



**North Tyneside Council**

# Audit Committee

20 March 2024

**Wednesday, 27 March 2024** 0.01 Chamber – Quadrant, The Silverlink North,  
Cobalt Business Park, North Tyneside, NE27 0BY commencing at 6.00 pm.

<b>Agenda Item</b>	<b>Page</b>
6. <b>Annual Statement of Accounts 2023-24</b>	<b>3 – 30</b>
To give consideration to a report which provides an update on the closure of the 2023-24 Accounts	

**Circulation overleaf ...**

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## **Members of the Audit Committee**

Malcolm Wilkinson (Chair)

Councillor Liam Bones

Councillor Louise Marshall

Councillor Tricia Neira

Councillor Andrew Spowart

Dr Stuart Green (Deputy Chair)

Councillor Debbie Cox

Councillor Tommy Mulvenna

Councillor John O'Shea



# North Tyneside Council Value for Money Interim Report

Years ended 31 March 2022 and 31 March 2023

21 March 2024

North Tyneside Council Audit Committee,  
North Tyneside Council  
Quadrant,  
The Silverlink North,  
Cobalt Business Park,  
North Tyneside, NE27 0BY

21 March 2024

Dear Audit Committee Members,

2023 Value for Money Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for North Tyneside Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Audit Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 27 March 2024

Yours faithfully

Stephen Reid

Partner, For and on behalf of Ernst & Young LLP

Encl

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02 Value for Money Commentary



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This report is made solely to the Audit Committee and management of North Tyneside Council in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit Committee and management of North Tyneside Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of North Tyneside Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



BOARDROOM

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# 01 Executive Summary



# Executive Summary

## Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the period 1 April 2021 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23.

# Executive Summary (continued)

## Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the S151, Monitoring Officer and Head of Internal Audit.

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information from external sources; and

evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's value for money arrangements.

As a result, we have no matters to report by exception at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.



# Executive Summary (continued)

## Reporting


Our interim commentary for 2021/22 and 2022/23 is set out over pages 10 to 14. The interim commentary summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. We include within the value for money commentary below the associated recommendation we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22 and 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

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Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified



# Executive Summary (continued)

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



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## Value for Money Commentary

# Value for Money Commentary (continued)

## Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

### No significant weakness identified

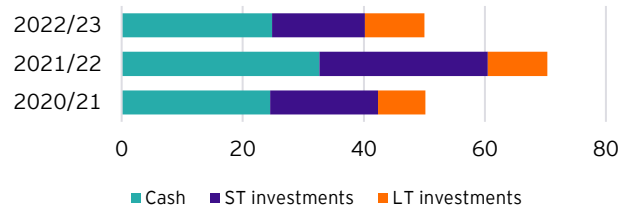
In the Comprehensive Income and Expenditure Statement, the Council reported a net deficit on provision of services of £22.4 million for 2022/23 - comprising of a net deficit on cost of services of £180.1 million, other operating expenditure of £11.3 million, and net financing and investment income and expenditure of £34 million, offset by taxation and non-specific grant income of £203 million. This compares to a deficit of £23.9 million reported for 2021/22.

At 31 March 2023, the Council group reported cash and cash equivalents of £24.8 million and investments of £25.2 million - a treasury balance of £50 million (2021/22: £70.3 million). The Council also reported borrowings of £430.5 million (2021/22: £400.4 million). The Council's borrowing position has remained fairly constant over the past few years, however 2022/23 saw an increase in short-term borrowings to cover capital outgoings, leading to a decrease in short-term creditors. Cash and investments have also fallen in 2022/23 with a 45% fall in short-term investments since the Council has used the matured investments to meet short-term obligations.

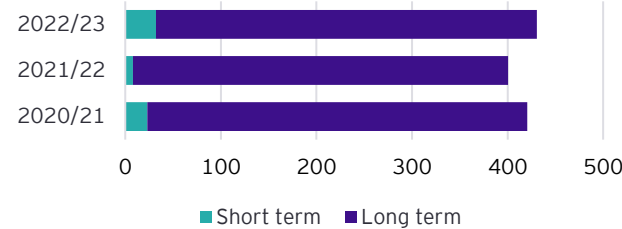
Along with adjustments between the accounting basis and funding basis under regulations, the deficit on provision of service reported in both 2021/22 and 2022/23 has meant that the Council's reported useable reserves have decreased by 17.8% during 2022/23 from £152 million at 31 March 2022 to £125.0 million at 31 March 2023. While a similar net deficit on provision of services was achieved during both 2021/22 and 2022/23, in 2021/22, a transfer from unusable reserves to the General Fund in relation to the Dedicated Schools Grant Adjustment Account and capital expenditure reported through the CIES was made totalling £26.2 million. During 2022/23, this was a transfer out totalling £6.9 million. While this has been partially offset by reduced adjustments in relation to the Collection Fund, this has significantly reduced the Council's usable reserves.

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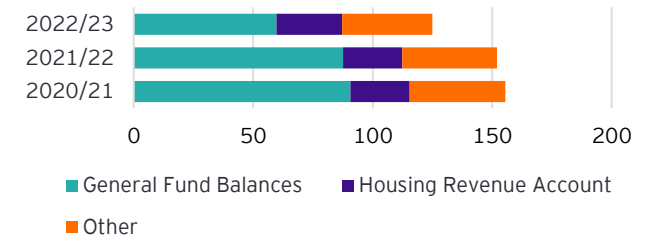
Cash and investments - Published accounts (£millions)



Borrowing - Published accounts (£millions)



Usable reserves - Published accounts (£millions)



### Medium Term Financial Plan

The Council prepares an annual 4-year Medium Term Financial Plan (MTFP) built based on statutory requirements along with corporate priorities. The MTFP and budget process involves staff from across the Council and involves understanding statutory requirements and corporate priorities and factors in horizon scanning for pressures and opportunities. The full Council is responsible for approving the MTFP, however the Cabinet propose a budget that is then considered by the Council. The Council monitors its budget during the year with quarterly reporting to the Council and Cabinet.

The MTFP presented during February 2022 covered the period 1 April 2022 to 31 March 2026. In this MTFP, while a balanced budget was set for 2022/23, the Council forecasted a four-year cumulative revenue budget gap of £21.5 million. This gap had increased to £35 million within the 2023/24 - 2026/27 period before decreasing to £32.7 million within the 2024/25 - 2027/28 period. While balanced budgets have been set for 2021/22, 2022/23 and 2023/24, the Council has noted that medium-term financial planning remains difficult due to the impact of ongoing pressures. The Director of Resources considers that there is limited opportunity to vary the budget assumptions and therefore without increased levels of

# Value for Money Commentary (continued)

Continued: Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

Government assistance, the Council will need to identify significant savings in order to deliver a balanced budget in future.

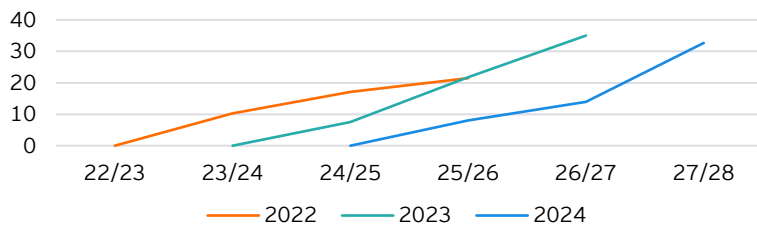
In addition to the wider revenue budget pressures, the Council's Dedicated Schools Grant (DSG) received from the Government and administered by the Council is in deficit. At 31 March 2023, the Council reported a deficit of £8.3 million (31 March 2022: £12.9 million). In the 2024/25 MTFP, the Council noted that the Department for Education has approved £19.5 million of funding so that the Council can clear the deficit by the end of 2027/28.

As part of its MTFP, the Council is looking to make savings in the areas of 'Handling Childrens Finance', 'Health and Social Care (Adults)', 'Inclusive Education/SEND' and 'Home to School Transport'. In its 2022/23 Finance Outturn Report, the Council noted that savings business cases of £7.3 million had been approved up to the end of 2022/23. In year actions had led to savings of £611,000, with a delivery of £4 million of savings included within delivery plans and £2.7 million of savings yet to be programmed.

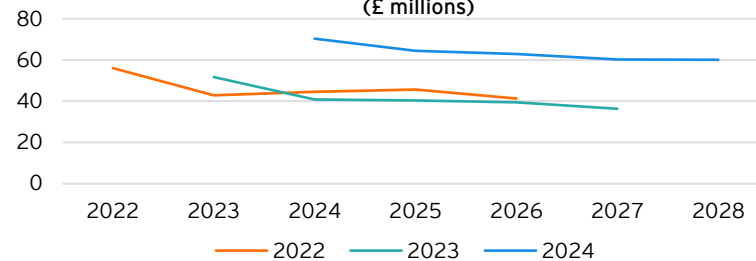
The Council has forecasted the impact of its budgets against the level of reserves and balances held. In the 2022/23 MTFP, as a result of forecasted budget gaps, it has forecasted that reserves and balances would decrease from £56.1 million at 31 March 2022 to £41.3 million at 31 March 2026 (£(14.8) million, 26.4%). In the latest 2024/25 MTFP, the Council forecasted that reserves would decrease from £70.4 million at 31 March 2023 to £60.1 million at 31 March 2028 (£(10.2) million, 14.5%). While this shows an improvement on previous forecasts, there remains a projected decrease in the level of reserves available to the Council. In addition, the above budget pressures and uncertainties could lead to further decreases.

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Projected revenue budget gap by year approved  
(£ millions)



Projected reserves and balances by year approved  
(£ millions)



## Budget Outturn

For 2022/23, the Council reported that a range of tighter spending controls had been put in place to ensure no non-essential spend was incurred. Against a revenue budget of £163.5 million, the Council reported outturn of £169.6 million - an overspend of £6.1 million (3.7%). The main reasons for this overspend were financial pressures in relation to commissioning and asset management (£13.4 million - 163.0%) and children's services (£9.3 million - 36.2%) offset by underspends in environment (£4.1 million - 10.2%) and central items (£19 million - 205.8%). Both commissioning and asset management and children's services have been driven by continued high levels of demand for the Council's services in the local area.

**Conclusion:** Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services. We recommend that the Council continues to monitor the uncertainties it highlights within its budgets, ensures an ongoing focus of delivery of planned savings and continues to identify further savings and opportunities to address future budget gaps.

# Value for Money Commentary (continued)

## Governance: How the Council ensures that it makes informed decisions and properly manages its risks

### No significant weakness identified

The Council's arrangements for ensuring that it makes informed decisions and properly manages its risks have broadly remained consistent with the prior years, as set out in Appendix A. Responsibility for effective governance and risk management rests with the Chief Executive, supported by the Senior Leadership Team. At the core of the Council's governance is its Constitution. This sets out key responsibilities of elected members, officials and members of staff. To support the upholding of the Constitution and to monitor and oversee the Council's operations, there are further committees, sub-committees, boards and panels who provide oversight of specific business areas of the Council.

The Council also has specific oversight committees such as the Standards Committee, Audit Committee and Regulation & Review Committee. Each committee includes councillor representation to provide independent challenge of management, and is required to report to Cabinet/Council on the assurance received. The Audit Committee receives regular reports from internal and external audit on their findings. The Council's Appointments and Disciplinary Committee enacts any necessary internal discipline if malpractice has been noted.

The Council obtains assurance over the effectiveness of its internal controls through its internal auditor who reports regularly throughout the year and provides an annual report on its activities and findings to the Audit Committee. In their annual report, the Chief Internal Auditor noted the following reports which had been published during the year providing the following level of assurance and level of recommendations:

	2022/23	2021/22
Full	0	0
Significant	9	6
Limited	7	2
No Assurance	3	3

Recommendation level	2022/23	2021/22
Critical	3	0
High	24	0
Medium	198	28
Low	214	42

The delivery of internal audit was impacted during 2021/22 by the Coronavirus pandemic. At the time, a budget was established for the year, however this was exceeded and required planned coverage to flex with some reports being issued in 2022/23. The areas of limited assurance include information technology and governance, special guardianship orders, children's homes and housing rent assessment and collection. Noting these, however, the Chief Internal Auditor reported that the Council's internal systems of governance, risk management and control were satisfactory overall during both 2021/22 and 2022/23.

The Council also receives reports from external bodies such as Ofsted and the Care Quality Commission. We note that no negative reports have been received.

# Value for Money Commentary

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

## Financial reporting

We identified in previous years, as part of the financial statement preparation process, management make significant manual adjustments to the accounting records extracted from the Oracle General Ledger. In our 2020/21 and 2021/22 Audit Results Reports, we commented on the high volume of manual adjustments as part of the financial statement preparation process and how this increases the risk of fraud or error in the financial statements. We have reviewed management's reconciliation between the 2022/23 financial statements and general ledger and noted that significant manual adjustments were still present. This includes approximately £430 million of reclassifications of the Council's treasury transactions, elimination of £293 million of internal recharges and £8 million of adjustments to the Collection Fund alongside manual adjustments for the Housing Revenue Account amounts recognised in the Comprehensive Income and Expenditure Statement.

The draft 2022/23 financial statements were certified by the Chief Finance Officer on 15 June 2023 and made available for inspection between 19 June and 31 July 2023, following consideration of the impact of the triennial pension valuation which had a sector wide impact. Under the Accounts and Audit Regulations 2015, the Council is required to start the inspection period within the first 10 working days of June. As the inspection period did not commence on or before 14 June 2023, the Council was in breach of these regulations.

In addition to considering whether the financial statements are drawn appropriately from underlying accounting records and were prepared in line with regulations, we have performed the following procedures over the 2022/23 financial statements:

1. Gained an understanding of movements between the draft accounts and the prior year statements;
2. Completed the CIPFA disclosure checklist to determine whether there have been any material omissions in disclosures;
3. Tested whether the accounts cast appropriately and are consistent internally and with the prior year;
4. Reviewed whether the Council has performed a reconciliation of its bank accounts to its financial records at 31 March 2023; and
5. Determined whether management have prepared a forecast to support its going concern assessment.

We did not identify any movements in the financial statements to date that indicated that proper arrangements were not in place to understand the Council's performance and position or were indicators of material misstatement. We also did not identify any material omissions in disclosure for the 2022/23 financial statements, however we did identify rounding errors, minor inconsistencies and formatting issues which we will share with management for information. We noted, however, that the Council had prepared an appropriate reconciliation of its bank accounts and had prepared a forecast to support its going concern assessment up to 31 March 2025.

While we are content that appropriate arrangements for financial reporting were in place during 2022/23 to support the Council's governance arrangements, we recommend that the Council reviews how it makes financial reporting adjustments to minimise the volume of adjustments posted outside of the Council's general ledger. We also recommend that the Council ensures that future financial statements are published in line with the regulations set out in the Accounts and Audit Regulations 2015.

**Conclusion:** Based on the work performed, the Council had proper arrangements in place in 2022/23 to make informed decisions and properly manage its risks. We recommend that the Council ensures that any significant weaknesses identified by internal audit are promptly addressed.

# Value for Money Commentary

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

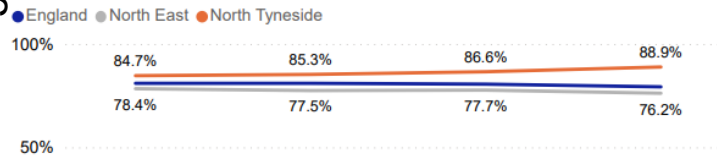
The Council's arrangements for using information to monitor costs and performance to improve the way it manages and delivers its services have remained consistent with the prior years as set out in Appendix A

The financial performance of the Council is covered through the budgetary process as described previously. The Council also prepares its annual Statement of Accounts based on the requirements of the CIPFA code. We have performed a limited review of the financial statements to determine whether the Council had proper arrangements for the preparation of financial statements.

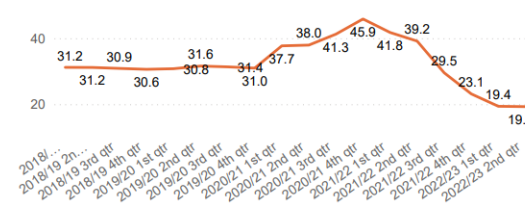
The Council's objectives and service targets are set through the Council's corporate plan - 'Our North Tyneside 2021-2025'. This covers the themes of Thriving, family-friendly, caring, secure and green. This plan sets out the key performance criteria upon which the Council is judged. In essence the Council has to ensure that it has healthy finances which ensure the sustainability of service provision. During the years 2021/22 and 2022/23 management updated the Cabinet on progress in delivering the objectives of the Corporate Plan in its 'Our North Tyneside Performance Reports'. These reports set out clear dashboards covering each of the objectives and targets with relevant analyses, for example:

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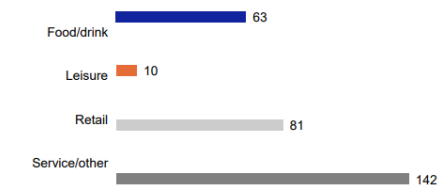
Positive destination, post Key Stage 5 (A level) - proportion in work, education or training



Anti-social behaviour incidents reported to Northumbria Police per 1,000 population



North Shields Town Centre Businesses



We note that in the 2023/24 financial year, management have looked to further enhance their performance and financial reporting to Cabinet.

The Council works closely with a number of partners, supporting these entities by providing funding and services, engaging with stakeholders and members sitting on boards to monitor performance of the partnerships. Two of the most significant partnerships for the Council is the North of Tyne Combined Authority (NoTCA) and the North East and North Cumbria Integrated Care Board.

The Council delivered its services using an outsourced provider covering activities in relation to ICT, HR, finance and revenue and benefits. The Council held monthly Operational Partnership Board (OPB) meetings with the provider. This provided a forum for the day-to-day management of the Partnership and considered performance targets. In May 2023, after reviewing its operating model, the Council has in-housed the services in relation to ICT, HR and finance in May 2023. This has included in-housing relevant staff under Transfer of Undertakings (Protection of Employment) - TUPE.

**Conclusion:** Based on the work performed, the Council had proper arrangements in place to enable it to plan and manage its resources to ensure that it can continue to deliver its services.





# 03 Appendices

# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 and 2022/23

### Reporting criteria considerations

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

### Arrangements in place

Typical of all local government organisations, the Council continues to be under significant financial pressure to deliver balanced budgets over the medium term whilst also being in a position to maintain levels of service. This has seen a shift of focus from Central Government funding to the Council having to find its own sources of income. Whilst the hangover of austerity remains, alongside its related financial pressures, the 'Levelling Up' approach taken by the Government means that the dialogue has changed somewhat on a political level.

As part of the MTFP process, the Council looks at national and international economic challenges in addition to identifying local challenges and priorities that are specific to the Council

How the body plans to bridge its funding gaps and identifies achievable savings

Embedded within the Medium Term Financial Plan, the Council considers a number of factors that influence the resources and expenditure that it has available to it. This includes a savings program focusing on ongoing savings, but also recognising one-off savings. The Council has identified the following themes for savings:

- Digital, data and customer - using technology and data to identify and deliver improvements;
- Workforce planning & organisational development - organisation wide proposals to make use of what the Council sees as its greatest asset - its people;
- Commissioning, procurement & commercial opportunities - how the Council purchases and engages with its supply chain; and
- Asset management - having a full and clear understanding of the costs of its asset base.

We note that a new MTFP has been adopted as part of the 2024/25 budgeting round.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

### Reporting criteria considerations

### Arrangements in place

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

When establishing their MTFP the Council adopts a risk-based approach which looks at both internal and external factors which may impact upon its ability to continue to deliver service in accordance with its strategic and statutory priorities. These include the risks associated with changes in government policy, the state of the economy - particularly the potential for downturns, and demographic factors which may impact on the demand for services. Beyond this the Council also consider a host of other factors including supply chain issues, work force retention and recruitment and information governance risks.

These risks are managed on a continuous rolling basis in order to arrive at an overall risk score - These scores reflect the potential size/significance of the risk and its likelihood. Once the score is determined an action plan identifying further mitigating action is put in place.

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How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The basis of consistent communication across the Council is through its process of reporting and meetings which not only allows for the effective communication of quarterly financial planning and capital expenditure seen across the entity, but also allows for challenge from the various representatives of the sections within the Council if certain plans are not in agreement. The Audit Committee, Cabinet and Council meetings provide forums for such challenge and discussion. Before reports reach the presentation stage they are reviewed by the various department heads to ensure that the information presented is correct.

Staff costs are a key expenditure stream for the Council and its financial plans. The Council's efficiency programme is interwoven into the MTFP and also ensures its other plans are aligned with the financial realities seen on the ground. In addition to the planned savings, the Council is developing options for consideration to balance the General Fund over the next four years of the Medium-Term Financial Plan. The aim is to do this via a range of strategic activity which includes: Workforce Planning, Commissioning Planning, Digital Strategy and Asset management.

As part of the Capital/Treasury Strategy there is close working between finance and the various elements of the business. The capital programme ensures that need for investment is identified as well as then ensuring there is sufficient review, approval and monitoring of any expenditure so that it is not in conflict with other areas of the business as well as funding capacities.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

### Reporting criteria considerations

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

### Arrangements in place

The Council has a robust process of review when it comes to the risks that it faces, in particular financial resilience. This is mandatory as a result of Section 25 of the Local Government Act 2003 which requires the Chief Finance Officer to report on the robustness of the estimates made for the purpose of budget and council tax calculations, and the adequacy of the proposed financial reserves.

The foundation of the Council's risk identification and management process is its Strategic Risk register which includes as one of its risks finance and resourcing. Within this the Council acknowledges that there is a risk resulting from the significant historic reduction in local authority core funding and the ongoing uncertainty of funding beyond 2022/23. This has been further compounded by funding for social care and the introduction of new funding formulas for schools, which ultimately may mean that the Council may not be able to make appropriate plans to ensure its financial sustainability. At the same time the demand for services for vulnerable adults and children continues to grow.

The risk register, and quarterly reviews and meetings, allow the Council to respond to any changes in demand and allows them to put in place mitigating factors which not only allow for oversight of any unplanned changes but form the basis of how the entity plans to act in order to remain financially resilient. As a result of the Covid pandemic, the Council increased its scrutiny given how suddenly the risk landscape can change. In order to mitigate the risks noted, the Council undertakes the following:

- Bi-monthly budget reporting to Cabinet
- Flexibility within the savings plans and approach to managing the in year budget
- Ensuring checks and challenge by reporting to the Overview and Scrutiny Committee as required on the savings programme
- Establishing an Investment Programme Board which monitors and manages the Investment Plan
- Strategic Financial Planning Group meeting on a regular basis
- Face to face meetings with Deputy Mayor, Cabinet members and Heads of Service
- Financial Scenario Planning
- New performance and financial reporting for 2023/24

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

### Reporting criteria considerations

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans  
*(Continued)*

### Arrangements in place

The above then feeds into the preparation of the MTFP, which is put together on an annual basis and then reviewed regularly throughout the year. During this process the Chief Finance Officer (s151) considers the following when determining the financial resilience of the Authority;

- The general financial standing of the Authority
- The underlying Budget assumptions from the Financial Strategy
- Future budget pressures and growth proposals, including the impact of prudential borrowing for the 2023-2027 investment plan
- The adequacy of the budget monitoring and financial reporting arrangements in place
- The adequacy of the Authority's internal control systems, relying on the assurance statements provided as part of the Annual Governance Statement
- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority, and
- The outcome of the Provisional Local Government Finance Settlement and the Spending Round.

# Appendix A - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 and 2022/23

### Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

### Arrangements in place

At the very core of its arrangements the Council has a Constitution which sets out the key responsibilities of elected officials, members and staff. In addition to this, it also has a host of policies which specify how they should behave in light of potential instances of fraud.

In order to support the upholding of the Constitution the Council also has in place committees. In particular the Overview, Scrutiny, Co-ordination and Finance Committee assesses the robustness of the policies themselves and their implementation in light of the Constitution. In addition there is also the Appointments and Disciplinary Committee which enacts any necessary internal discipline if malpractice is noted.

The Council also maintains a strategic risk register. The strategic risk register contains risks including those influenced by external factors and internal risks which can stem from normal operations. These are monitored to ensure that the necessary internal controls are in place, with areas of improvement noted and action plans put in place to ensure that the Council continues to achieve its priorities.

The Council obtains assurance over the effectiveness of its internal controls through its internal auditor who reports regularly throughout the year and provides an annual report on its activities and findings to the Audit Committee. Counter-fraud activity is also overseen by the Council's internal auditor and monitoring officer. Quarterly reporting on counter-fraud activity and risks is provided by internal audit to the Audit Committee.

How the body approaches and carries out its annual budget setting process

Each quarter before the setting of budgets the budget sub-group of the Overview, Scrutiny, Co-ordination and Finance Committee considers and scrutinised Cabinet's approach to budget engagement and Cabinet's initial budget proposals. Budgets and the Council Tax rates for the year are usually approved by Cabinet in January/ February and budget performance is reported to Audit Committee. The formation of the budget involves budget holders from across the Council and the directors of each area.

The proposals amended by the Cabinet or otherwise, are submitted to the full Council, together with details of any recommendations of the Overview, Scrutiny, Co-ordination and Finance Committee and the Elected Mayor or Cabinet's response to these as well as any objections received to Cabinet's proposals. The submission of the Elected Mayor and Cabinet's proposals to full Council for its consideration will include the following information for the following financial year:

# Appendix A - Summary of arrangements

## Governance (continued)

### Reporting criteria considerations

How the body approaches and carries out its annual budget setting process  
(Continued)

### Arrangements in place

- a) estimates of the amounts to be aggregated in making a calculation;
  - b) estimates of other amounts to be used for the purposes of such a calculation;
  - c) estimates of such a calculation; or
  - d) amounts required to be stated in a precept under Chapter IV of Part I of the Local Government Finance Act 1992 (precepts).
- Following consideration of those estimates or amounts, full Council can by a simple majority of those members present and voting:
- approve the Cabinet's proposals; or
  - inform the Elected Mayor of any objections it has to the whole or any part of the proposals and instruct the Elected Mayor to reconsider the proposals in the light of these objections.

If full Council approves Cabinet's proposals the budget will be set for the next financial year.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

All budget managers have access to real time financial information via the Council's financial systems. Financial performance is monitored on a monthly basis through the management accounts.

Monitoring of financial performance is overseen by the Overview, Scrutiny, Co-ordination and Finance Committee with higher-level reporting provided to Cabinet. Cabinet meets on a bi-monthly basis. This reporting includes presentation of the Council's actual versus budgeted spend, the projected year end outturn and reasons for significant variances.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

In addition to Cabinet, the Council has a current total of 20 further committees, sub-committees, boards and panels who provide oversight of specific business areas of the Council. The Council also has specific oversight committees such as the Standards Committee, Audit Committee and Regulation & Review Committee. Each committee includes non-executive director representation to provide independent challenge of management, and is required to report to Cabinet/Council on the assurance received. The Audit Committee receives regular reports from internal and external audit on their findings.

# Appendix A - Summary of arrangements

## Governance (continued)

### Reporting criteria considerations

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

### Arrangements in place

The Council has approved and adopted a Constitution, which is consistent with the principles of those set out by CIPFA. The Council recognises that in order to fulfil its purpose and deliver the intended outcomes for its citizens and service users it needs to have in place comprehensive arrangements for corporate governance and accountability designed to ensure that it and its employees operate in an effective, efficient and ethical manner. The Constitution also sets out required behaviours for officers and members through a code of conduct which includes registerable personal interests.

The Council has a wide range of HR policies covering expectations and requirements of staff. Failure to adhere to these policies can result in disciplinary procedures against individuals. This is overseen by the Overview, Scrutiny, Co-ordination and Finance Committee.



# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 and 2022/23:

### Reporting criteria considerations

### Arrangements in place

How financial and performance information has been used to assess performance to identify areas for improvement

The financial performance of the Council is measured and monitored through the budget process as discussed above. In addition to this, the Council publishes annual financial statements in line with the CIPFA Code of Practice.

The Council Plan, 'Our North Tyneside 2021-2025' spells out the following themes: Thriving, family-friendly, caring, secure and green.

The Council Plan sets out the overall vision and policy context within which the Financial Plan and Budget proposals will operate. Since 2015 North Tyneside has worked to a clear set of priorities through the Our North Tyneside Plan. These priorities have formed the basis of the Framework for COVID-19 Recovery in North Tyneside. Ultimately, this plan sets out the key performance criteria upon which the Council is judged. In essence the Council has to ensure that it has healthy finances which ensure the sustainability of service provision.

Cabinet receives update reports on progress in delivering the objectives of the refreshed Our North Tyneside Plan 2021-2025 in its 'Our North Tyneside Performance Reports'. This report sets out dashboards covering each of the objectives with relevant analyses. For example, for investing in Adult education, the report tracks measures such as proportion of 16-17 year olds not in education, employment or training, number of apprenticeships starts, skills shortage vacancies and positive destination - proportion in work, education or training.

How the body evaluates the services it provides to assess performance and identify areas for improvement

Where internal reporting or other sources (e.g. external inspections, whistleblowing etc...) identify performance issues, such as performance below targets, these forums challenge the responsible team leaders and management on the reasons for the underperformance and the steps being taken to deliver improvements. Such issues are then escalated and reported to Cabinet.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

### Reporting criteria considerations

### Arrangements in place

How the body evaluates the services it provides to assess performance and identify areas for improvement  
*(continued)*

The Council also has in place an internal audit function which is given specific areas to look into and audit on an annual basis. The information detailed in this process is then taken to Audit Committee whereby areas of improvement are noted and then potentially acted upon if they are deemed inadequate.

The Council also has various committees, sub committees and panels. Part of their remit is to regularly monitor performance for service delivery in the provision of service within the Council in respect the Council's core functions found in their Action Plan. This is then reported back to Cabinet/Council on a regular basis which can then be acted upon if areas of improvement are identified.

From a political level the councillors and the elected mayor are also held accountable in local elections. Furthermore the Council website allows residents to report any issues online.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council works closely with a number of partners. The Council supports these entities in numerous ways such as providing funding and services, engaging with stakeholders and Council members sit on the various boards to monitor performance of the partnerships/NTC's involvement.

One of the most significant partnerships for the Council is the North of Tyne Combined Authority (NoTCA) which was established in November 2018. This brings together the three councils which serve Newcastle, North Tyneside and Northumberland. NoTCA works across the following three portfolios and work streams:

1. Transport (within North East Joint Transport Committee)
2. Employability and Inclusion
3. Economic development and regeneration

Finance and procurement is provided by North Tyneside, with legal and HR support and advice provided by Newcastle City Council in addition to IT support. The Leader and Deputy Leader of the Council are members of the NTCA cabinet and there is representation from the Council across the various committees. Outcomes of discussions are then reported back to the Council cabinet. We are therefore comfortable that the arrangements are in place to ensure that the Council is able to deliver and engage with stakeholders.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

### Reporting criteria considerations

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

*(Continued)*

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

### Arrangements in place

The Council also has a pooled budget arrangement with the North East and North Cumbria Integrated Care Board (NENC ICB). The Better Care Fund was established by the Government to provide funds to local areas to support the integration of health and social care and to seek the achievement of national conditions and local objectives. It is a requirement of the Better Care Fund that NENC ICB and North Tyneside Council establish a pooled fund for this purpose. The pooled fund is subject to an agreement under Section 75 of the National Health Service Act 2006. The aims and benefits of the partners in entering into this agreement are to:

- Improve the quality and efficiency of health and social care services in North Tyneside;
- Meet the national conditions and local objectives; and
- Make more effective use of resources through the establishment and maintenance of a pooled fund for revenue expenditure on the services.

During the year, the Council used an outsource provider, Equans, to deliver its activities in relation to ICT, HR, finance and revenue and benefits.

A monthly Operational Partnership Board (OPB) is attended by key officers within the Council and the Partner. The Cabinet Member for Finance and Resources (for Equans) and the Cabinet members for Housing, Environment & Transport and Community Safety & Engagement also attend the relevant meeting.

The OPB is the main interface between the Council and Equans/Capita. It provides a forum for the day-to-day management of the Partnership and is responsible for ensuring that performance targets are met, that the payment and performance mechanism operates correctly, that a high performance relationship and culture is developed and that problems or issues and contract variations are resolved. The OPB reviews performance and budget reports from the relevant Partner and any risks or issues escalated to it by Equans/Capita or the Commercial Services Team. The OPB escalates risks and issues to the Strategic Partnership Board, which in turn escalates risks and issues to Cabinet, as appropriate.

# Appendix B – Summary of recommendations

## Recommendations

The table below sets out the recommendations arising from the value for money work in the years covered in this report  
All recommendations have been agreed by management.

Issue	Recommendation	Management response
Financial sustainability	We recommend that the Council continues to monitor the uncertainties it highlights within its budgets, ensures an ongoing focus of delivery of planned savings and continues to identify further savings and opportunities to address future budget gaps.	<p>The Authority has refreshed the Performance and Financial Management reporting arrangements to ensure that there is a full understanding of the underlying performance and demand which drives our financial performance. This helps to ensure greater focus on our areas of key pressure and helps to frame choices and prioritise service delivery in line with our available resources.</p> <p>The Authority continues to monitor the broader funding position, actively involved in a range of professional networks and benchmarking as well as utilising external advice and analysis from those within the sector, coupled with our own financial modelling to outline potential scenarios and inform our financial planning.</p> <p>The Authority's MTFP approach focusses on thirteen specific projects which include the areas of significant pressure and rising demand, allowing Officers and Members to explore options to generate savings over the medium-term and ensure that our budgets are aligned to the resources we expect to receive. The 2024/25 budget and MTFP includes a commitment to contribute resources to our Strategic Reserves to help further strengthen our resilience and sustainability.</p>
Governance (financial reporting)	<p>We recommend that the Council reviews how it makes financial reporting adjustments to minimise the volume of adjustments posted outside of the Council's general ledger.</p> <p>We also recommend that the Council ensures that future financial statements are published in line with the regulations set out in the Accounts and Audit Regulations 2015.</p>	<p>The Authority has reduced the level of adjustments that are made and is currently procuring a replacement for our financial system. The development and specification requirements for the new system will help to ensure the necessary functionality is contained within the system moving forwards.</p> <p>The Authority has a strong track record of complying with the Accounts and Audit Regulation requirements. The delays encountered relating to the publication of the 2022/23 Statements related to external factors, which included national issues regarding accounting for infrastructure assets as well as the need for a revised actuarial report relating to the pension valuation.</p>

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