Fair value of assets	960.960	-
(925.310)	(17.350)	Present value of funded defined benefit obligation	(920.660)	(15.410)
(4.110)	(17.350)	Asset or (liability) recognised on the Balance Sheet	40.300	(15.410)

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:

2022/23	2022/23		2023/24	2023/24
Funded	Unfunded		Funded	Unfunded
£m	£m		£m	£m
		Operating cost		
39.740	-	- Current service cost	19.500	-
0.040	-	- Past service cost	0.110	-
		Financing cost		
7.940	0.520	Interest on net defined benefit obligation	(0.210)	0.800
47.720	0.520	Pension expense recognised	19.400	0.800
		Remeasurements in other comprehensive income and expenditure		
33.180	-	- Net return on plan assets in excess of that recognised in net interest	(10.550)	-
(457.830)	(2.980)	Actuarial (gains) or losses on liabilities - financial assumptions	(30.340)	(0.210)
-	(0.190)	Actuarial gains on liabilities - demographic assumptions	(14.680)	(0.450)
93.870	1.710	Actuarial (gains) or losses on liabilities - experience	8.990	(0.270)
(330.780)	(1.460)	Total amount recognised in other comprehensive income and expenditure	(46.580)	(0.930)
(283.060)	(0.940)	Total amount recognised	(27.180)	(0.130)

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

2022/23 Funded £m	2022/23 Unfunded £m		2023/24 Funded £m	2023/24 Unfunded £m
(1,243.470)	(20.090)	Defined benefit liability at start of year	(925.310)	(17.350)
(39.740)	-	Current service cost	(19.500)	-
(33.190)	(0.520)	Interest expense on defined benefit liability	(42.780)	(0.800)
(5.610)	-	Contributions by participants	(5.930)	-
457.830	2.980	Actuarial gains or (losses) on liabilities - financial assumptions	30.340	0.210
-	0.190	Actuarial gains on liabilities - demographic assumptions	14.680	0.450
(95.670)	(1.710)	Actuarial gains or (losses) on liabilities - experience	(8.990)	0.270
34.580	1.800	Net benefits paid out	36.940	1.780
(0.040)	-	Past service cost	(0.110)	-
(925.310)	(17.350)	Defined benefit liability at end of year	(920.660)	(15.440)

Changes to the fair value of assets during the accounting year

2022/23 Funded £m	2022/23 Unfunded £m		2023/24 Funded £m	2023/24 Unfunded £m
940.990	-	Fair value of assets at start of year	921.200	-
25.250	-	Interest income on assets	42.990	-
(33.180)	-	Remeasurement (losses) or gains on assets	10.550	-
17.110	1.800	Contributions by the employer	17.230	1.780
5.610	-	Contributions by participants	5.930	-
(34.580)	(1.800)	Net benefits paid out	(36.940)	(1.780)
921.200	-	Fair value of assets at end of year	960.960	-

Actual return on assets

2022/23 Funded £m		2023/24 Funded £m
25.250	Interest income on assets	42.990
(33.180)	Remeasurement (losses) or gains on assets	10.550
(7.930)	Actual return on assets	53.540

Note 42. Accounting Standards Issued not yet Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The Code requires implementation of IFRS16 Leases from 1 April 2024 and therefore no impact on the 2023/24 financial statements. In 2024/25, the Council will apply IFRS16 Leases as adopted by the Code of Accounting Practice. IFRS16 will mean that the majority of leases where the Council act as lessee will come onto the balance sheet and the lessor accounting is effectively unchanged.

The main impact of the new requirements is that, for arrangements previously accounted for as operating leases, a right of use asset and a lease liability are to be brought onto the balance sheet. Leases for items of low value and leases that expire on or before the 31 March 2025 are exempt from the new arrangements.

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As a lessee, the Council has previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risk and rewards incidental to ownership of the underlying asset to the Council. Under IFRS16, right of use assets and lease liabilities will be recognised for most leases – i.e. these leases are on balance sheet.

The Council has decided to apply recognition exemptions to short-term leases and has elected not to recognise right of use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. The lease payments associated with these leases will be recognised as an expense over the lease term.

It is anticipated that the application of the Code's adaptation of IFRS16 will result in the following additions to the balance sheet:

- £3.810m Property, plant and equipment – land and buildings (right of use assets)
- £1.160m Non current creditors (lease liabilities)
- £2.490m Current creditors (lease liabilities)

Note 43. Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. 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 2023/24 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 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 £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.

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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.
- 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. 2023/24 was a 52-week rent year. The average weekly rent receipt for the year was £1.297m over 52 weeks (£1.269m in 2022/23).

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.

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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.
- 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 Karbon Homes.
- 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.

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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.

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

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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:

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

Service cost comprising:

- *Current service cost* – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.

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- *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.

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.

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- 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.

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).

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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

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

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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.

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.

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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 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.

Section 4 – Notes to the Core Financial Statements

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.

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

Section 4 – Notes to the Core Financial Statements

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.

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.

Section 4 – Notes to the Core Financial Statements

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

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

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

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

- **Dwellings** – current value, determined using the basis of existing use value for social housing. This represents the amount that the Council could be expected to receive from the sale of that asset having regard to the prospect and viability of the continuance of the current occupancy and use.

Section 4 – Notes to the Core Financial Statements

- **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.

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 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.

Section 4 – Notes to the Core Financial Statements

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 0 and 89 years.
- **Vehicles, plant, furniture and equipment** - straight-line allocation up to 20 years being the estimated remaining useful economic life.
- **Community Assets** – straight-line allocation over 7 to 37 years.
- **Infrastructure** – straight-line allocation over 15 to 25 years (open spaces between 25 to 28 years and coastal and flood works between 18 to 91 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.
- 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

Section 4 – Notes to the Core Financial Statements

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

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

21. Private Finance Initiative (PFI) and Similar Contracts

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

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

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

Section 4 – Notes to the Core Financial Statements

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 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.

Section 4 – Notes to the Core Financial Statements

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.

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

Section 4 – Notes to the Core Financial Statements

- 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.

2022/23 £m		Note	2023/24 £m
	Expenditure		
17.014	Repairs and maintenance		18.322
16.563	Supervision and management		18.088
2.628	Rents, rates, taxes and other charges		2.827
27.295	Depreciation and impairment of non-current assets	6	27.567
0.020	Amortisation of intangible assets	6	0.020
(14.117)	Revaluation gains on property, plant and equipment	6	(16.178)
0.051	Debt management costs	2	0.052
0.284	Movement in the allowance for bad debts		0.730
0.550	Sums directed by the Secretary of State that are expenditure in accordance with the Code	2	0.640
50.288	Total expenditure		52.068
	Income		
(63.393)	Dwelling rents		(67.357)
(1.581)	Non-dwelling rents		(1.932)
(1.746)	Charges for services and facilities		(1.791)
(1.276)	Contributions towards expenditure		(1.334)
(67.996)	Total income		(72.414)
(17.708)	Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement		(20.346)
0.115	HRA services' share of corporate and democratic core		0.118
(17.593)	Net expenditure for HRA services		(20.228)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
0.334	Loss or (profit) on disposal of HRA current and non-current assets		(0.343)
10.240	Interest and investment expenditure	2	9.977
(0.325)	Interest and investment income	2	(0.336)
(1.103)	Government grant income credited to service		(1.103)
(8.447)	Surplus for the year on HRA services		(12.033)
7.174	Adjustments between accounting basis and funding basis under statute	1	18.716
(1.273)	Decrease or (increase) in year on the HRA		6.683
(23.290)	Balance on the HRA at the end of the previous year		(24.563)
(24.563)	Balance on the HRA at the end of the current year		(17.880)

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.

2022/23 £m		2023/24 £m
	Amounts included in the HRA Income and Expenditure Statement but excluded from the movement on HRA balance for the year	
(7.624)	Impairment of non-current assets	(6.847)
14.117	Revaluation gains on property, plant and equipment	16.178
(19.692)	Depreciation of non-current assets	(20.739)
1.103	Capital grants and contributions	1.103
(0.144)	Revenue expenditure funded from capital under statute	(0.140)
0.068	Capital receipts not related to sale of a non-current asset	0.132
(6.181)	Amounts of non current assets written off on sale or disposal	(5.712)
6.025	Cash sale proceeds from the sale of non-current assets	6.205
(0.178)	Contribution towards administrative costs of disposal of non-current assets	(0.150)
(12.506)		(9.970)
	Items not included in the HRA Income and Expenditure Statement but included in the movement on the HRA balance for the year	
0.008	Contributions towards funding the capital programme	-
19.672	Contribution to major repairs reserve	28.686
19.680		28.686
7.174	Net additional amount required by statute to be debited to the HRA balance for the year	18.716

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:

2022/23 £m		2023/24 £m
	Credit items	
(14.117)	Revaluation gains adjustments	(16.178)
(7.624)	Impairment and revaluation losses removed	(6.847)
(0.325)	Interest receivable and similar income	(0.336)
(22.066)	Total item 8 credit	(23.361)
	Debit items	
10.240	Interest payable and similar charges	9.977
0.051	Debt management costs	0.052
19.692	Depreciation	20.739
0.020	Amortisation of intangible assets	0.020
0.550	Revenue expenditure funded by capital under statute	0.640
14.117	Revaluation gains removed	16.178
7.624	Impairment and revaluation losses adjustments	6.847
52.294	Total item 8 debit	54.453

Section 5 – Housing Revenue Account Income and Expenditure Statement

Note 3. Housing Stock

The Council was responsible for managing an average of 16,016 dwellings and sheltered units during the year (16,160 in 2022/23). The variations during the year can be seen in the table below:

Opening balance	
Dwellings	14,944
Sheltered units	1,140
Balance at start of year	16,084
Reductions	
Right to buys	(112)
Other Sales	(3)
Demolitions	(16)
Conversions & External leases	(13)
Non active dwellings	(3)
Re-instatements & Additions	11
Net reduction in stock	(136)
Closing balance	
Dwellings	14,807
Sheltered units	1,141
Balance at end of year	15,948
Houses	9,206
Bungalows	2,386
Flats and maisonettes	3,215
Sheltered units	1,141
Balance at end of year	15,948

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.

Net book value 31 March 2023 £m		Net book value 31 March 2024 £m	
557.026	Council dwellings	584.229	
37.726	Other buildings	38.202	
10.608	Other land	10.736	
2.523	Vehicles, plant and equipment	2.457	
16.686	Infrastructure	17.439	
2.707	Surplus	3.235	
0.231	Assets under construction	1.897	
0.323	Assets held for sale	0.195	
627.830	Closing net book value	658.390	

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

Section 5 – Housing Revenue Account Income and Expenditure Statement

covers items such as information technology, security systems, warden call, sheltered accommodation and disabled adaptations.

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 2023		31 March 2024	
£m		£m	
1,265.968	Vacant possession value	1,327.793	
(557.026)	Existing use social housing value	(584.229)	
708.942	Economic cost to the Government	743.564	

Note 6. Depreciation, Impairment and Revaluations

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

2023/24	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure assets	Total property, plant and equipment
	£m	£m	£m	£m	£m
Balance at start of year	(99.530)	(9.541)	(6.001)	(4.875)	(119.947)
Depreciation charges in year	(17.789)	(1.820)	(0.228)	(0.882)	(20.719)
Depreciation charges written out on reclassification	0.041	(0.006)	-	-	0.035
Depreciation charges written out on disposal / Revaluation	12.625	0.345	-	-	12.970
Balance at end of year	(104.653)	(11.022)	(6.229)	(5.757)	(127.661)

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:

Section 5 – Housing Revenue Account Income and Expenditure Statement

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

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

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

2023/24	Council dwellings	Other buildings	Total property, plant and equipment
	£m	£m	£m
Revaluation gains or (losses)	15.424	0.754	16.178
Impairment losses	(6.219)	(0.628)	(6.847)
Net gains	9.205	0.126	9.331

The equivalent table for the previous year:

2022/23	Council dwellings	Other buildings	Total property, plant and equipment
	£m	£m	£m
Revaluation gains or (losses)	12.272	1.844	14.116
Impairment losses	(7.404)	(0.220)	(7.624)
Net gains	4.868	1.624	6.492

Note 7. Housing Capital Expenditure Summary

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

Section 5 – Housing Revenue Account Income and Expenditure Statement

2022/23 £m		2023/24 £m
	Expenditure	
21.847	Dwellings	25.560
3.197	Other property, plant and equipment	5.063
0.144	Revenue expenditure funded from capital under statute	0.140
25.188	Total expenditure	30.763
	Funding source	
(24.077)	Major repairs reserve	(29.660)
(0.008)	Revenue contributions	-
(1.103)	Grants and other external income	(1.103)
(25.188)	Total funding	(30.763)

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.

2022/23 £m		2023/24 £m
(5.775)	House sales	(4.787)
(0.033)	Discount repayments	(0.059)
(0.035)	Freehold reversions	(0.073)
(0.250)	Development agreements and land sales	(1.418)
(6.093)	Total receipts for the year	(6.337)

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.

2022/23 £m		2023/24 £m
73.956	Gross rent collectable (including water and sewerage charges)	78.553
5.032	Overall arrears at end of year (including water and sewerage charges)	5.609
6.80%	Overall arrears as a percentage of gross rent collectable	7.14%
4.627	Rent arrears at end of year (excluding water and sewerage charges)	5.164
0.210	Amounts written off during the year	0.119
(3.424)	Balance Sheet allowance for bad debts	(4.082)

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.

2022/23 £m		Note	2023/24 £m
	Income		
(79.449)	Council tax	1	(83.495)
(0.055)	Transfer from General Fund		(0.050)
(79.505)	Total council tax income		(83.545)
(25.256)	Income collectable from non-domestic ratepayers	2	(27.016)
(5.195)	Contribution towards previous years non-domestic rates deficit		(1.165)
(30.451)	Total non-domestic rates income		(28.181)
(109.956)	Total income		(111.726)
	Expenditure		
77.427	Precept payments - council tax		82.593
13.112	Shares of non-domestic rates income payable to preceptors		14.266
13.112	Shares of non-domestic rates income payable as central share to Government		14.266
(0.123)	Transition protection payments		(1.441)
0.132	Allowable collection costs for non-domestic rates		0.139
26.233	Total non-domestic rates expenditure		27.230
0.094	Council tax written off		0.351
0.973	Transfer to council tax bad debt provision		0.635
0.150	Non-domestic rates written off		0.116
0.646	Transfer to non-domestic rates bad debt provision		0.251
1.863	Total bad and doubtful debts		1.353
1.136	Contribution towards previous years council tax surplus		0.569
106.659	Total expenditure		111.745
0.125	(Surplus) or deficit for the year - council tax		0.603
(3.422)	(Surplus) or deficit for the year - non-domestic rates		(0.584)
(3.819)	Balance brought forward from previous year - council tax		(3.694)
4.426	Balance brought forward from previous year - non-domestic rates		1.005
(2.690)	Collection Fund balance at end of year		(2.670)
(0.461)	Surplus relating to other precepting bodies - council tax		(0.390)
0.512	Deficit relating to other precepting bodies - non-domestic rates		0.215
(3.233)	Surplus relating to South Tyneside Council - council tax		(2.701)
0.492	Deficit relating to South Tyneside Council - non-domestic rates		0.206
(2.741)	(Surplus) or deficit relating to South Tyneside Council - total		(2.495)

Section 5 – Collection Fund Statement

Note 1. Council Tax

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

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts: 39,503 in 2023/24 (39,016 in 2022/23). Council tax is calculated by multiplying the basic amount of council tax for band D by the proportion for that particular band. In 2023/24 the band D equivalent was £2090.81 (£1,984.52 in 2022/23).

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

Band	Proportion of band D	Number of dwellings (October 2022)
A	6/9ths	45,861
B	7/9ths	10,338
C	8/9ths	8,709
D	9/9ths	4,823
E	11/9ths	1,834
F	13/9ths	727
G	15/9ths	338
H	18/9ths	43
		72,673

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 2022/23) and 51.2p for all other businesses (51.2p in 2022/23).

The non-domestic rates income, after reliefs and provisions, of £27.016m (£25.256m in 2022/23) was based on a rateable value of £79.119m as at 31 March 2024 (£77.296m in 2022/23).

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 into the Group Accounts as subsidiaries if material. Any joint ventures or where significant influence is applicable have been incorporated as associates.

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

Subsidiary - South Tyneside Homes Limited (STHL)

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

The net assets of the company amount to £30.261m at the year-end (£21.782m in 2022/23). The company made a net surplus of £0.059m for the year (£7.663m loss in 2022/23).

The Council's accounts include a debtor due from STHL of £0.607m (£0.997m in 2022/23) and a creditor due to STHL of £7.877m (£3.359m in 2022/23).

The creation of the ALMO resulted in the transfer of past service pension deficit to STHL. The deficit had accrued as a result of the transfer of former South Tyneside Council employees. The actuary assessed the value at the year-end to be a surplus of £28.200m (£19.950m in 2022/23). In the event that STHL were wound up, prior to the agreed contract-end date, the Council has guaranteed to fund any past service defined benefit obligation.

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

Subsidiary – Centaurea Homes Limited

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

Section 6 – Group Introduction

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

The net assets of the company amount to £0.404m at the year-end (£0.857m in 2022/23). The company made a net loss of £0.288m for the year (£0.083m profit in 2022/23).

The Council's accounts include no debtor balances due from the company (nil in 2022/23). 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 consisted of five individuals, one of which was nominated by the Council whilst the other four were independents who were neither a Council employee or a tenant or leaseholder of the Council. The Council nominee acted in line with the seven principles of the Nolan Committee such that they had agreed to take all decisions solely in the interest of STHVTL. The Company was responsible for the maintenance of all assets acquired by them and any future income streams arising from those assets. The council was a major lender to the company and had a £40.000m (£40.000m in 2022/23) facilities loan agreement in place to allow the company to develop and expand its asset portfolio.

On 16 July 2023 the assets and liabilities of STHVTL transferred in their entirety to Karbon Homes, a provider of affordable rented housing as well as offering people a chance to get on the homeownership ladder through Rent to Buy and Shared Ownership. The Council have no nominated Board members at Karbon Homes with no voting rights and are therefore deemed to have no significant influence over the company. As a result of this transfer STHVTL have ceased operations and their balances have been written out of the Group balance sheet in 2023/24.

As at the year-end the Company owed the Council nil (£38.001m in 2022/23) following loans and other drawdowns advanced. All loans were repayable before 31 March 2063. The Council was due to pay nil (£0.128m in 2022/23) to the company.

The company produced an operating loss of £0.314m for the year to 16 July 2023 (£0.165m in 2022/23) and had net liabilities at year end of nil (£1.861m in 2022/23).

Joint Venture – IAMP LLP

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

Section 6 – Group Introduction

As at the year end the Company owed the Council £6.262m (£6.080m in 2022/23) following loans issued to cover the cost of land purchases. The Council was due to pay £0.007m (£0.005m in 2022/23) to the company. The company produced an operating profit of £0.003m for the year (£0.002m in 2022/23) and had net assets at year-end of £15.513m (£15.510m in 2022/23).

Copies of the Company's accounts can be obtained from Finance Manager, Sunderland City Council, City Hall, Platter Way, Sunderland, Tyne and Wear, SR1 3AA.

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 107 to 115 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
Balance at 31 March 2022 carried forward	(74.130)	(23.290)	(6.981)	(2.974)	(107.375)	(175.780)	49.331	(233.823)
Movement in reserves during 2022/23								
Total comprehensive (income) and expenditure	42.392	(8.447)	-	0.377	34.322	(371.186)	(69.282)	(406.146)
Adjustments between accounting basis and funding basis under regulations	(31.358)	7.173	2.888	-	(21.297)	21.297	-	-
(Increase) or decrease in 2022/23	11.034	(1.274)	2.888	0.377	13.025	(349.889)	(69.282)	(406.146)
Balance at 31 March 2023 carried forward	(63.096)	(24.564)	(4.093)	(2.597)	(94.350)	(525.669)	(19.951)	(639.969)
Movement in reserves during 2023/24								
Total comprehensive (income) and expenditure	40.298	(12.033)	-	(0.151)	28.114	(71.240)	(8.249)	(51.375)
Adjustments between accounting basis and funding basis under regulations	(21.671)	18.716	0.724	-	(2.231)	2.231	-	-
(Increase) or decrease in 2023/24	18.627	6.683	0.724	(0.151)	25.883	(69.009)	(8.249)	(51.375)
Balance at 31 March 2024 carried forward	(44.469)	(17.881)	(3.369)	(2.747)	(68.466)	(594.678)	(28.200)	(691.344)

Section 6 – Group 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.

2022/23 Gross expenditure £m	2022/23 Gross income £m	2022/23 Net expenditure £m	Note	2023/24 Gross expenditure £m	2023/24 Gross income £m	2023/24 Net expenditure £m
114.609	(58.533)	56.076		129.746	(65.343)	64.403
2.567	(0.863)	1.704		2.817	(0.882)	1.935
117.176	(59.396)	57.780		132.563	(66.225)	66.338
40.813	(7.655)	33.158		42.072	(4.885)	37.187
150.073	(122.786)	27.287		166.704	(139.639)	27.065
190.886	(130.441)	60.445		208.776	(144.524)	64.252
16.229	(17.453)	(1.224)		15.657	(16.096)	(0.439)
16.229	(17.453)	(1.224)		15.657	(16.096)	(0.439)
66.129	(61.105)	5.024		56.779	(54.914)	1.865
8.417	(1.326)	7.091		8.777	(1.793)	6.984
10.757	(5.205)	5.552		10.786	(4.816)	5.970
8.141	(1.873)	6.268		11.238	(5.930)	5.308
93.444	(68.539)	24.905		87.580	(67.453)	20.127
3.204	(1.101)	2.103		3.502	(1.185)	2.317
4.639	(0.510)	5.263		5.602	(0.559)	5.043
2.698	(0.133)	1.317		1.841	(0.372)	1.469
10.541	(1.744)	8.683		10.945	(2.116)	8.829
27.664	(6.198)	21.466		25.152	(4.156)	20.996
40.722	(11.475)	29.247		11.167	(5.071)	6.096
17.372	(10.532)	6.840		37.791	(9.056)	28.735
6.782	(5.287)	1.495		27.634	(16.318)	11.316
92.540	(33.492)	59.048		101.744	(34.601)	67.143
45.934	(65.482)	(19.548)		41.831	(69.900)	(28.069)
566.750	(376.547)	190.089		599.096	(400.915)	198.181
15.044	(5.489)	9.555		17.065	(5.995)	11.070
41.594	(3.854)	37.740	1	28.434	(2.681)	25.753
-	(195.875)	(195.875)		-	(206.336)	(206.336)
623.388	(581.765)	41.509		644.595	(615.927)	28.668
4.090	(4.199)	(0.109)		1.331	(1.714)	(0.383)
627.478	(585.964)	41.400		645.926	(617.641)	28.285
				Items that will not be reclassified to the deficit on the provision of services		
		(52.307)				(34.895)
		-				-
		13.361				11.165
		(408.600)	14			(55.930)
		(447.546)				(79.660)
		(406.146)				(51.375)

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 2023 £m		Note	31 March 2024 £m
Non-current assets			
557.027	Council dwellings	2	584.229
725.631	Other property, plant and equipment	2	739.665
3.146	Heritage assets		3.527
-	Investment properties		-
2.010	Intangible assets	4	2.596
(0.093)	Long term investments - associates and joint ventures		0.282
8.112	Other long term investments		8.112
-	Asset related to Defined Benefit Pension Scheme		53.060
57.342	Long term debtors		58.015
1,353.175	Total non-current assets		1,449.486
Current assets			
24.774	Short term investments		-
0.821	Inventories		1.000
53.628	Short term debtors	5	50.815
15.801	Cash and cash equivalents	6	19.429
1.289	Assets held for sale		3.054
96.313	Total current assets		74.298
Current liabilities			
(60.750)	Short term creditors	7	(60.094)
(2.493)	Cash and cash equivalents - bank overdraft	6	(2.644)
(24.736)	Short term borrowing		(66.098)
(5.445)	PFI liability due in less than one year		(5.292)
(5.565)	Capital grants receipts in advance		(4.773)
(1.089)	Short term provisions		(1.166)
(100.078)	Total current liabilities		(140.067)
(3.764)	Total net current assets or (liabilities)		(65.769)
Non-current liabilities			
(0.543)	Long term creditors		(0.561)
(2.458)	Long term provisions		(2.294)
(628.745)	Long term borrowing		(618.719)
(74.648)	Long term PFI liability		(69.356)
(1.510)	Liability related to defined benefit obligation	14	-
(1.537)	Other long term liabilities		(1.442)
(709.441)	Total non-current liabilities		(692.372)
639.969	Total net assets		691.344
Reserves			
(91.753)	Council usable reserves		(65.719)
(2.597)	Usable reserves of Group entities	3	(2.747)
(545.619)	Unusable reserves	8	(622.878)
(639.969)	Total reserves		(691.344)

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.

2022/23 £m		Note	2023/24 £m
(41.400)	Cash and non-cash outflow from the provision of services		(28.285)
198.454	Adjustment to the deficit on the provision of services for non-cash movements	9	100.190
(165.157)	Adjustment for items included in the deficit on the provision of services that are investing and financing activities		(57.720)
(8.103)	Net cash flow from operating activities		14.185
(0.182)	Investing activities		(34.609)
(15.170)	Financing activities		23.901
(23.455)	Net increase or (decrease) in cash and cash equivalents		3.477
36.763	Cash and cash equivalents at the start of the year		13.308
13.308	Cash and cash equivalents at the end of the year		16.785

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:

2022/23		2023/24
£m		£m
28.584	Interest payable and similar charges	27.866
1.910	Impairment of financial and non-financial assets	0.968
11.100	Net interest expense of defined benefit liability and interest income on scheme assets	(0.400)
(3.707)	Interest receivable	(2.681)
(0.147)	Income in relation to investment properties	-
37.740	Total financing and investment income and expenditure	25.753

Note 2. Property, Plant and Equipment

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

2023/24	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
Cost or valuation									
At 1 April 2023	656.556	429.835	64.422	87.489	16.562	3.403	49.384	1,307.651	111.838
Additions	25.561	12.918	0.269	6.186	0.322	0.793	16.015	62.064	0.298
Revaluation to revaluation reserve	6.727	(11.426)	4.996	-	-	0.936	-	1.233	0.041
Revaluation to Comprehensive Income and Expenditure Statement	12.508	(9.127)	(2.720)	-	-	(0.200)	-	0.461	(0.612)
Impairment to Comprehensive Income and Expenditure Statement	(6.219)	(4.493)	-	(0.001)	-	-	-	(10.713)	-
Sales and other derecognition	(5.966)	(0.376)	(0.160)	(1.346)	-	(0.657)	-	(8.505)	-
Reclassification of assets	(0.285)	2.126	(0.608)	5.835	-	0.706	(22.721)	(14.947)	-
At 31 March 2024	688.882	419.457	66.199	98.163	16.884	4.981	42.678	1,337.244	111.565
Depreciation									
At 1 April 2023	(99.529)	(46.141)	-	(47.165)	(7.189)	(0.038)	-	(200.062)	(13.139)
Depreciation to Comprehensive Income and Expenditure Statement	(17.789)	(18.624)	-	(6.451)	(0.956)	(0.020)	-	(43.840)	(4.107)
Depreciation to revaluation reserve	8.681	13.385	-	-	-	0.021	-	22.087	-
Depreciation to Comprehensive Income and Expenditure Statement on revaluation	2.916	2.487	-	-	-	-	-	5.403	0.612
Sales and other derecognition	1.028	0.123	-	1.343	-	0.012	-	2.506	-
Reclassification of assets	0.041	0.191	-	-	-	(0.004)	-	0.228	-
At 31 March 2024	(104.652)	(48.579)	-	(52.273)	(8.145)	(0.029)	-	(213.678)	(16.634)
Balance Sheet amount at 31 March 2023	557.027	369.851	64.230	42.312	9.843	3.365	49.384	1,107.589	98.699
Balance Sheet amount at 31 March 2024	584.230	370.878	66.199	45.890	8.739	4.952	42.678	1,123.566	94.931

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

	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
2022/23	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation									
At 1 April 2022	624.707	404.787	64.231	84.666	16.130	3.839	24.727	1,223.087	111.838
Additions	21.852	13.455	0.107	3.289	0.432	-	29.984	69.119	1.451
Revaluation to revaluation reserve	14.067	12.518	0.258	-	-	-	-	26.843	2.118
Revaluation to Comprehensive Income and Expenditure Statement	10.169	(1.258)	(0.085)	-	-	(0.083)	-	8.743	(0.669)
Impairment to Comprehensive Income and Expenditure Statement	(7.404)	(2.997)	-	(0.001)	-	-	-	(10.402)	-
Sales and other derecognition	(6.740)	(0.568)	(0.007)	(0.466)	-	(0.453)	(1.047)	(9.281)	-
Reclassification of assets	(0.095)	3.898	(0.082)	-	-	0.100	(4.248)	(0.427)	-
At 31 March 2023	656.556	429.835	64.422	87.488	16.562	3.403	49.416	1,307.682	114.738
Depreciation									
At 1 April 2022	(92.817)	(34.937)	-	(42.351)	(6.286)	(0.030)	-	(176.421)	(13.139)
Depreciation to Comprehensive Income and Expenditure Statement	(16.961)	(18.582)	-	(5.279)	(0.903)	(0.008)	-	(41.733)	(3.946)
Depreciation to revaluation reserve	6.705	5.397	-	-	-	-	-	12.102	(0.007)
Depreciation to Comprehensive Income and Expenditure Statement on revaluation	2.103	1.788	-	-	-	-	-	3.891	0.669
Sales and other derecognition	1.426	0.155	-	0.465	-	-	-	2.046	-
Reclassification of assets	0.015	0.038	-	-	-	-	-	0.053	-
At 31 March 2023	(99.529)	(46.141)	-	(47.165)	(7.189)	(0.038)	-	(200.062)	(16.423)
Balance Sheet amount at 31 March 2022	531.890	369.851	64.230	42.312	9.843	3.809	27.142	1,049.076	99.605
Balance Sheet amount at 31 March 2023	557.027	383.694	64.422	40.323	9.373	3.365	49.416	1,107.620	98.315

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:

2023/24	South Tyneside Homes Limited	Centaurea Homes Limited	South Tyneside Homes Venture Trust Limited	IAMP LLP	Total
	100% share	100% share	20% share	50% share	
	£m	£m	£m	£m	£m
Reserves as at start of year	1.832	0.857	(0.372)	0.280	2.597
Non-current assets	-	-	0.000	1.921	1.921
Current assets	8.399	0.626	0.000	9.368	18.393
Short term liabilities	(6.338)	(0.222)	(0.000)	(0.124)	(6.685)
Long term liabilities	-	-	(0.000)	(10.882)	(10.882)
Reserves as at end of year	2.061	0.404	(0.000)	0.282	2.747

The equivalent figures for the previous year are as follows:

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

Section 6 – Notes to the Group Financial Statements

Note 4. Intangible Assets

An analysis of Group intangible assets is as follows:

2022/23		2023/24
Software £m		Software £m
Balance at start of year:		
7.782	Gross book value	8.314
(6.356)	Accumulated amortisation	(6.304)
1.426	Net book value at start of year	2.010
1.112	Additions	1.343
-	Disposals	(0.217)
(0.005)	Impairment to Comprehensive Income and Expenditure Statement	-
-	Amortisation written out on disposal	0.176
(0.523)	Amortisation for the period	(0.716)
2.010	Net book value at end of year	2.596
Comprising:		
8.314	Gross book value	9.440
(6.304)	Accumulated amortisation	(6.844)
2.010	Net book value at end of year	2.596

Note 5. Short Term Debtors

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

31 March 2023 £m		31 March 2024 £m
Amounts falling due in one year		
10.718	Central Government bodies	9.082
4.354	Other local authorities	3.704
1.155	NHS bodies	4.516
5.032	Housing tenants	5.609
22.268	Council tax payers	24.749
1.546	Non-domestic ratepayers	1.465
0.353	Tyne and Wear Pension Fund	0.375
26.382	Other debtors	21.266
71.808	Total amounts falling due in one year	70.766
Allowances for bad debts		
(3.424)	Housing tenants	(4.082)
(9.101)	Council tax payers	(9.954)
(0.980)	Non-domestic ratepayers	(0.995)
(4.675)	Other debtors	(4.920)
(18.180)	Total bad debt allowances	(19.951)
53.628	Net debtors	50.815

Note 6. Cash and Cash Equivalents

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

Section 6 – Notes to the Group Financial Statements

31 March 2023 £m		31 March 2024 £m
0.054	Cash held by the Group	0.052
6.707	Bank accounts	4.498
9.040	Money market funds	14.879
15.801	Total cash and cash equivalent assets	19.429
(2.493)	Bank overdraft facility	(2.644)
(2.493)	Cash and cash equivalent liabilities	(2.644)
13.308	Total cash and cash equivalent	16.785

Note 7. Short Term Creditors

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

31 March 2023				31 March 2024		
Creditors	Receipts in advance	Total		Creditors	Receipts in advance	Total
£m	£m	£m		£m	£m	£m
(11.036)	(5.268)	(16.304)	Central Government bodies	(10.284)	(4.784)	(15.068)
(0.892)	(0.175)	(1.067)	Other local authorities	(1.307)	(0.176)	(1.483)
(1.588)	(0.552)	(2.140)	NHS bodies	(1.867)	(0.523)	(2.390)
-	(2.561)	(2.561)	Housing tenants	-	(2.198)	(2.198)
-	(2.366)	(2.366)	Council taxpayers	-	(2.289)	(2.289)
(4.442)	-	(4.442)	Group employees	(4.923)	-	(4.923)
(9.071)	-	(9.071)	Tyne and Wear Pension Fund	(2.634)	-	(2.634)
(20.600)	(2.199)	(22.799)	All other creditors	(26.774)	(2.335)	(29.109)
(47.629)	(13.121)	(60.750)	Total creditors	(47.789)	(12.305)	(60.094)

Note 8. Unusable Reserves

The following table lists the unusable reserves of the Group.

31 March 2023 £m		31 March 2024 £m
(279.709)	Revaluation reserve	(291.258)
(264.149)	Capital adjustment account	(275.661)
1.510	Pensions reserve	(53.060)
(8.110)	Financial instruments revaluation reserve	(8.110)
4.476	Employee benefits adjustment account	4.944
1.609	Financial instruments adjustment account	1.424
(4.091)	Deferred capital receipts reserve	(4.091)
5.586	Dedicated Schools Grant Adjustment Account	5.429
(2.741)	Collection Fund adjustment account	(2.495)
(545.619)	Total unusable reserves	(622.878)

Note 9. Operating Activities

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

Section 6 – Notes to the Group Financial Statements

2022/23 £m		2023/24 £m
62.222	Depreciation and impairment	65.049
(12.634)	Revaluation (losses) or gains of property, plant and equipment	(5.868)
0.525	Amortisation of intangibles	0.716
(9.146)	(Decrease) or increase in creditors	6.210
(11.325)	(Increase) or decrease in debtors	(3.581)
2.491	Increase in impairment provision for bad debts	1.755
(0.011)	(Increase) or decrease in inventories	(0.181)
31.130	Movement in defined benefit obligation	1.190
135.220	Carrying amount of current and non-current assets sold or scrapped	38.362
0.177	Movements in fair values of soft loans	0.165
(0.195)	Other non-cash items charged or (credited) to the deficit on the provision of services	(3.627)
198.454	Adjustment to the deficit on the provision of services for non-cash movements	100.190

Note 10. Officers' Remuneration

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

Group	Number of employees	
	2022/23	2023/24
£50,000 - £54,999	120	206
£55,000 - £59,999	77	88
£60,000 - £64,999	33	65
£65,000 - £69,999	15	29
£70,000 - £74,999	20	16
£75,000 - £79,999	12	19
£80,000 - £84,999	6	8
£85,000 - £89,999	5	5
£90,000 - £94,999	8	9
£95,000 - £99,999	2	2
£100,000 - £104,999	2	6
£105,000 - £109,999	1	3
£120,000 - £124,999	1	-
£125,000 - £129,999	-	1
£130,000 - £134,999	1	1
	303	458

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

Section 6 – Notes to the Group Financial Statements

2022/23			2023/24		
Total exit Packages	Total Paid	Exit package cost band	Total exit Packages	Total Paid	
	£m			£m	
36	0.265	£1 - £20,000	20	0.116	
1	0.024	£20,001 - £40,000	2	0.043	
2	0.097	£40,001 - £60,000	2	0.084	
-	-	£60,001 - £80,000	1	0.109	
1	0.095	£80,001 - £100,000	1	0.080	
-	-	£201,000 - £250,000	1	0.234	
40	0.481	Total	27	0.666	

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.

2022/23	2023/24
£m	£m
0.764 Members' allowances	0.763
0.038 Other Members' expenses	0.038
0.802 Total Members' allowances paid	0.801

Note 12. External Audit Costs

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

2022/23		2023/24
£m		£m
0.154	Fees with regard to external audit services carried out by the appointed auditor for the year	0.392
0.024	Fees for the certification of grant claims and returns for the year	0.023
0.002	Fees for other services provided by external auditors	0.005
0.179	Total fees payable to external auditors	0.419

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.

Section 6 – Notes to the Group Financial Statements

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 2023/24, 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.

31 March 2023 % per annum	31 March 2024 % per annum
2.70 Discount rate	4.80
2.90 Inflation rate (consumer price index)	2.60
2.90 Rate of increase to pensions in payment	2.60
2.90 Rate of increase to deferred pensions	2.60
3.00 Rate of general increase in salaries	2.60

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 2024.

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

31 March 2023 £m		31 March 2024 £m
1,093.250	Fair value of assets	1,141.880
(1,077.410)	Present value of funded defined benefit obligation	(1,073.380)
15.840	Asset recognised on the Balance Sheet	68.500

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

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

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

Section 6 – Notes to the Group Financial Statements

2022/23	2022/23		2023/24	2023/24
Funded	Unfunded		Funded	Unfunded
£m	£m		£m	£m
		Operating cost		
47.900	-	Current service cost	22.920	-
0.040	-	Past service cost	0.110	-
		Financing cost		
9.240	0.520	Interest on net defined benefit obligation	(1.200)	0.800
57.180	0.520	Pension expense recognised	21.830	0.800
		Remeasurements in other comprehensive income and expenditure		
34.160	-	Net return on plan assets in excess of that recognised in net interest	(12.590)	-
(457.830)	(2.980)	Actuarial (gains) or losses on liabilities - financial assumptions	(30.340)	(0.210)
-	(0.190)	Actuarial gains on liabilities - demographic assumptions	(14.680)	(0.450)
16.530	1.710	Actuarial gains on liabilities - experience	2.610	(0.270)
(407.140)	(1.460)	Total amount recognised in other comprehensive income and expenditure	(55.000)	(0.930)
(349.960)	(0.940)	Total amount recognised	(33.170)	(0.130)

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.

2022/23		2023/24
£m		£m
(1,461.230)	Defined benefit liability at start of year	(1,077.410)
(47.900)	Current service cost	(22.920)
(39.040)	Interest expense on defined benefit liability	(49.850)
(6.850)	Contributions by participants	(7.100)
457.830	Actuarial gains or (losses) on liabilities - financial assumptions	30.340
-	Actuarial gains on liabilities - demographic assumptions	14.680
(18.330)	Actuarial gains or (losses) on liabilities - experience	(2.610)
38.150	Net benefits paid out	41.600
(0.040)	Past service cost	(0.110)
(1,077.410)	Defined benefit liability at end of year	(1,073.380)

Changes to the fair value of assets during the accounting year

2022/23		2023/24
£m		£m
1,109.420	Fair value of assets at start of year	1,093.250
29.800	Interest income on assets	51.050
(34.160)	Remeasurement (losses) or gains on assets	12.590
19.490	Contributions by the employer	19.490
6.850	Contributions by participants	7.100
(38.150)	Net benefits paid out	(41.600)
1,093.250	Fair value of assets at end of year	1,141.880

Section 6 – Notes to the Group Financial Statements

Actual return on assets

2022/23		2023/24
£m		£m
29.800	Interest income on assets	51.050
(34.160)	Remeasurement (losses) or gains on assets	12.590
(4.360)	Actual return on assets	63.640

Unfunded Benefits

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

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

31 March 2023				31 March 2024		
Group funded	Council unfunded	Group total		Group funded	Council unfunded	Group total
£m	£m	£m		£m	£m	£m
1,077.080	-	1,077.080	Fair value of assets	1,141.880	-	1,141.880
(693.590)	(17.350)	(710.940)	Present value of liabilities	(1,073.380)	(15.410)	(1,088.790)
383.490	(17.350)	366.140	Defined benefit asset or (obligation)	68.500	(15.410)	53.090

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

2022/23	2022/23	2022/23		2023/24	2023/24	2023/24
Group funded	Council unfunded	Group total		Group funded	Council unfunded	Group total
£m	£m	£m		£m	£m	£m
39.040	0.520	39.560	Interest on defined benefit liability	49.850	0.800	50.650
(29.800)	-	(29.800)	Interest income on assets	(51.050)	-	(51.050)
9.240	0.520	9.760	Pension interest cost and interest income on pension assets	(1.200)	0.800	(0.400)

Section 7 – Tyne and Wear Pension Fund Statements

1. Introduction

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

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

As at 31 March 2024, there were 335 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 184,722 members, made up of 62,801 active members, 69,844 pensioners and 52,077 deferred members.

Further information may be obtained from the Pension Fund Report and Accounts for 2023/24.

2. 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 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

Section 7 – Tyne and Wear Pension Fund Statements

Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, (as amended), set out how membership accrued prior to 1 April 2014 counts towards benefits.

3. Funding Strategy

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

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

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

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

4. The 2022 Valuation

The 2022 valuation was completed on 31 March 2023. As at 31st March 2022 the value of the Fund was £12,747 million. On the back of strong investment returns, the certified funding level improved to 106%.

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

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

5. Investment Strategy and Investment Structure

The investment strategy in place at the beginning of 2023/24 was informed by an asset liability review carried out in 2021/22 that was based upon the liabilities assessed for the Tyne and Wear Fund through the 2022 valuation.

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

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

Note 17 details the amount invested by each manager.

Section 7 – Tyne and Wear Pension Fund Statements

6. Investment Pooling - Criteria and Guidance

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

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

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

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

As at 31 March 2023, assets to the value of £47.9 billion have been invested through Border to Coast on behalf of all the partner funds. Tyne and Wear has approximately £4.3 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 £1.3 billion of investments have also been made in the private equity, infrastructure, private debt and global real estate programmes through Limited Partnerships structures.

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

Section 7 – Tyne and Wear Pension Fund Statements

Tyne and Wear Pension Fund

Statement of the Actuary for the year ended 31 March 2024

Introduction

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

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

Actuarial Position

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

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

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

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

Discount rate for periods in service	4.45%
Discount rate for periods after leaving service	

Section 7 – Tyne and Wear Pension Fund Statements

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

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

** In addition, a 10% uplift has been applied to the past service liabilities on the scheduled and subsumption body, ongoing orphan and intermediate funding targets to make allowance for short-term inflation above the long-term assumption.

In addition, a 10% uplift has been applied to the past service liabilities on the scheduled and subsumption body, ongoing orphan and intermediate funding targets to make allowance for short-term inflation above the long-term assumption.

The assets were valued at market value.

5. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S3 mortality tables (Heavy) with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.5	24.5
Future pensioners aged 45 at the valuation date	22.8	26.0

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

6. The valuation results summarised in paragraphs 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026

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were signed on 31 March 2022. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. This Statement has been prepared by the actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2022. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, South Tyneside Council, the Administering Authority of the Fund, in respect of this Statement.

9. The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address;

[Tyne and Wear Pension Fund - 2022 Actuarial Valuation Report - Final](#)

Aon Solutions UK Limited

April 2024

Section 7 – Tyne and Wear Pension Fund Statements

Independent auditors' report to the Members of South Tyneside Council

Section 7 – Tyne and Wear Pension Fund Statements

Fund Account for the year

2022/23 £m		Note	2023/24 £m
	Dealings with members, employers and others directly involved in the Fund		
(325.157)	Contributions	5	(332.616)
(11.260)	Transfers in from other pension funds	6	(19.853)
(336.417)	Total income		(352.469)
423.750	Benefits payable	7	476.790
16.231	Payments to and on account of leavers	8	24.461
439.981	Total costs		501.251
103.564	Net expenditure from dealings with members		148.782
65.027	Management expenses	9	72.964
168.591	Net expenditure including fund management expenses		221.746
	Returns on investments		
(125.335)	Investment income	10	(174.304)
-	Taxes on income	10	-
248.454	Losses or (profits) on disposals of investments and changes in the market value of investments	12	(874.529)
123.119	Net returns on investments		(1,048.833)
291.710	Net decrease or (increase) in the net assets available for benefits during the year		(827.087)
12,747.109	Net assets of the Fund at 1 April		12,455.399
12,455.399	Net assets of the Fund at 31 March		13,282.486

Section 7 – Tyne and Wear Pension Fund Statements

Net Assets Statement as at:

31 March 2023 £m		Note	31 March 2024 £m
12,420.987	Investment assets	11	13,275.622
(6.498)	Investment liabilities	11	(12.340)
12,414.489	Total net investments		13,263.282
50.085	Current assets	14	30.461
(9.175)	Current liabilities	14	(11.257)
12,455.399	Net assets of the Fund available to fund benefits as at 31 March		13,282.486

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 2023/24 and its position as at 31 March 2024. The accounts have been prepared following the "Code of Practice on Local Authority Accounting in the United Kingdom 2022/23" (the Code), which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not consider obligations to pay pensions and benefits payable after the end of the financial year.

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Pension Fund will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue, this period being at least twelve months from the approval of these financial statements.

The financial statements are prepared in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting, which outlines that as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Council is established under the Local Government Regulations 2013 as an Administering Authority of the Local Government Pensions Scheme and is therefore a statutory body expected to be a going concern until notification is given that the body will be dissolved, and its functions transferred.

Section 7 – Tyne and Wear Pension Fund Statements

The Pension Fund has carried out an assessment on its financial position and performance during 2023/24 and beyond as part of its going concern assessment. This included consideration of the following:

- The Fund had assets of £13.3 billion as at 31 March 2024. £8.6 billion (65%) of this is held in assets which are considered to be liquid and which could be converted to cash if required.
- The Fund has estimated that in 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 2024 have been accrued.

Any employer deficit funding contributions are accounted for on the due dates set by the actuary or on receipt if earlier than this date.

Employer strain on the fund and any augmentation contributions are accounted for in the period in which the liability arises. Any amount due in the year but still outstanding at the year-end has been accrued.

b) Transfer Values

Transfer values represent the amounts receivable or payable in respect of members who have either joined or left the Fund during the financial year and have been calculated in accordance with the LGPS Regulations 2013.

Individual transfers either in or out have been accounted for in the period in which they were paid or received.

Transfers in from members wishing to use the proceeds from their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis within Transfers In.

Section 7 – Tyne and Wear Pension Fund Statements

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.

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)*.”

Section 7 – Tyne and Wear Pension Fund Statements

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 2024 have been accrued. Performance related fees, where applicable, have not been accrued at that date as they are not deemed to be earned until the end of the performance period when they are calculated and agreed.

Net Assets Statement

g) Financial Assets

The Funds shareholding in Border to Coast Pension Partnership Limited comprises Class A and Class B shares and these are valued at transaction cost. The Class A share is valued at £1 and reflects the ownership stake in the company, whilst the Class B shares represent the Fund's contribution to the company's regulatory capital requirement.

All other financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes a party to the purchase of the asset. From this date, any gains and losses arising from changes in the fair value of assets are recognised in the Fund Account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the Fund has used the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and Leasehold Properties

Properties are shown as valued at the year-end date. The valuers are Fellows of the Royal Institute of Chartered Surveyors employed by Savills. No depreciation is provided on freehold buildings or long leasehold properties, in accordance with The Royal Institute of Chartered Surveyors Valuation – Global Standards effective from 31 January 2022.

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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.

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).

Section 7 – Tyne and Wear Pension Fund Statements

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 – Global Standards effective from 31 January 2022. The actual valuation of each property will only be known when the Fund sells the property on the open market.

The Fund also holds assets in four residential property funds and three property unit trusts, the Fund considers the valuations received from the Investment Managers concerned are still appropriate and as the total value within these assets is not material to the Fund. Management consider that the valuations are appropriate to be in the financial statements as they are from the Fund's professional property valuer, who has followed agreed procedures set out by their professional body the RCIS, which consulted with all the major valuation companies before releasing the procedures.

Unquoted Private Investments

Private investments such as private equity, infrastructure, global property and private debt are valued at fair value in accordance with guidelines issued by the British Venture Capital Association. These are based on the Private Equity Valuation Guidelines in the US and the International Private Equity and Venture Capital Valuation Guidelines outside the US as adopted by the British Venture Capital Association in the UK and the valuation principles of IFRS and US GAAP.

As none of these investments are publicly listed, there is some estimation involved in the valuations, the total of which will only be clearly known on the sale of the assets. As a result, there is a risk that current valuations may be under or over stated in the accounts.

Pension Fund Liability

The pension fund liability is calculated every three years by the appointed actuary. Assumptions underpinning the valuations are agreed with the actuary. This estimate is subject to significant variances based on changes to the underlying assumptions. Actuarial assumptions and sensitivities are described in note 25.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty and Critical Judgements in Applying Accounting Policies

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

Section 7 – Tyne and Wear Pension Fund Statements

The items in the Net Assets Statement at 31 March 2024 for which there is significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions
<p>Private Equity, infrastructure, global property, private debt and climate opportunities (note 13 and note 17)</p>	<p>Private equity, infrastructure, global property, private debt and climate opportunities are based on valuations provided by the manager of the funds in which the Fund has invested. These are based on the Private Equity Valuation Guidelines in the US and the International Private Equity and Venture Capital Valuation Guidelines outside the US as adopted by the British Venture Capital Association in the UK and the valuation principles of IFRS and US GAAP. These investments are not publicly listed and as such there is a degree of estimation in their valuation.</p>	<p>The Fund has a total of £1,484.643m included for private equity, £757.565m for infrastructure, £511.365m for global property, £897.753m for private debt and £135.617m for climate opportunities. Based on the sensitivity numbers included in note 13 there is a possibility that this could be under or overstated in the accounts by £501.809m, £109.847m, £88.978m, £100.548m and £22.919m respectively.</p>
<p>Actuarial Present Value of Promised Retirement Benefits (note 25)</p>	<p>Estimation of the net liability to pay pensions depends on a number of judgements, for example in relation to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected returns on pension fund assets. The Fund employs an actuary to provide expert advice on these assumptions.</p>	<p>The judgements mentioned are all under review. Therefore, there is a possibility that the valuation of £16,244.400m in note 25 for the “actuarial present value of the promised retirement benefits” could be under or overstated.</p>
<p>Freehold and leasehold property</p>	<p>Valuation techniques are used to determine the carrying amount of directly held freehold, leasehold and residential property held in residential investment funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the value of property.</p>	<p>Based on the sensitivity number included in note 13 there is a possibility that the fair value for directly held property of £571.400m could increase or decrease by £99.423m. Similarly, residential property held in funds totalling £178.327m could increase or decrease by £31.029m and pooled property investments totalling £88.375 could increase or decrease by £15.377m.</p>

Section 7 – Tyne and Wear Pension Fund Statements

5. Contributions Receivable

2022/23 £m	By category	2023/24 £m
(81.836)	Employees' normal contributions	(89.594)
	Employers' contributions	
(234.976)	Normal contributions	(243.396)
(8.516)	Deficit recovery contributions	(0.974)
0.171	Refund of exit surplus	1.348
(243.321)	Total employers contributions	(243.022)
(325.157)	Total contributions receivable	(332.616)

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

2022/23 £m	By authority	2023/24 £m
(23.393)	South Tyneside Council (administering authority)	(25.089)
(175.054)	Other metropolitan councils	(179.332)
(92.580)	Other Part 1 scheduled bodies	(100.003)
(17.130)	Part 2 scheduled bodies	(18.124)
(17.000)	Admitted bodies	(10.068)
(325.157)	Total contributions receivable	(332.616)

6. Transfers In From Other Pension Funds

2022/23 £m	By category	2023/24 £m
-	Group transfers	-
(11.260)	Individual transfers	(19.853)
(11.260)	Transfers in from other pension funds	(19.853)

7. Benefits Payable

2022/23 £m	By category	2023/24 £m
356.148	Pensions	396.210
71.683	Commutations and lump sum retirement benefits	80.470
7.535	Lump sum death benefits	12.178
(11.616)	Recharges out	(12.068)
423.750	Total benefits payable	476.790

The recharges out figure relates to pension enhancements approved by employers over the years, which the Fund pays on the employers' behalf and reclaims on a regular basis from the employers. Details of the payments made can be found in note 15.

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

Section 7 – Tyne and Wear Pension Fund Statements

2022/23 £m	By authority	2023/24 £m
33.684	South Tyneside Council (administering authority)	36.953
269.113	Other metropolitan councils	296.924
65.171	Other Part 1 scheduled bodies	77.946
13.387	Part 2 scheduled bodies	17.341
42.395	Admitted bodies	47.626
423.750	Total benefits payable	476.790

8. Payment to and on Account of Leavers

2022/23 £m		2023/24 £m
15.323	Individual transfers to other schemes	23.267
0.908	Refunds to members leaving service	1.191
-	State scheme premiums	0.003
16.231	Payments to and on account of leavers	24.461

There were no group transfers out of the Tyne and Wear Pension Fund during 2022/23 or 2023/24.

9. Management Expenses

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

2022/23 £m		2023/24 £m
3.279	Administrative costs	3.398
59.224	Investment management expenses	67.176
2.524	Oversight and governance costs	2.390
65.027	Management expenses	72.964

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:

2022/23 £m		2023/24 £m
33.741	Management and custody fees	39.162
(5.237)	Performance fees	13.004
28.106	Expenses charged within pooled vehicles	14.388
2.614	Transaction costs	0.622
59.224	Investment management expenses	67.176

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

2022/23		2023/24
£m		£m
(7.129)	Income from equities	(7.945)
(23.869)	Property rents (further breakdown below)	(30.001)
(90.874)	Pooled investments - unit trusts and other managed funds	(130.898)
(3.037)	Interest on cash deposits	(5.413)
(0.426)	Other	(0.047)
(125.335)	Total before taxes	(174.304)
-	Less taxes on income	-
(125.335)	Total investment income	(174.304)

Net Rents from Properties

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

2022/23		2023/24
£m		£m
	Property income	
(23.860)	Rental income	(30.444)
(0.009)	Direct operating expenditure	0.443
(23.869)	Net Income	(30.001)

11. Investments

31 March 2023 £m		31 March 2024 £m
	Investment assets with Border to Coast	
1.182	Equities	1.182
4,705.693	Pooled investment vehicles	5,588.438
4,706.875		5,589.620
	Investment assets with Legal and General	
3,864.166	Pooled investment vehicles	3,868.645
8,571.041	Total pooled assets	9,458.265
	Investment assets without Border to Coast	
354.573	Equities	387.511
2,871.686	Pooled investment vehicles	2,746.088
520.650	Properties	571.400
94.043	Cash deposits	96.036
8.994	Other investment balances	16.323
12,420.987	Total investment assets	13,275.622
	Investment liabilities	
(6.498)	Other investment balances	(12.340)
(6.498)	Total investment liabilities	(12.340)
12,414.489	Net investment assets	13,263.282

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.

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2023/24	Market value 1 April 2023	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value during the year	Market value 31 March 2024
	£m	£m	£m	£m	£m
Equities	355.755	33.385	(62.249)	61.802	388.693
Pooled investment vehicles	11,441.544	1,031.219	(1,116.343)	846.751	12,203.171
Properties	520.650	79.969	-	(29.219)	571.400
	12,317.949	1,144.573	(1,178.592)	879.334	13,163.264
Cash deposits	94.043				96.036
Other investment balances	2.497				3.982
Total investments	12,414.489				13,263.282

2022/23	Market value 1 April 2022	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value during the year	Market value 31 March 2023
	£m	£m	£m	£m	£m
Equities	372.151	65.986	(77.935)	(4.447)	355.755
Pooled investment vehicles	11,507.313	1,263.369	(1,181.972)	(147.166)	11,441.544
Properties	573.900	54.957	7.401	(115.608)	520.650
	12,453.364	1,384.312	(1,252.506)	(267.221)	12,317.949
Cash deposits	257.938				94.043
Other investment balances	2.791				2.497
Total investments	12,714.093				12,414.489

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31 March 2023 £m		31 March 2024 £m
	Equities	
14.169	UK quoted	19.357
1.182	UK unquoted	1.182
259.579	Overseas quoted	304.784
80.825	Overseas unquoted	63.370
355.755	Total equities	388.693
	Pooled investment vehicles	
-	Unit Trusts UK	6.865
87.311	Property unit trusts UK	81.510
3,864.166	Unitised insurance policies UK	3,868.645
6,290.464	Other managed funds UK	7,171.521
1,199.603	Other managed funds overseas	1,074.630
11,441.544	Total pooled investment vehicles	12,203.171
	Properties	
520.650	Freehold	571.400
520.650	Total properties	571.400
	Cash deposits	
56.748	Sterling	44.470
37.295	Foreign currency	51.566
94.043	Total cash deposits	96.036
	Other investment balances	
-	Outstanding trades	(0.970)
4.531	Outstanding dividends and tax recoveries	3.493
4.463	Debtors	9.716
(6.497)	Creditors	(8.256)
2.497	Total other investment balances	3.983
12,414.489	Total investments	13,263.282

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 2023			31 March 2024			
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
			Financial assets			
355.755	-	-	Equities	388.694	-	-
11,441.545	-	-	Pooled investment vehicles	12,203.170	-	-
520.650	-	-	Properties	571.400	-	-
3.448	94.043	-	Cash deposits	-	96.035	-
-	4.531	-	Other investment balances	-	3.493	-
-	51.100	-	Debtors	-	43.291	-
12,321.398	149.674	-	Total financial assets	13,163.264	142.819	-
			Financial liabilities			
-	-	-	Cash	(2.181)	-	-
-	-	(15.673)	Creditors	-	-	(21.417)
-	-	(15.673)	Total financial liabilities	(2.181)	-	(21.417)
12,321.398	149.674	(15.673)	Net assets or (liabilities)	13,161.083	142.819	(21.417)

Net Gains and Losses on Financial Instruments

2022/23		2023/24
£m		£m
	Financial assets	
(248.454)	Fair value through profit or loss	(874.529)
	Financial liabilities	
-	Fair value through profit or loss	-
(248.454)	Total	(874.529)

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 2024 valuations or 30 September 2023 and 31 December 2023 valuations adjusted for cash flows and rolled forward to 31 March 2024 as appropriate. With £592m (15.2%) valued as at 31 March 2024, £74m (1.9%) valued at 30 September plus cash flows until the 31 March 2024 and £3,240m (82.9%) valued at 31 December 2023 plus cash flows until the 31 March 2024.

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 2024	Quoted	Using	With	Total
	market price	observable inputs	significant unobservable inputs	
	Level 1	Level 2	Level 3	
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit or loss	425.385	8,260.177	3,906.303	12,591.865
Non-financial assets at fair value through profit or loss	-	-	571.400	571.400
Loans and receivables	142.819	-	-	142.819
Total financial assets	568.204	8,260.177	4,477.703	13,306.084
Financial liabilities				
Financial liabilities at amortised cost	(23.598)	-	-	(23.598)
Total financial liabilities	(23.598)	-	-	(23.598)
Net financial assets	544.606	8,260.177	4,477.703	13,282.486

The corresponding values at 31 March 2023 were:

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Value at 31 March 2023	Quoted	Using	With	Total
	market price	observable inputs	significant unobservable inputs	
	Level 1	Level 2	Level 3	
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit or loss	375.512	8,007.157	3,418.079	11,800.748
Non-financial assets at fair value through profit or loss			520.650	520.650
Loans and receivables	149.674			149.674
Total financial assets	525.186	8,007.157	3,938.729	12,471.072
Financial liabilities				
Financial liabilities at amortised cost	(15.673)			(15.673)
Total financial liabilities	(15.673)	-	-	(15.673)
Net financial assets	509.513	8,007.157	3,938.729	12,455.399

Reconciliation of Fair Value Measurement within Level 3

2023/24	Market value at 1 April 2023	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains or (losses)	Realised gains or (losses)	Market value at 31 March 2024
Asset type	£m	£m	£m	£m	£m	£m
Private Equity	1,327.289	191.013	(102.678)	4.365	45.296	1,465.285
Investment in BCPP	1.182	-	-	-	-	1.182
Infrastructure	623.536	159.780	(34.690)	(3.032)	11.971	757.565
Global Prop	530.370	56.211	(8.121)	(70.603)	3.508	511.365
Private Debt	746.067	8.746	(2.499)	0.368	-	752.682
UK Residential Property	130.920	138.393	(74.940)	88.130	0.103	282.606
UK Direct Property	520.650	79.969	-	(29.219)	-	571.400
Climate Opportunities	58.715	82.319	(6.655)	1.238	-	135.617
	3,938.729	716.431	(229.583)	(8.753)	60.878	4,477.702

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 2024.

Asset type	Assessed valuation range (+/-)	Value at 31 March 2024	Value on increase	Value on decrease
	%	£m	£m	£m
Private equity	33.8	1,465.285	1,960.551	970.019
Investment in BCPP	-	1.182	1.182	1.182
Infrastructure	14.5	757.565	867.412	647.718
Global property	17.4	511.365	600.343	422.387
Private debt	11.2	897.753	998.301	797.205
UK residential property	17.4	137.535	161.466	113.604
UK direct property	17.4	571.400	670.824	471.976
Climate Opportunities	33.8	135.617	181.456	89.778
Total		4,477.702	5,441.535	3,513.869

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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 2024/25 financial year. The equivalent movements from 2023/24 are also shown.

Asset type	Potential market	Potential market
	movements in	movements in
	2023/24 (+/-) %	2024/25 (+/-) %
UK equities	14.0	16.9
Overseas equities	13.5	17.5
Global equities	12.8	17.5
UK bonds	9.4	7.2
Overseas bonds	0.0	-
Index-linked securities	16.7	7.4
UK property	9.0	17.4
UK residential property	10.8	17.4
Overseas property	12.5	17.4
Private equity	29.9	33.8
Infrastructure	13.1	14.5
Private debt	6.8	11.2
Climate opportunities	0.0	16.9
Cash	0.3	-

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The potential price changes highlighted above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign exchange rates and interest rates, remain unchanged. The analysis is done by the Fund's performance measurer based on an LGPS agreed formula which looks at the standard deviation of the last three years performance data.

Had the market price of the Fund's investments increased or decreased in line with the table above, the change in the net assets available to pay benefits is as shown in the following table. The comparable figures for the previous year are also shown.

Asset type	Value at 31 March 2024	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
UK equities	882.361	16.9	1,031.480	733.242
Overseas equities	2,614.999	17.5	3,072.624	2,157.374
Global equities	1,813.321	17.5	2,130.652	1,495.990
UK bonds	2,499.523	7.2	2,679.489	2,319.557
Overseas bonds	597.336	-	597.336	597.336
Index-linked securities	158.603	7.4	170.340	146.866
UK property	618.983	17.4	726.686	511.280
UK residential property	178.327	17.4	209.356	147.298
Overseas property	511.365	17.4	600.343	422.387
Private equity	1,484.643	33.8	1,986.452	982.834
Infrastructure	757.565	14.5	867.412	647.718
Private debt	897.753	11.2	998.301	797.205
Climate Opportunities	135.617	16.9	158.536	112.698
Cash and cash equivalents	110.360	-	110.360	110.360
Investment income due	3.495	-	3.495	3.495
Amounts due for sales	3.114	-	3.114	3.114
Amounts payable for purchases	(4.084)	-	(4.084)	(4.084)
Total	13,263.282		15,341.893	11,184.671

Asset type	Value at 31 March 2023	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
UK equities	896.026	14.0	1,021.470	770.582
Overseas equities	2,475.689	13.5	2,809.907	2,141.471
Global equities	1,730.367	12.8	1,951.854	1,508.880
UK bonds	2,428.196	9.4	2,656.446	2,199.946
Overseas bonds	566.444	-	566.444	566.444
Index-linked securities	171.196	16.7	199.786	142.606
UK property	572.239	9.0	623.741	520.737
UK residential property	166.642	10.8	184.639	148.645
Overseas property	530.370	12.5	596.666	464.074
Private equity	1,341.458	29.9	1,742.554	940.362
Infrastructure	623.536	13.1	705.219	541.853
Private debt	746.067	6.8	796.800	695.334
Climate Opportunities	58.715	-	58.715	58.715
Cash and cash equivalents	104.090	0.3	104.402	103.778
Investment income due	3.454	-	3.454	3.454
Total	12,414.489		14,022.097	10,806.881

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The analysis in the two tables above is on a look through basis. This differs from the analysis in note 12 and the following tables which are compiled under accounting standards.

Interest Rate Risk

The Fund invests in financial assets to obtain a return on the investment. These investments are subject to interest rate risk, which represents the risk that the fair value of future cash flows will fluctuate because of changes in market interest rates.

The Fund's direct exposures to interest rate movements as at 31 March 2023 and 31 March 2024 are set out below. These represent the interest rate risk based on underlying financial assets at fair value.

31 March 2023 £m		31 March 2024 £m	
104.090	Cash and cash equivalents	110.360	
2,994.640	Fixed interest securities	3,096.859	
171.196	Index-linked securities	158.603	
3,269.926	Total	3,364.091	

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 2024 £m	Reasonable change predicted %	Value on increase	Value on decrease
			-1% rate change £m	+1% rate change £m
Cash and cash equivalents	110.360	0.0	110.360	110.360
Fixed interest securities	3,096.859	6.2	3,288.864	2,904.854
Index-linked securities	158.603	18.9	188.579	128.627
Total	3,364.090		3,587.803	3,143.841

Asset type	Value at 31 March 2023 £m	Reasonable change predicted %	Value on increase	Value on decrease
			-1% rate change £m	+1% rate change £m
Cash and cash equivalents	104.090	0.1	104.194	103.986
Fixed interest securities	2,994.640	6.6	3,192.286	2,796.994
Index-linked securities	171.196	19.7	204.922	137.470
Total	3,269.926		3,501.401	3,038.450

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Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates. The Fund is exposed to this risk on investments denominated in any currency other than Sterling. The Fund holds both monetary and non-monetary assets denominated in overseas currencies.

The following table shows the Fund's currency exposures as at 31 March 2023 and at 31 March 2024:

Value at 31 March 2023 £m	Asset type	Value at 31 March 2024 £m
566.444	Overseas fixed interest	597.336
4,206.056	Overseas quoted equities	4,428.320
80.824	Overseas unquoted equities	63.370
1,199.604	Overseas pooled investment vehicles	1,074.630
48.299	Overseas currency	64.434
6,101.227	Total	6,228.090

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 7.0%. The following table shows the impact of a 7.0% 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 2024 £m	Potential change %	Potential market movement £m	Value on increase £m	Value on decrease £m
Overseas fixed interest	597.336	7.0	41.813	639.149	555.523
Overseas quoted equities	4,428.320	7.0	309.982	4,738.302	4,118.338
Overseas unquoted equities	63.370	7.0	4.435	67.805	58.935
Overseas pooled investment vehicles	1,074.630	7.0	75.224	1,149.854	999.406
Overseas currency	64.434	7.0	4.510	68.944	59.924
Total	6,228.090		435.964	6,664.054	5,792.126

Asset type	Value at 31 March 2023 £m	Potential change %	Potential market movement £m	Value on increase £m	Value on decrease £m
Overseas fixed interest	566.444	6.6	37.385	603.829	529.059
Overseas quoted equities	4,206.056	6.6	277.600	4,483.656	3,928.456
Overseas unquoted equities	80.824	6.6	5.334	86.158	75.490
Overseas pooled investment vehicles	1,199.604	6.6	79.174	1,278.778	1,120.430
Overseas currency	48.299	6.6	3.188	51.487	45.111
Total	6,101.227		402.681	6,503.908	5,698.546

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Manager Risk

Manager risk is the risk that the manager does not invest in a manner required by the Fund. This is controlled through the investment objectives and restrictions in each manager's agreement and through the ongoing monitoring of the managers.

The investment managers hold a diversified portfolio of investments that reflect their views, relative to their respective benchmarks.

The Pension Committee has considered and addressed the risk of underperformance by any single investment manager by appointing a range of investment managers.

This is further enhanced by the selection of a range of managers by Border to Coast for the individual pooled funds that they hold on behalf of the Fund.

Credit Risk

Credit risk is the risk that the counterparty to a transaction or investment fails to discharge its obligation and the Fund incurs a financial loss. Investments are usually valued by the market after this risk has been taken into account.

To this end, almost the Fund's entire investment portfolio is exposed to some level of credit risk, with the exception being derivatives where the risk equals the net market value of a positive derivative.

The Fund seeks to minimise this risk by investing in and through high quality counterparties, brokers and financial institutions. In addition to these the Fund also lends money to local authorities which it deems to be rated at AA, the same as the UK Government which is the guarantor should any local authority fail to meet its obligations.

Contractual credit risk is represented by the net payment or receipt outstanding and the cost of replacing the derivative position in the event of a default.

The Fund's cash holding under its internal treasury management arrangements as at 31 March 2024 was £35.398m (£57.810m in 2022/23). 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 2023 £m	Value at 31 March 2024 £m
Money market funds			
CCLA	AAA	26.000	
Federated Hermes			17.579
HSBC	AAA	27.750	
Local Authorities			
North Somerset District Council			20.000
Bank deposit accounts			
Lloyds Bank	A+	4.060	(2.181)
Total		57.810	35.398

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 2024.

14. Current Assets and Liabilities

31 March 2023 £m		31 March 2024 £m
Current assets		
7.399	Contributions - members	9.012
28.888	Contributions and recharges due - employers	20.904
3.448	Cash balances	-
10.350	Sundry debtors	0.545
50.085	Total current assets	30.461
Current liabilities		
(1.853)	Unpaid benefits	(2.581)
	Cash balances	(2.181)
(7.322)	Sundry creditors	(6.495)
(9.175)	Total current liabilities	(11.257)

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;

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2022/23	Payments on behalf of:	2023/24
£m		£m
2.255	Newcastle City Council	2.332
2.061	Northumberland County Council	2.159
1.847	Gateshead Council	1.954
1.895	Sunderland City Council	1.943
1.577	North Tyneside Council	1.636
0.722	South Tyneside Council	0.757
0.229	Police and Crime Commissioner for Northumbria	0.245
0.260	Nexus	0.244
0.225	Newcastle International Airport	0.241
0.208	Tyne and Wear Residuary Body	0.209
0.052	Tyne and Wear Fire and Rescue Service	0.055
0.048	University of Sunderland	0.049
0.046	The Durham, Gateshead, South Tyneside and Sunderland Combined Authority	0.048
0.038	Northumbria University	0.041
0.016	Magistrates' Courts	0.017
0.014	Assessment and Qualifications Alliance	0.014
0.012	Workshops for the Adult Blind	0.010
0.009	NCG	0.010
0.009	Association of North East Councils	0.010
0.009	Newcastle Theatre Royal Trust	0.010
0.009	Northern Council for Further Education	0.009
0.008	One North East	0.008
0.007	National Parks Authority	0.007
0.006	Northumberland Magistrates Courts	0.006
0.005	Northumbria Tourist Board	0.005
0.005	Wearside College	0.006
0.005	Gateshead College	0.005
0.004	North Tyneside Disability Advice	0.005
0.004	Benton Grange School	0.004
0.004	Tyne and Wear Development Company Limited	0.004
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	0.003
0.003	Sunderland Empire Theatre Trust	0.003
0.002	City of Sunderland College	0.003
0.002	Blyth Housing Company	0.002
0.002	North Tyneside College	0.001
0.001	Age Concern Newcastle	0.001
0.003	Higher Education Funding Council for England	0.001
0.001	North East Regional Employers Organisation	0.001
0.001	Northumberland Care Trust	0.001
11.616	Total agency services	12.068

16. Additional Voluntary Contributions (AVCs)

The Fund offers two types of AVC arrangements.

Additional periods of membership can be purchased within the LGPS, with the contributions being invested as part of the Fund's assets. In addition, the Pensions Committee appointed Equitable Life Assurance Society in 1989 (transferred to Utmost) and The Prudential Assurance Company in 2001 for the investment of other AVCs specifically

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taken out by Fund members. Contributions to these external providers are invested separately from the Fund's own assets on a money purchase basis. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, these amounts are not credited to the Fund and as such are excluded from the Fund's accounts.

During 2023/24, £5.306m of contribution income was received into the AVC funds provided by The Prudential (£3.685m in 2022/23). As at 31 March 2024, these funds were valued at £22.694m (£18.653m in 2022/23).

During 2023/24, there was no contribution income received into the AVC funds provided by Utmost Life and Pensions (£0.000m in 2022/23). As at 31 March 2024, these funds were valued at £0.050m (£0.047m as restated in 2022/23).

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 £5,590m with Border to Coast through a number of their sub funds. The Fund also has £3,868m invested with Legal and General. All of these assets are classed as "pooled" assets as required in response to the Government's initiative on the pooling of LGPS assets.

In addition, the Fund employed three external equity investment managers as at 31 March 2024. Each manager is a specialist in the market in which they invest. This broad-based management structure seeks to ensure that investment returns are not overly influenced by the performance of any one manager. It is expected that the range of investments with Border to Coast will continue to increase over the coming years.

The Fund also has investment programmes across the five alternative asset classes of private equity, infrastructure, global property, climate opportunities and private debt. Over time the majority of these will be managed through Border to Coast but at present the Fund has investments with different providers in the five areas as follows:

- The Private Equity programme is well diversified across providers, geography, industry and vintage years. The Fund has made commitments to fund of funds provided by HarbourVest and Pantheon, secondary funds managed by HarbourVest, Lexington Partners and Collier Capital, and direct/co-invest funds with HarbourVest, Pantheon, Capital International, Lexington Partners, Partners Group and Border to Coast.
- The Fund has invested in infrastructure through funds provided by Partners Group, Infracapital, Pantheon, AMP Capital and Border to Coast.
- The Fund has invested in private debt through funds provided by Pemberton, HPS Investment Partners, Pantheon and Border to Coast.
- Investment in global property is currently through funds provided by Partners Group.
- Investment in climate opportunities is through Border to Coast.

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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, CBRE and Hearthstone Investments (GP) Limited.

The market value of the investments in the hands of each manager was:

31 March 2023			31 March 2024	
£m			£m	
Investments managed by Border to Coast				
938.683	7.5%	Global Equities	931.613	7.0%
429.321	3.5%	UK Equities	452.489	3.4%
-	0.0%	Emerging Markets Equities	264.306	2.0%
1,960.455	15.8%	Investment Grade Credit	2,019.355	15.2%
566.444	4.6%	Multi Asset Credit	597.336	4.5%
259.528	2.1%	Private Equity	423.648	3.2%
215.661	1.7%	Infrastructure	343.977	2.6%
276.885	2.2%	Private Debt	419.006	3.2%
58.715	0.5%	Climate Opportunities	135.617	1.0%
-	0.0%	Global Property	2.273	0.0%
4,705.692	37.9%		5,589.620	42.1%
3,864.166	31.1%	Investments with Legal and General	3,868.645	29.2%
8,569.858	69.0%	Total pooling	9,458.265	71.3%
Investment managed outside of the pool				
520.650	4.2%	Abrdn	571.400	4.3%
132.080	1.1%	JP Morgan Asset Management	-	0.0%
261.939	2.1%	Lazard Asset Management	307.800	2.3%
116.008	0.9%	TT International	127.615	1.0%
1,081.931	8.7%	Private Equity	1,060.994	8.0%
407.875	3.3%	Infrastructure	413.589	3.1%
530.370	4.3%	Global Property	509.092	3.8%
166.642	1.3%	Residential Property	178.354	1.3%
51.589	0.4%	UK Property Unit Trusts	47.666	0.4%
469.182	3.8%	Private Debt	478.747	3.6%
106.365	0.9%	Managed In-House	109.760	0.8%
3,844.631	31.0%		3,805.017	28.7%
12,414.489	100.0%	Total investments	13,263.282	100.0%

18. Derivatives

The Fund has in the past used a number of derivative instruments as part of its investment strategy and to assist with efficient portfolio management.

Futures

The Fund did not hold any futures contracts as at 31 March 2023 or at 31 March 2024.

Forward Currency Contracts

In past years the Fund has used Forward Currency Contracts to hedge the currency exposure on certain overseas investments. As at 31 March 2023 and 31 March 2024, the Fund did not hold any such contracts.

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19. Securities Lending

The Fund operates a securities lending programme through its custodian, Northern Trust. Securities totalling £2.348m were out on loan as at 31 March 2024. The breakdown of securities on loan was:

31 March 2023		31 March 2024	
£m		£m	
4.173	Overseas equities	2.348	
4.173	Total securities lending	2.348	

The value of collateral against which the securities were lent out is £2.530m (£4.549m in 2022/23). 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

2022/23		2023/24	
£m	Property holdings	£m	
573.900	Balance at start of year	520.650	
18.535	Purchases	58.001	
36.299	New construction	21.746	
0.188	Subsequent expenditure	0.162	
(6.275)	Disposals	-	
(101.997)	Net decrease in market value	(29.159)	
520.650	Balance at end of year	571.400	

There are no restrictions on the sale of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligations to purchase, construct or develop any of these properties.

The future minimum lease payments receivable by the Fund are as follows:

31 March 2023		31 March 2024	
£m		£m	
25.223	Within one year	30.197	
94.942	Between one and five years	105.142	
197.432	Later than five years	265.951	
317.597	Minimum due from leases	401.290	

The disclosures on the previous page have been reduced by a credit loss allowance of 5% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This is based on the Fund's own historic experience and from advice from the Fund's property manager based on their experience from similar properties.

21. Significant Holdings

As at 31 March 2024, the Fund had two holdings that represent more than 5% of the Fund.

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The Fund has a holding with Legal and General within a without-profit insurance contract that provides access to a pool of underlying assets. The value has been determined by reference to the underlying assets using price feeds from markets. These holdings were valued at £3,868.645m and represented 29.1% of the total net assets of the Fund. During 2023/24, the insurance contract covered fifteen individual funds, as follows:

31 March 2023		31 March 2024
£m		£m
259.649	UK equities	209.859
205.874	UK equities future worlds	220.014
152.030	Asia Pacific (excluding Japan) equities	159.031
66.773	Asia Pacific (excluding Japan) equities future worlds	67.221
190.621	Emerging markets equities	67.490
57.920	Emerging markets equities future worlds	60.615
493.088	Europe (excluding UK) equities	434.327
212.860	Europe (excluding UK) equities future worlds	243.468
152.805	Japan equities	142.143
60.013	Japan equities future worlds	73.668
369.579	North America equities (hedged)	396.039
212.333	North America equities future worlds	274.292
791.683	Global equities	881.707
171.196	Index-linked gilts	158.603
467.741	Corporate bonds	480.168
3,864.165	Total	3,868.645

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 £4.265.099m and represented 32.1% of the total net assets of the Fund. As at 31 March 2024, the ACS covered five individual funds as follows:

31 March 2023		31 March 2024
£m		£m
429.321	UK equities	452.489
938.683	Global equities	931.613
-	Emerging Markets Equities	264.306
1,960.455	Investment grade credit	2,019.355
566.444	Multi asset credit	597.336
3,894.903	Total	4,265.099

22. Outstanding Commitments

As at 31 March 2024 the Fund had one hundred and fifteen outstanding commitments to investments, as shown in the following table:

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Name of fund	Year	Value m	Drawdowns made m	Commitment outstanding m	Commitment outstanding m
HarbourVest Partners VII Cayman Buyout Fund	2002	\$46.0	\$43.5	\$2.5	£2.0
HarbourVest Partners VII Cayman Mezzanine Fund	2002	\$8.0	\$7.5	\$0.5	£0.4
HarbourVest Partners VII Cayman Venture Fund	2002	\$28.0	\$27.5	\$0.5	£0.4
Capital International Private Equity Fund IV	2004	\$18.0	\$17.8	\$0.2	£0.2
HarbourVest International Private Equity Partners V - Partnership	2005	€100.0	€96.0	€4.0	£3.4
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
Coller International Partners V	2006	\$30.0	\$23.6	\$0.3	£0.2
HarbourVest Partners VIII Cayman Buyout Fund	2006	\$112.0	\$108.6	\$3.4	£2.7
HarbourVest Partners VIII Cayman Venture Fund	2006	€56.0	€54.9	€1.1	£0.9
Pantheon Europe Fund V	2006	\$35.0	\$33.1	\$1.9	£1.6
Pantheon USA Fund VII	2006	\$35.0	\$32.6	\$2.4	£1.9
Morgan Stanley Global Distressed Opportunities Fund	2006	\$10.0	\$9.8	\$0.2	£0.2
HarbourVest Partners 2007 Direct Fund	2007	\$30.0	\$29.3	\$0.7	£0.6
Pantheon Asia Fund V	2007	\$20.0	\$19.1	\$0.9	£0.7
Pantheon Europe Fund VI	2007	€40.0	€37.9	€2.1	£1.8
Pantheon USA Fund VIII	2007	\$35.0	\$32.5	\$2.5	£2.0
Capital International Private Equity Fund V	2007	\$35.0	\$29.4	\$5.6	£4.4
Co-Investment Partners Europe	2007	€30.0	€28.5	€1.5	£1.3
Infracapital Partners I	2007	€35.0	€32.8	€2.2	£2.2
Morgan Stanley PMF IV	2007	£30.0	£29.8	£0.2	£0.2
Capital International Private Equity Fund VI	2010	\$35.0	\$31.3	\$3.7	£2.9
Lexington Capital Partners VII	2010	\$29.0	\$24.4	\$4.6	£3.6
Partners Asia-Pacific & Emerging Markets Real Estate 2009 LP	2010	\$40.0	\$37.6	\$2.4	£1.9
Partners Group Real Estate Secondary 2009 (EURO)	2010	\$60.0	\$57.2	\$2.8	£2.4
Partners Group Global Real Estate 2011 S.C.A., SICAR	2010	€145.0	€127.9	€17.1	£14.6
Partners Group Global Infrastructure 2009	2010	€70.0	€61.2	€8.8	£7.6
Partners Group Direct Infrastructure 2011	2011	€85.0	€74.8	€10.2	£8.7
Partners Group Direct Real Estate 2011 S.C.A., SICAR	2011	€100.0	€92.3	€7.8	£6.1
Partners Asia-Pacific Real Estate 2011 S.C.A., SICAR	2011	\$65.0	\$55.1	\$9.9	£7.9
HarbourVest International Private Equity Partners VI - Partnership	2011	\$50.0	\$47.5	\$2.5	£2.1
Global Infrastructure Partners II	2011	€43.0	€39.0	€4.0	£3.2
Coller International Partners VI	2012	\$33.9	\$31.6	\$2.3	£1.8
Pantheon Asia Fund VI	2012	\$40.0	\$37.2	\$2.8	£2.2
Pantheon Europe Fund VII	2012	\$25.0	\$22.9	\$2.1	£1.8
Pantheon USA Fund IX	2012	€30.0	€27.2	€2.8	£2.2
Partners Group Global Infrastructure 2012	2013	\$45.0	\$37.1	\$7.9	£6.8
Partners Group Real Estate 2014	2013	€64.0	€46.5	€17.5	£13.9
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	£22.7
Partners Group Real Estate Secondary 2013	2013	\$65.0	\$46.8	\$18.2	£14.4
HarbourVest Dover Street VIII Cayman Fund LP	2013	\$30.0	\$27.6	\$2.4	£1.9
HarbourVest Partners IX - Cayman Buyout Fund	2013	\$60.0	\$52.8	\$7.2	£5.7
HarbourVest Partners IX - Cayman Venture Fund	2013	\$30.0	\$28.5	\$1.5	£1.2
Antin Infrastructure Partners II	2013	\$24.0	\$20.9	\$3.1	£2.7
HarbourVest Partners 2013 Cayman Direct Fund LP	2014	€30.0	€29.0	€1.0	£0.8
Lexington Capital Partners VIII	2014	\$30.0	\$24.0	\$6.0	£4.7
Infracapital Partners II	2014	\$19.6	\$19.2	\$0.4	£0.4
HarbourVest International Private Equity Partners VII - Partnership	2014	£70.0	£64.1	£5.9	£4.7
Neuberger Berman Crossroads Fund XX	2014	\$26.0	\$0.0	\$26.0	£20.6
Coller International Partners VII	2015	\$45.0	\$31.2	\$13.8	£10.9
HarbourVest Partners X - AIF Buyout Fund	2015	\$50.0	\$38.6	\$11.4	£9.0
HarbourVest Partners X - AIF Venture Fund	2015	\$25.0	\$23.5	\$1.5	£1.2
HarbourVest Dover Street IX LP	2016	\$30.0	\$26.7	\$3.3	£2.6
Partners Group Direct Infrastructure 2015	2016	\$140.0	\$117.6	\$22.4	£17.7
HarbourVest Partners Co-Investment Fund IV AIF	2016	\$30.0	\$27.9	\$2.1	£1.7
Aberdeen UK PRS Opportunities LP	2016	\$64.3	\$57.5	\$6.8	£6.8
Pantheon Access EUR 2016	2017	£24.3	£20.0	£4.3	£3.7
Pantheon Access USD 2016	2017	€65.0	€57.7	€7.3	£5.8
HIPEP VIII Partnership Fund	2017	\$80.0	\$67.0	\$13.0	£10.3
Infracapital Greenfield Partners I	2017	\$20.0	\$18.8	\$1.2	£1.2
Pantheon Global Infrastructure III	2017	£55.0	£49.6	£5.4	£4.3
Pantheon Global Infrastructure III (former NCC)	2017	\$54.0	\$48.9	\$5.1	£4.0
Infracapital Partners III	2017	\$20.0	\$17.6	\$2.4	£2.4
Partners Group Real Estate Secondary 2017	2017	£135.0	£82.4	£52.6	£41.6
Pantheon Access USD 2017	2017	\$65.2	\$52.8	\$12.4	£9.8
HarbourVest Partners XI	2018	\$100.0	\$80.8	\$19.2	£15.2
Lexington Capital Partners IX	2018	\$70.0	\$54.3	\$15.7	£12.4
Pantheon Access EUR 2018	2018	\$50.0	\$34.9	\$15.1	£12.9

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Pantheon Access USD 2018	2018	€120.0	€101.2	€18.8	£14.9
HarbourVest Partners Co-Investment V Feeder AIF	2018	\$70.0	\$63.0	\$7.0	£5.5
InfraBridge Global Infrastructure II	2018	\$55.0	\$54.6	\$0.4	£0.3
Partners Group Real Estate Opportunities 2019	2018	\$380.0	\$221.7	\$158.3	£125.3
Partners Group Global Value Real Estate 2019	2018	\$165.0	\$120.7	\$44.3	£37.9
HPS Core Senior Lending Fund	2018	€250.0	€187.8	€62.2	£49.2
Pemberton European Debt Investments Jersey II	2018	\$190.0	\$168.5	\$21.5	£21.5
Hearthstone Residential Fund I	2019	£60.0	£60.0	£0.0	£0.0
Coller International Partners VIII	2019	£80.0	£44.1	£35.9	£28.4
Border to Coast Private Equity S1A	2019	\$80.0	\$62.4	\$17.6	£17.6
HarbourVest Dover Street X	2019	£80.0	£59.6	£20.4	£16.1
Border to Coast Infrastructure S1A	2019	\$60.0	\$44.5	\$15.5	£15.5
Partners Group Global Infrastructure 2018	2019	£110.0	£91.8	£18.2	£15.6
Border to Coast Private Debt S1A&B	2019	€160.0	€119.2	€40.8	£40.8
Pantheon Private Debt PSD II	2019	£200.0	£165.1	£34.9	£27.6
Border to Coast Private Equity S1B	2020	£120.0	£83.3	£36.7	£36.7
Border to Coast Infrastructure S1B	2020	£90.0	£53.8	£36.2	£36.2
Hearthstone Residential Fund II	2020	£30.0	£26.5	£3.5	£3.5
Border to Coast Private Equity S1C	2021	£350.0	£202.5	£147.5	£147.5
Border to Coast Infrastructure S1C	2021	£150.0	£123.0	£27.0	£27.0
Border to Coast Private Debt S1C	2021	£348.2	£214.1	£134.1	£134.1
Partners Group Direct Infrastructure III (2020)	2022	£70.0	£43.8	£26.2	£20.7
Partners Group Real Estate Secondary 2021	2022	£280.0	£89.6	£190.4	£150.7
Border to Coast Private Equity S2A	2022	\$225.0	\$38.2	\$186.8	£186.8
Border to Coast Infrastructure S2A	2022	£250.0	£103.4	£146.6	£146.6
Border to Coast Private Debt S2A	2022	£300.0	£75.6	£224.4	£224.4
Border to Coast Climate Opportunities 1	2022	£465.0	£141.5	£323.5	£323.5
Henley Secure Income PUT	2022	£40.0	£40.0	£0.0	£0.0
CBRE UK Affordable Housing Fund	2022	£70.0	£7.4	£62.6	£62.6
M&G Shared Ownership Fund	2022	£40.0	£0.0	£40.0	£40.0
Border to Coast Private Equity S2B	2023	£200.0	£13.2	£186.8	£186.8
Border to Coast Infrastructure S2B	2023	£225.0	£17.7	£207.3	£207.3
Border to Coast Private Debt S2B	2023	£225.0	£8.2	£216.8	£216.8
Border to Coast Global Value Add Real Estate Fund	2024	£150.0	£2.3	£147.7	£147.7
Border to Coast Global Core Real Estate Fund	2024	£50.0	£0.0	£50.0	£50.0
Border to Coast Private Equity S2C	2024	£175.0	£0.0	£175.0	£175.0
Border to Coast Climate Opportunities 2	2024	£200.0	£0.0	£200.0	£200.0
Border to Coast UK Opportunities	2024	£100.0	£0.0	£100.0	£100.0
Border to Coast Infrastructure S2C	2024	£175.0	£0.0	£175.0	£175.0
Border to Coast Private Debt S2C	2024	£200.0	£0.0	£200.0	£200.0
Pantheon PSD III	2024	£50.0	£0.0	£50.0	£50.0
Foresight Regional Investment IV	2024	£30.0	£6.8	£23.2	£23.2
Total outstanding commitments					£4,065.8

The Sterling figures for these outstanding commitments are based on the closing exchange rates on 31 March 2024. The total outstanding as at 31 March 2024 was £4,065.800m.

23. Related Party Transactions

South Tyneside Council is the administrating authority of the Tyne and Wear Pension Fund and as such assets of the Fund are held under the Council's name.

Under IAS 24 "Related Party Disclosures", it is a requirement that material transactions with related parties, not disclosed elsewhere, should be included in a note to the financial statements.

Governance

There were four members of the Pensions Committee who were in receipt of pension benefits from the Fund, namely the Vice Chair of the Pensions Committee W. Flynn and Committee members, J. Price, R. Goldsworthy, and J. Foreman. The Chair of the Pensions Committee, A. Walsh, and Committee members R. Dodd, G. Haley and G. Thompson are deferred members of the Fund.

The Chair of the Pensions Committee, A. Walsh, was a Non-Executive Director of Border to Coast Pensions Partnership.

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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 2023/24 South Tyneside Council, had related party transactions with the Fund totalling £0.530m (£0.551m in 2022/23), analysed as follows:

- South Tyneside Council charged the Fund £0.456m (£0.479m in 2022/23) in respect of services provided, primarily being, legal, financial, information technology services and building costs.
- The Fund charged South Tyneside Council £0.074m (£0.072m in 2022/23) 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.

2022/23		2023/24
£m		£m
0.361	Short term benefits	0.387
0.063	Post-employment benefits	0.059
0.424	Total	0.446

Other senior managers, including the section 151 officer, linked to the Fund are employed by South Tyneside Council and the costs to the Fund are included within recharges to the Fund.

24. Impairment Losses

Impairment for Bad and Doubtful Debts

During 2022/23 the Fund has recognised an impairment loss of £0.193m (£0.104m in 2022/23) for the possible non-recovery of pensioner death overpayments.

25. Pension Fund Disclosures under IAS 26

Under IAS 26 the Fund is required to disclose the “actuarial present value of the promised retirement benefits”, at the valuation date of 31 March 2022 these were valued by the actuary at £16,244.400m.

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This figure was calculated using the following information supplied by the actuary. These are taken from the report: IAS 26 Results - Whole of Pension Fund Accounting 2023 – 19 May 2023. A full copy is available on request.

Information Supplied by the Actuary

The information set out below relates to the actuarial present value of the promised retirement benefits in the Fund which is part of the Local Government Pension Scheme.

	Value as at 31 March 2022	Value as at 31 March 2019
	£m	£m
Fair value of net assets	12,747.100	8,788.100
Actuarial present value of the promised retirement benefits (see notes)	16,244.400	11,763.100
Deficit in the Fund as measured for IAS 26 purposes	(3,497.300)	(2,975.000)

The Northumberland County Council Pension Fund merged into the Tyne and Wear Pension Fund via Regulations which came into force on 3 June 2020 (effective from 1 April 2020). The IAS 26 results as at 31 March 2022 included in this report are in respect of the merged Fund. Comparative figures shown as at 31 March 2019 are in respect of the Tyne and Wear Pension Fund only.

The principal assumptions used by the actuary were:

	31 March 2022 (% per annum)	31 March 2019 (% per annum)
Discount rate	2.7	2.4
CPI inflation ^{(1) (2)}	3	2.2
Rate of general increase in salaries ⁽³⁾	4.5	3.7

(1) In excess of Guaranteed Minimum Pension increases in payment where appropriate

(2) The assumption for the revaluation rate of pension accounts is set equal to the assumption for pension increases. In the 2022 assumption we have also made allowance for higher actual CPI for the period 30 September 2021 to 31 March 2022, where 30 September 2021 is the date of the reference CPI index that the scheme's benefits had been increased by in April 2022. In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at the appropriate date.

(3) A promotional salary scale is assumed to apply in addition to this, at the rates assumed in the relevant valuation of the Fund. In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at the appropriate date.

Principal demographic assumptions

The mortality assumptions are based on actual mortality experience of members within the Fund based on an analysis carried out as part of the 2022 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below:

Post retirement mortality	31 March 2022	31 March 2019
Males		
Future lifetime from age 65 (currently aged 65)	21.5	22.0
Future lifetime from age 65 (currently aged 45)	22.8	23.7
Females		
Future lifetime from age 65 (currently aged 65)	24.5	25.2
Future lifetime from age 65 (currently aged 45)	26.0	27.0

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Different mortality assumptions have been used for other categories of member as set out in the actuary's report on the 2022 valuation. Assumptions for the rates of withdrawal and ill health retirements (for active members), the allowance made for cash commutation on retirement, and the proportion of members whose death gives rise to a dependant's pension are the same as those adopted in the 2022 valuation of the Fund, which are detailed in the actuary's valuation report.

Volatility of results

Results under IAS 26 can change dramatically depending on market conditions. The defined benefit obligation is linked to yields on AA-rated corporate bonds, while a significant proportion of the assets of the Fund are invested in equities and other growth assets. Changing markets in conjunction with discount rate volatility will lead to volatility in the funded status of the pension fund. For example:

- A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes, although this will be marginally offset by the increase in the assets as a result (to the extent the Fund invests in corporate bonds).
- The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are not perfectly correlated with inflation meaning that an increase in inflation will increase the deficit.
- The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Post balance sheet date experience

Since 31 March 2022 the Fund's assets have generally delivered lower than expected returns and inflation has been higher than expected. However, corporate bond yields have increased significantly which will have led to a reduction in the value of the defined benefit obligation (liabilities) on an accounting basis. We would expect the Funds' IAS 26 balance sheet position to have improved significantly over the year, with a lower IAS 26 deficit, at 31 March 2023 if the Fund had chosen to update the position annually.

Choice of accounting assumptions

The calculation of the actuarial present value of the promised retirement benefits involves projecting future cash-flows from the Fund many years into the future. This means that the assumptions used can have a material impact on the surplus / deficit. As such, the Fund Administering Authority should ensure that it understands the reasoning behind the assumptions adopted and is comfortable that they are appropriate.

Furthermore, the Fund Administering Authority should bear in mind that, as required by the accounting standard, the assumptions (with the exception of the discount rate) have been set so that they represent a best estimate of future experience from the Fund. In practice future experience within the Fund may not be in line with the assumptions adopted. This means that the liabilities shown in this report only represent one view of the future and the true position could be different from those shown. For example, members could live longer than foreseen, or inflation could be higher or lower than allowed for in the calculations.

Sensitivity of results to key assumptions

In order to understand the magnitude of the possible volatility in the balance sheet position and to understand which assumptions are most important in determining the size of the liabilities, it is helpful to understand how sensitive the results are to the key assumptions.

Section 7 – Tyne and Wear Pension Fund Statements

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.

Sensitivity Analysis

Discount rate assumption

Adjustment to discount rate assumption	0.1%	-0.1%
	£m	£m
£ change to present value of the defined benefit obligation	-330.7	337.5
% change in present value of defined benefit obligation	-2.0%	2.1%

Rate of general increase in salaries

Adjustment to salary increase rate assumption	0.1%	-0.1%
	£m	£m
£ change to present value of the defined benefit obligation	29.7	-29.4
% change in present value of defined benefit obligation	0.2%	-0.2%

Rate of increase to pensions in payment, deferred pensions increase assumption and rate of revaluation of pension accounts

Adjustment to pension increase rate assumption	0.1%	-0.1%
	£m	£m
£ change to present value of the defined benefit obligation	307.8	-301.3
% change in present value of defined benefit obligation	1.9%	-1.9%

Post retirement mortality assumption

Adjustment to members' life expectancy	- 1 year	+ 1 year
	£m	£m
£ change to present value of the defined benefit obligation	-701.1	699.7
% change in present value of defined benefit obligation	-4.3%	4.3%

For figures relating to individual employers of the Fund, please refer to each employer's final accounts.

26. Other Sensitive areas

In accordance with the code the following notes are deemed to be containing sensitive information and are disclosed for transparency reasons.

Expenses paid to members of the Pensions Committee totalled £0.033m in the year to 31 March 2024 (£0.032m in 2022/23). These have been included within Oversight and Governance Costs included in note 9.

The Fund is audited by Ernst and Young LLP who received a fee of £0.113m (£0.040m in 2022/23) for carrying out this audit. These fees are included in the Administration and Oversight and Governance Cost lines in note 9.

At the end of 2021/22 the final fee for completing the audit for this year is subject to referral to the body responsible for setting audit fees for local government pension funds for adjustment as agreement has not been reached on between the Fund and Ernst and Young LLP on additional charges being levied by them.

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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 under Fund's Plans and Policies. These include:

Investment Strategy Section

- Investment Strategy Statement
- Corporate Governance Policy
- Governance Compliance Statement

Funding Strategy Section

- Funding Strategy Statement

Pension Service Section

- The Pension Service Plan
- Communications Policy

Pensions Administration Section

- The Pensions Administration Strategy
- The Fund's Discretions within the Local Government Pension Scheme

28. Investment Performance

Over the year, there was a wide dispersion of returns across investment markets. The US Equity market was the strongest performer and returned 28.9% during the year. This was followed by Japan equities which were up by 25.8% and Global equities which rose by 18.5%. At the other extreme, Overseas Property fell by 16.4% and UK Gilts was down by 6.8%.

In this volatile environment the Fund's diversified investment structure produced a total return in 2023/24 of 7.3% (after adjusting for all fees and expenses), which was 3.1% below its benchmark return of 10.4%. Inflation as measured by the Consumer Prices Index (CPI), was up by 3.2% over the year.

Pension fund returns are generally assessed over at least five year periods in order to avoid taking too short term a view of investment performance. The Fund's five-year return of 6.4% per annum (after fees and expenses), is above the benchmark return of 6.3% per annum. This is above CPI at 4.9% per annum.

The Fund's ten-year return is 8.0% per annum (after fees and expenses), which is also above the benchmark return of 7.2% per annum. This is above CPI at 3.3% per annum.

Section 7 – Tyne and Wear Pension Fund Statements

29. Taxation

UK Tax

The Fund is an exempt approved fund and is not liable to income tax or capital gains tax. It is not registered separately from the Council for VAT and therefore can recover its input tax.

All investment income in the accounts has been shown gross of UK income tax and the non-recoverable element has been shown as an expense.

Overseas Tax

The Fund is subject to withholding tax in certain overseas countries. In all such cases, the investment income has been grossed up and non-recoverable tax has been shown as an expense.

30. Events after the Accounting Date

There were no events after the accounting date that may have needed to be included within the accounts of the Fund.

Section 7 – Tyne and Wear Pension Fund Statements

Organisations Participating in the Fund as at 31 March 2024

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
Centurion Multi Academy Trust
Cheviot Learning Trust
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
Durham and Newcastle Diocesan Learning Trust
Eden Learning Trust
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
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
The Eden Academy
The Illuminaire Multi Academy Trust
The Laidlaw Schools Trust
The Newcastle upon Tyne, North Tyneside and Northumberland Com
The Northern Education 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

Other Part 1 Schedule Bodies (continued)

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
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 Leaders 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
ONE (Owl North East)
Our Lady of Mercy Catholic Education Trust
Pele Trust
Police and Crime Commissioner for Northumbria
Ponteland Academy Trust
Prosper Learning Trust
Redby Primary Academy
Red House Academy
River Tees Multi Academy Trust
Part 2 Scheduled Bodies
Alnwick Town Council
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
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

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Admitted Bodies Continued

Balfour Beatty Living Places Limited	Hutchinson Catering Limited (George Stephenson)
Baltic Flour Mills Visual Arts Trust	Hutchinson Catering Limited (Extol Trust)
Barnardo's Services Ltd	Hutchinson Catering Limited (St Stephens - St Bartholomews)
Bell Decorating Group Limited	Hutchinson Catering Limited (Wallsend Schools Group)
Benton Grange School	Information North (North Regional Library System)
Benwell Young Peoples Development Project	Insitu Cleaning
Bernica Group (Berwick Housing)	International Centre for Life
Bernica Group (Wansbeck Housing)	Involve North East
Brunswick Young Peoples Project	Jarvis Accommodation Services Limited
BT South Tyneside Limited	Jarvis - Sandhill View
Bullough Contract Services (Ryton)	KGB Cleaning and Support Services Limited
Bullough Contract Services (Southmoor)	Karbon Homes
Bullough's Cleaning Services	Karbon Homes Limited (Byker)
Bullough's Cleaning Services (Multiple Schools)	Kenton Park Sports Centre
Byker Community Trust	Kier North Tyneside Limited
Capita Property and Infrastructure Limited	Lovell Partnership Limited
Carillion Services Limited (Jarrow School)	Maxim Facilities Management Limited (Harton Academy)
Carillion Services Limited (Lord Lawson Academy)	Maxim Facilities Management Ltd (S Tyneside)
Carillion Integrated Services Limited (NEFRA)	Mears Limited
Carillion Services Limited (SSCS)	Mellors Catering Services Limited (George Stephenson)
Castle Morpeth Housing	Milecastle Housing
Cater Link (New York Primary)	Mitie Cleaning (North) Limited
Cater Link (Riverside Primary School)	Mitie Cleaning and Environmental Services Limited
Cater Link (St Joseph's Catholic Primary School)	Mitie PFI Limited (Baldon School)
Cater Link (Star of the Sea RC Primary School)	Mitie PFI Limited (North Tyneside)
Cater Link (Valley Gardens Middle School)	Museums Libraries and Archives North East
Catholic Care North East	Morrison Facilities Services Limited 1
CBS Outdoor Limited	Morrison Facilities Services Limited 2
CDS Security Limited	Morse
Childcare Enterprise Limited	National Car Parks
Churchill Contract Services Limited (Cedars)	National Glass Centre
Churchill Contract Services Limited (Northumberland CofE Academy)	Newcastle Family Service Unit
Compass Contract Services Ltd (Baldon School)	Newcastle Gateshead Initiative Limited
Compass Contract Services (UK) Ltd (Lord Lawson of Beamish Academy)	Newcastle Healthy City Project
Compass Contract Services (UK) Ltd (Whickham School)	Newcastle International Airport
Compass Contract Services (UK) Ltd (Whickham School and Sports College)	Newcastle Tenants and Residents Federation
Compass Contract Services Ltd (Red House Academy)	Newcastle Tenants Federation
Compass Contract Services Ltd (Hilton Primary)	Newcastle Theatre Royal Trust Limited
Compass Contract Services Ltd (Thomas Hepburn and Thorp Academies)	Newcastle West End Partnership
Compass Group UK and Ireland	Newcastle Youth Congress
Compass Trading (UK) Limited	No Limits Theatre Company
DB Regio Tyne and Wear Limited	Norcare
Disability North	Norland Road Community Centre
Enerveo Limited	North Country Leisure
Equans Buildings Limited	North Country Leisure 2
Equans Services Limited (N Tyneside)	North East Innovation Centre
Equans Services Limited (PB)	North East Law Centre
Feversham School	North East Metro Operations Limited
Gateshead Law Centre	North East Regional Employers Organisation
Gentoo Group Limited	North Tyneside City Challenge
Greenwich Leisure Limited	North Tyneside Disability Advice
Groundwork South Tyneside and Newcastle	Northern Arts Association
Hebburn Neighbourhood Advice Centre	Northern Council for Further Education
Higher Education Funding Council for England	Northern Counties School for the Deaf

Section 7 – Tyne and Wear Pension Fund Statements

Admitted Bodies (continued)

Northern Grid for Learning
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
Orion Solutions Limited (Gateshead)
Orion Solutions Limited (Newcastle)
Orion Solutions Limited (Parkhead Primary School)
Orion Solutions Limited (Pele)
Orion Solutions Limited (ST Benet Biscop Academy)
Orion Solutions Ltd (Washingwell Primary)
Orion 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.

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Glossary of Financial Terms

To assist readers, some of the technical terms referred to in the Financial Statements are shown below with a brief description of what they mean.

Accounting Policies

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

Accruals

The concept that income and expenditure are taken into account as they are earned or incurred, not when money is actually received or paid. Accrual accounting covers both revenue and capital transactions.

Actuarial Gains or Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise either because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or the actuarial assumptions themselves have changed.

Asset

Something an organisation owns e.g. land or buildings, cash and debtors or has beneficial use of.

Assets Held for Sale or Disposal

Non-current assets such as property actively marketed for disposal and expected to be sold or disposed of within 12 months of the reporting period.

Associates

An entity in which the Council has an interest on a long term basis and is jointly controlled with one or more other entities under a contractual or other binding arrangement. Voting is based on a majority decision rather than a unanimous decision.

Balance Sheet

A primary financial statement reporting the assets and liabilities of an organisation at a given date.

Budgets

A statement of the Council's forecast expenditure, that is, net income and expenditure for the year.

Capital Accounting

Ensures that a charge is made to each service to represent the cost of using non-current assets.

Capital Expenditure

Spending resulting in the addition or enhancement of a long term asset such as property, plant and equipment, heritage and intangible assets. Other types of

Section 8 – Glossary

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.

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Community Assets

These are assets that the Council intends to hold in perpetuity, which have no finite useful life and may have restrictions on their disposal. Examples include parks and cemeteries.

Component Accounting

If an item of property, plant and equipment comprises two or more significant components with substantially different useful lives, then each component is treated separately for depreciation purposes, as if each component was a separate asset.

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"

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(the highest valued properties). The Council levies the tax based upon band D properties; the actual charge will be dependent upon the banding of the individual dwelling – i.e. those properties in bands A to C will pay less council tax whilst those in bands E to H will pay more.

Creditors

Amounts owed by the Council for goods and services provided where payment has not been made by the Balance Sheet date.

Current Service Cost (Pensions)

This is the actuarial estimate of the present value of full pension benefits earned by current employees in the year under review.

Current Value

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

Curtailment

For a defined benefit pension scheme this is an event that reduces the expected years of future service of present employees or reduces for some employees the accrual of defined benefits for some or all of their future service. Examples including termination of employees service through redundancy or amendment of their terms affecting the future benefits.

Debt Set Aside

The amount of money the Council has set aside to support the repayment of debt. This is in line with the policy adopted by the Council as part of its MTFP.

Debtors

Sums of money due to the Council but not received by the Balance Sheet date.

Defined Benefit and Defined Contribution Pension Schemes

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

Defined Benefit Obligation

Represents the amount of pension payments still to be paid out at the Balance Sheet date as assessed by a qualified actuary.

Depreciation

A method of measuring the wearing out (consumption) of a non-current asset during its useful life.

Earmarked Reserves

Amounts set aside by the Council to meet future financial liabilities.

Emoluments

Payments received in cash and benefits for employment.

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Employee Benefits Adjustment Account

Absorbs the differences that would otherwise arise on the general fund balance as a result of accruing for benefits earned but not taken in the year.

Existing Use Value – Social Housing

This is a vacant possession valuation of the Council dwellings adjusted to reflect the continuing occupation by a secure tenant. A further adjustment is made to reflect the difference between open market rented property and social rented property.

Expected Credit Loss

A reduction in value of financial instruments resulting from an assessment of the non-recoverability of that instrument.

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.

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General Fund

Expenditure and income relating to the services provided by the Council but excluding Housing Revenue Account activities.

Going Concern

An assumption that the Council will continue in operational existence for the foreseeable future.

Heritage Assets

A non-current asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Homes England

The national housing and regeneration delivery agency for England, enabling local authorities and communities to meet the ambition they have for their areas.

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.

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Levies

Like precepts these are sums paid to other bodies. However instead of being charged to the Collection Fund, as with precepting bodies, the costs are shown in the Comprehensive Income and Expenditure Statement. The bodies that charge a levy on the Council are the North-East Combined Transport Authority and Environment Agency.

Liability

A financial obligation, any debt or money owed by the Council.

Lifecycle Costs

Incurred in PFI contracts these represent the cost of an asset, or its part throughout its cycle life, while fulfilling the performance requirements under the contract.

Major Repairs Reserve

Capital resources unspent by the Housing Revenue Account at the Balance Sheet date. By statute this reserve can only be used to fund future capital expenditure on HRA assets.

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.

Section 8 – Glossary

Non-Current Assets

Assets that yield benefits to the Council and the services that it provides for a period of more than one year. Examples include property, plant and equipment, land and vehicles.

Non-Distributed Costs

These are overheads for which no user benefits, and accordingly are not apportioned to services expenditure.

Non-Domestic Rates (NDR)

Non-domestic properties must pay these rates and are based upon property valuations, as undertaken by the District Valuer, and a nationally set multiplier figure.

Operating Leases

Leases other than a finance lease.

Pension Reserve

The amount set aside to offset the IAS 19 defined benefit obligation.

Post Balance Sheet Events

Those events occurring between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Director Business and Resources.

Precept

In the calculation of the council tax and non-domestic rates for a particular year, precepts levied by appropriate bodies must be accounted for. In the case of this Council, the precepting bodies are Northumbria Police Authority, Tyne and Wear Fire and Civic Defence Authority and the 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.

Section 8 – Glossary

Reserves

Amounts falling outside the definition of provisions are considered as reserves. Expenditure is not charged direct to any reserve. Reserves can be usable or unusable.

Revaluation Reserves

Records the accumulated gains on non-current assets held by the Council from increases in value.

Revenue Balances

An expression usually referring to the accumulated surplus on the General Fund. They can be used to avoid borrowing, pay bills in the early part of the year before income is received or to reduce the council tax charge.

Revenue Expenditure

Money spent on the day-to-day running costs of providing the various services. It is usually of a constantly recurring nature and produces no permanent asset.

Revenue Expenditure funded from Capital under Statute

Represents items of expenditure which are not, by definition, capital but where the Council has statutory powers to treat and fund as capital expenditure.

Revenue Support Grant

A government grant in aid of Council services generally. It is based upon the Government assessment of how much a Council needs to spend.

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.

Section 8 – Glossary

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.