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Audit Committee

North Tyneside Council

Monday 17 July 2023

Wednesday, 26 July 2023 0.02 Chamber - Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY **commencing at 6.00 pm**.

Agenda Item		Page
1.	**Apologies for Absence** To receive apologies for absence from the meeting.	
2.	**Appointment of Substitute Members** To be notified of the appointment of any Substitute Members for the meeting.	
3.	**Declarations of Interests and Notification of any Dispensations Granted** You are invited to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest. You are also invited to disclose any dispensations that have been granted to you in relation to any matters appearing on the agenda.	
4.	**Minutes**	5 - 12

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Circulation overleaf …

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

Audit Committee

Wednesday, 31 May 2023

Present: M Wilkinson (Chair)
Councillors D Cox, L Marshall, T Mulvenna, T Neira, A Spowart and L Bartoli

Apologies: Dr S Green and Councillor L Bones

AC/1/23 Appointment of Substitute Members

In accordance with the Council's Constitution the following Substitute Member was reported:

Councillor L Bartoli for Councillor L Bones

AC/2/23 Declarations of Interests and Notification of any Dispensations Granted

There were no Declarations of Interest reported.

AC/3/23 Minutes

Resolved that the minutes of the meeting held on 22 March 2023 be confirmed as a correct record and be signed by the Chair.

AC/4/23 Annual Statement of Accounts 2021-22

Consideration was given to a report which provided an update in respect of the closure of the 2021/22 accounts.

An update provided to the 22 March 2023 meeting (minute AC38/22 refers) detailed the outstanding audit work that still needed to be completed before the accounts could be signed off. At that meeting it had been noted that the majority of the audit work had been completed or resolved and the only item of outstanding work related to the Pension Assurance Statement from the Tyne and Wear Pension Fund. The external auditors had confirmed that the required information had been received but due to the delay further work had been required on the valuation of the pension fund. The implications of the pension valuation on the Authority's accounts was set out.

Reference was also made to a change in how the Dedicated Schools Grant Reserve needed to be recorded in the Authority's accounts so that it was in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. It was explained that the reserve needed to be shown as an unusable reserve and this change would be subject to an external audit review.

Resolved that (1) the progress of the audit, the clearance of the vast majority of outstanding items and the receipt of the Pension Assurance Statement be noted;
(2) the revised timescale for the publication of the Audited Annual Statement of Accounts 2021/22 to mid-June 2023 be noted; and
(3) the previous decision of the Committee to delegate authority to the Director of Resources in consultation with the Chair of the Audit Committee to approve the Audited Annual Statement of Accounts 2021/22 be noted.

AC/5/23 Annual Statement of Accounts 2022-23

Consideration was given to a report which set out the current position in relation to the closure of the 2022/23 accounts. It was explained that that Authority was working towards having a draft set of accounts available by the 31 May 2023 deadline however there were a number of external factors which could impact on meeting the deadline.

Delays to the closure of the 2021/22 accounts due to issues around the valuation of the pension scheme and the treatment of infrastructure assets had impacted on the closure of the 2022/23 accounts.

Reference was also made to the statutory deadline for the audit and publication of the 2022/23 accounts on the 30 September 2023. The external auditors had advised the Authority that the audit was not expected to be concluded until November/December 2023. It was explained that the Department for Levelling Up, Housing and Communities had written to local authorities and local audit firm partners regarding the delays to the completion of local audits. It was explained that the Department continued to work with all stakeholders to ensure that there was a systemwide approach to reduce the continued delays to local audits.

Members queried whether there were any penalties for failing to meet the statutory deadline and it was explained that the Authority had to publish a notice to explain why the audit had not been completed. Reference was also made to the impact on the 202/23 accounts of the delay in completing the audit of the 2021/22 accounts. It was explained that the Authority was in a better position in relation to the closure of the accounts than many other authorities across the country.

Resolved that the work outlined in respect of the closure of the 2022/23 accounts be noted

AC/6/23 Annual Governance Statement Update 2022-23

Consideration was given to a report which advised the Committee of the outcome of the review of the Authority's system of internal control. It was explained that the Accounts and Audit Regulations 2015 required the Authority to carry out a review of the effectiveness of its internal controls and produce an Annual Governance Statement (AGS) at least once each year.

The Annual Governance Statement had been compiled in accordance with the governance framework produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

The Chief Executive, Assistant Chief Executive and each of the Directors had been involved in the production of the AGS and the key documents/functions that had been reviewed in the preparation of the AGS were set out in the appendices to the document.

Resolved that (1) the outcome of the review of the Authority's systems of internal control be noted; (2) the draft Annual Governance Statement be approved to accompany the 2022/23 Statement of Accounts; and (3) the assurances provided and the actions proposed in the Annual Governance Statement relating to any governance issues identified be noted.

AC/7/23 Internal Audit Quality Assurance and Improvement Programme (QAIP)

Consideration was given to a report which set out the requirement for the internal audit service to establish and maintain a Quality Assurance and Improvement Programme (QAIP). The QAIP supported an evaluation of internal audit's activity and whether it conformed to the Internal Professional Practices Framework and the Public Sector Internal Audit Standards (PSIAS) 2017. It was explained that the QAIP also assessed the efficiency and effectiveness of the internal audit activity within the Authority and helped the promotion of continuous improvement.

It was also explained that internal audit had operated a QAIP for a number of years. It had been acknowledged that the existing framework could be improved by recording the activities in a single central document. Reference was made to the arrangements in place for an external assessment of the code of ethics and compliance with PSIAS. It was also explained that the QAIP would be reviewed on an annual basis.

Resolved that the Quality Assurance and Improvement Programme be endorsed

AC/8/23 Exclusion Resolution

Resolved that under Section 100A of the Local Government Act 1972 (as amended) and having applied a public interest test as defined in Part 2 of Schedule 12A of the Act the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.

AC/9/23 Corporate Risk Management Summary Report

Consideration was given to a report which provided an update on the latest position in relation to the Authority's corporate risks which had been reported to Cabinet on the 22 May 2023. The report provided detailed information on each of the corporate risks including the cause of the risk, the consequences for the Authority if the risk were to materialise, the existing and new controls in place to address the risks and an assessment of their likelihood and potential impact.

Members sought clarification on a number of elements of the risk register which were responded to by officers.

Resolved that (1) the report be noted; and
(2) the risk owners of the Social Care and Demand risk be invited to attend a future meeting.

AC/10/23 Counter Fraud Annual Report 2022-23

Consideration was given to a report which provided an update on the Counter Fraud work undertaken between 1 April 2022 and 31 March 2023. The report also detailed a number of future opportunities and proposals for a refresh of the Counter Fraud Blueprint to ensure that the resources were directed at the areas of greatest risk.

Resolved that (1) the Counter Fraud performance and the significant savings generated from the targeted reviews in areas of greatest risk be noted;
(2) the other key areas of Counter Fraud activity undertaken and the savings generated be noted; and
(3) the revision of the Counter Fraud Blueprint be noted.

AC/11/23 Key Outcomes from Internal Audit work undertaken between November 2022 and May 2023

Consideration was given to a report which set out the key outcomes from internal audit reports issued between November 2022 and May 2023 to enable the Committee to maintain an oversight of the emerging risks and governance issues as they arose during the year.

It was explained that of the 20 reports finalised within the reporting period, 12 had received a significant assurance rating and five a limited assurance rating.

For each of the reports a level of assurance had been identified and a series of recommendations made, examples of good practice identified and where appropriate the progress made by management in relation to issues identified had been outlined.

Members' questions in relation to a number of the reports and findings were responded to by officers.

Resolved that the key findings, good practice identified and the management response to the internal audit reports issued between November 2022 and May 2023 be noted.

AC/12/23 Strategic Audit Plan 2022-23 - Final Monitoring Statement

Consideration was given to a report which set out the final monitoring statement in respect of the Strategic Audit Plan for 2022/23. Details of the programmed works which had been planned to be completed during the year were presented along with an update on those which had been completed or started and those which, following a further risk assessment, were no longer required at this stage.

Resolved that the Strategic Audit Plan Final Monitoring Statement be noted.

AC/13/23 2022-23 Opinion on the Framework of Governance, Risk Management and Control

Consideration was given to a report which set out the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the organisation's Framework of Governance, Risk Management and Control.

It was explained that, under the Public Sector Internal Audit Standards, the Chief Internal Auditor had a duty to provide an opinion on the organisation's framework of Governance, Risk Management and Control each year. The report detailed the work carried out by internal audit during the year, highlighted the main findings from the work and gave the opinion of the Chief Internal Auditor on the Authority's framework of control. The report had been designed to give the Authority a level of assurance in the preparation of its Annual Governance Statement.

It was explained that the opinion of the Chief Internal Auditor, at the time of preparing the report, was that the organisation's internal control systems in the areas audited were satisfactory, which was a positive assessment and reflected favourably on the Authority's governance arrangements.

Resolved that the Chief Internal Auditor's 2022/23 satisfactory opinion on the overall adequacy and effectiveness of the Framework of Governance, Risk Management and Control be noted.

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North Tyneside Council
Report to Audit Committee
Date: 26 July 2023

Title: Annual Statement of Accounts 2021/22

Report from:	**Finance**	
Responsible Officer:	**Jon Ritchie, Director of Resources**	**Tel: 643 5701**
Wards affected:	**All**	

PART 1

1.1 Executive summary:

1.1.1 The purpose of this report is to provide the Audit Committee with an update on the progress for the completion of the 2021/22 Audited Annual Statement of Accounts in accordance with Section 9 (2) of the Accounts and Audit Regulations.

1.1.2 The draft Audit Results Report was shared with the Committee at its meeting held on 22 March 2023. The Executive Summary listed the outstanding items of audit work that still needed to be completed and it was noted at the meeting that the majority of the audit work had been completed or resolved by the time of the meeting. The only outstanding item was the receipt of the Pension Assurance Statement from the Tyne and Wear Pension Fund.

1.1.3 As shared with the Audit Committee at its last meeting on 31 May 2023, Ernst & Young (EY) the Authority's external auditors have confirmed that this has now been received from the Pension Fund. It was anticipated that the 2021/22 Audited Annual Statement of Accounts would be ready for sign-off in mid-June by external audit and the Authority. However, this has not been possible.

1.1.4 EY have advised the Authority that their pension experts are working through the triannual pension report and are awaiting the results of membership testing data from the Pension Fund. No date has been given from EY in relation to when the Authority can expect the outstanding work to be completed and when the Final Statement of Accounts will be ready for sign-off.

1.2 Recommendation(s):

The Audit Committee is recommended to:

(a) Note the update provided in this report; and

(b) Note that at the Committee's meeting held on 22 March 2023 delegation for the approval of the Audited Annual Statement of Accounts 2021/22 was given to the Director of Resources (Chief Finance Officer) in consultation with the Chair of the Audit Committee.

1.3 Forward plan:

1.3.1 This report is contained in the forward plan of the Audit Committee.

1.4 Council plan, policy framework:

1.4.1 The Annual Statement of Accounts covers all the service responsibilities as identified within the Council Plan.

1.5 Information

1.5.1 Background
At its meeting on 31 May 2023 the Audit Committee received an update to the progress on publication and sign-off of the 2021/22 Audited Annual Statement of Accounts. As required by section 9 (2) of the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code that the Authority approves its Audited Annual Statement of Accounts 2021/22 for the financial year.

1.5.2 The Authority have been advised by EY that the work in relation to pensions is yet to be completed and as yet no date has been given as to when the Authority can expect the final sign-off to take place. It was hoped that the outstanding work would have been completed by mid-June and that the Audited Statement of Accounts for 2021/22 would be published soon after, however this has not been possible.

Summary

1.5.3 The Authority is currently waiting for EY to confirm when the 2021/22 Audited Annual Statement of Accounts will be ready for sign-off by eternal audit and the Authority.

1.6 Decision options:

The options available are:

(a) To accept the recommendations made in section 1.2.; or
(b) To reject the recommendations made within this report.

1.7 Reasons for recommended option:

The production of an Audited Annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2015.

1.8 Contact officers:

Jon Ritchie, Director of Resources, Tel 643 5701
Claire Emmerson, Head of Finance (Deputy S151 Officer),Tel 643 8109
Peter Weir, Principal Accountant, Tel 643 8066

1.9 Background information:

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author:

(a) Accounts and Audit Regulations 2015 can be inspected at the Authority's offices.

(b) Revenue budget 2021/22
https://my.northtyneside.gov.uk/category/455/council-finances

(c) Investment Plan 2021-26
https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=597&Ver=4 (Agenda reports pack - Appendix D)

(d) Reserves and Balances Policy
https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=597&Ver=4 (Agenda reports pack - Appendix G)

(e) CIPFA Code of Practice 2021/22
Can be inspected at the Authority's offices.

(f) Outturn Report 2021/22
https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=815&Ver=4

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

As this is a financial report, implications are covered in the body of the report itself.

2.2 Legal

The Authority is required under the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy's Code to prepare and approve its audited accounts for the financial year 2021/22 by 30 November 2022.

2.3 Consultation/community engagement

In line with statutory requirements the draft Annual Statement of Accounts for the year ended 31 March 2022 was published by 4 July 2022 and was available on the Authority's website.

Members of the public were able to inspect the accounts under the statutory public inspection of accounts period from 11 July to 19 August 2022.

2.4 Human rights

The proposals within this report do not have direct implications in respect of the Human Rights Act 1998.

2.5 Equalities and diversity

There are no direct equalities and diversity implications arising from this report.

2.6 Risk management

Potential future financial pressures against the Authority are covered in this report and registered through the Authority's risk management process.

2.7 Crime and disorder

There are no direct crime and disorder implications arising from this report.

2.8 Environment and sustainability

There are no direct environmental and sustainability implications arising from this report.

Title: Draft Annual Statement of Accounts 2022/23

North Tyneside Council
Report to Audit Committee
Date: 26 July 2023

Report from Service:	Finance	
Report Author:	Jon Ritchie, Director of Resources	Tel: 643 5701
Wards affected:	All	

PART 1

1.1 Executive Summary:

1.1.1 The purpose of this report is to provide the Audit Committee with an update in respect of the closure of the 2022/23 accounts.

1.2 Recommendation(s):

1.2.1 It is recommended that the Audit Committee:

(a) note the publication of the draft Statement of Accounts; and
(b) note that the External Audit commenced on 23 June 2023.

1.3 Forward Plan

1.3.1 This report is contained in the forward plan of the Audit Committee.

1.4 Council plan and policy framework:

1.4.1 The Annual Statement of Accounts covers all the service responsibilities as identified within the Council Plan.

1.5 Information

1.5.1 The draft Statement of Accounts for 2022/23 have been produced and were published on the Authority's website on 15 June 2023. A summary of the main points in the accounts will be presented to the Audit Committee at its meeting. The Authority's external auditors began their audit of the 2022/23 accounts on 23 June 2023 with the aim of having a signed off Statement of Accounts published by the end of November 2023.

1.6 Decision options:

The options available are:

(a) To accept the recommendations made in section 1.2.1.

1.7 Reasons for recommended option:

The production of an audited Annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2015.

1.8 Appendices:

2022/23 – Draft Annual Statement of Accounts

1.9 Contact officers:

Jon Ritchie, Director of Resources, Tel 643 5701
Claire Emmerson, Head of Finance (Deputy S151 Officer),Tel 643 8109
David Mason, Senior Manager Capital Strategy and Planning, Tel 643 3293
Peter Weir, Principal Accountant, Tel 643 8066

1.10 Background information:

The following background papers and reports have been used in the compilation of this report and are available for inspection at the offices of the author:

(a) Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There are no financial implications as a result of the recommendations within this report.

2.2 Legal

The Authority has a duty to ensure that it produces a draft Annual Statement of Accounts by 31 May 2023 in accordance with the Accounts and Audit (Amendment) Regulations 2021

2.3 Consultation/community engagement

Consultation will take place with key personnel and interested parties involved in the closedown process.

2.4 Human rights

There are no Human Rights implications as a result of the recommendations in this report.

2.5 Equalities and diversity

There are no Equalities and Diversity implications as a result of the recommendations in this report.

2.6 Risk management

A risk log has been set up which identifies the key risks and issues associated with the closedown process. The management of these risks are part of the overall process.

2.7 Crime and disorder

There are no crime and disorder implications as a result of the recommendations in this report.

2.8 Environment and sustainability

There are no environment and sustainability implications as a result of the recommendations in this report.

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Subject to Audit

North Tyneside Council

ANNUAL FINANCIAL REPORT 2022/23

Table of Contents

1.0 Preface

1.1 Message from the Director of Resources

My role as the Director of Resources and Section 151 Officer is to ensure that the Authority's financial affairs are properly administered, and its financial position remains stable and robust. It is essential to ensure that the Authority is able to provide good quality services to all the residents of North Tyneside and to continue to take forward the development and regeneration of the Borough.

Even though there have been some turbulent events over the past few years which have had a significant impact on North Tyneside and the whole country, 2022/23 presented new challenges. As well as dealing with the legacy of the COVID-19 pandemic, there was a downward turn in the national economic position and inflationary pressures affecting both the Authority and local residents. The challenges I have to address in fulfilling my role directly reflect the constantly changing local and national factors to which the Authority must respond. Whilst during 2022/23 the effect of the COVID-19 pandemic reduced, the Authority is still seeing the ongoing financial impact.

The Authority has had to manage the continuing increased demand for services compared to pre-pandemic levels, especially in Adult's and Children's Social Care. Taken together with the significant increase in inflation influencing general prices for goods and materials purchased by the Authority and energy costs which had a much higher and longer impact than expected, this has resulted in an outturn overspend position of £6.081m.

Although the financial monitoring position reported to Members during the financial year initially projected a much higher overspend, this improved over the year, in part due to management actions and the planned use of one-off grants and reserves. However, the outturn was very close to the last reported budget monitoring position (an overspend of £8.086m in January 2023).

On a more positive note, responding to the ever-changing position affecting North Tyneside residents during 2022/23 the Authority approved a number of packages of support for residents to help with the impact of the cost-of-living crisis. The Authority also continue to administer other support including the Council Tax Energy Rebate scheme, applying the £150 discount to Council Tax bills as well as introducing a discretionary energy rebate scheme.

The Statement of Accounts gives an overview of the Authority's finances for 2022/23 but the Narrative Report also outlines some of the key initiatives that took place and how these influence the financial position of the Authority. Although the outturn reflected an overspend position, I am pleased to report that as presented in the Statement of Accounts, the Authority still has adequate reserves and balances and that the financial position remains strong.

A key objective of the North Tyneside Council Finance Team is to prepare the Statement of Accounts to the highest standards and in accordance with the guidance for Local Authorities in the UK. The Statement of Accounts provides information so that members of the public, including electors and residents of North Tyneside, Council Members, partners, stakeholders and other interested parties can have:

- A full and understandable explanation of the overarching financial position of the Authority and the outturn for 2022/23;

- Confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner; and
- Assurance that the financial position of the Authority is sound and secure.

The draft Accounts were submitted to the External Auditor on 15 June 2023. It should be noted that both the 2020/21 and 2021/22 draft accounts were prepared by 31 May and 5 June of respective years, two months ahead of the statutory requirement. The deadline for the completion of the external audit of the 2022/23 accounts is 30 September 2023. The Accounts and Audit (Amendment) Regulations 2022 came into force on 22 July 2022 and brought forward the date from 30 November (which was applicable to the 2021/22 accounts). However, due to national challenges impacting on the completion of Local Authority audits, there is a risk that the audit of the 2022/23 Accounts will not be completed in accordance with the deadline.

Indeed, at the time of issuing the 2022/23 draft Accounts the Authority's 2021/22 audit is still to be completed. The Authority's External Auditor Ernst & Young LLP has been able to issue a draft Audit Completion report for the 2021/22 Accounts and this was presented to the Audit Committee on 22 March 2023. This advised that the Accounts had been prepared to a high standard, but the audit could not be fully completed due to technical accounting issues.

There was first a delay in the completion of the audit due to a sector-wide accounting issue relating to the valuation of infrastructure assets. A temporary resolution was reached in December 2022 with the introduction of a statutory override which applied to the Accounts for 2021/22 and the accounting periods to 31 March 2025. The Authority's 2021/22 financial statements were updated to incorporate the relevant changes. The 2022/23 draft Accounts have been prepared to comply with the requirements of the statutory override.

The second issue relates to the valuation of pension fund assets. This involves the Tyne and Wear Pension Fund (TWPF) which administers the Local Government Pension Scheme for North Tyneside and the other authorities in the region. The 2021/22 and 2022/23 Accounts have been updated to include the most up to date available TWPF valuation information, however as external audit has yet to conclude this position is subject to change.

Having regard to the outstanding position relating to 2021/22, the Authority will continue to follow best practice principles and submit the 2022/23 draft Accounts to the Audit Committee to allow Members the opportunity to review them before they are asked to formally approve the Statement of Accounts. The review of the draft accounts will take place at the Audit Committee meeting on 26 July 2023.

I am proud to say that the Finance Team provides the Authority with a high-quality financial management service, giving financial advice and support on all major projects and initiatives in which the Authority is engaged. In addition to the preparation of the Statement of Accounts, a key task is financial planning. Alongside budget preparation, performance management and reporting, the ability to look strategically beyond the current budget period is essential to supporting the Authority's financial resilience and long-term financial sustainability. The continuing short-term nature of Government funding announcements means it is more important than ever that the Finance Team has a thorough understanding of the Authority's financial outlook and can support Members and Officers in planning the effective use of available capital and revenue resources over the short, medium and long-term.

The Finance Service produces on an annual basis, a Medium-Term Financial Plan (MTFP) which supports the balancing of the Budget for the next financial year but sets out a financial projection for future years. This MTFP brings together all known factors affecting the Authority's financial position and its financial sustainability. It is as wide ranging as possible and includes estimates of future income and expenditure, anticipated pressures and new developments. It allows the Finance Team to balance the financial implications of the Authority's Our North Tyneside Plan, service objectives and policies with the constraints in resources. This in turn forms the basis for decision making and the production of the revenue budget and the Investment Plan. Work to revise the current MTFP took place throughout most of 2022/23. The work focussed on presenting a balanced budget for 2023/24 and an indicative budget for 2024/25 together with forecast budget gaps up to 2026/27.

The Budget for 2023/24 was prepared having regard to the issues impacting on the Authority in 2022/23 and additional resources were allocated to support both Adults and Children's Social Care as well as contractual inflation, pay award estimates and energy costs. The Revenue Budget 2023/24 and Medium-Term Financial Plan 2023/24 to 2026/27 was approved at the Full Council meeting on 16 February 2023. The following Narrative Report is an important part of the accounts and provides information about North Tyneside, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position as at 31 March 2023.

Jon Ritchie
Director of Resources
Date: 15 June 2023

1.2 Narrative Statement

Introduction

The purpose of the Annual Financial Report is to give members of the public, electors, those subject to locally levied taxes and charges, elected members, employees and other interested parties clear information about the Authority's finances. This will allow readers to:

- Understand the financial position of the Authority and the outturn position for 2022/23; and
- Have confidence in the Authority's stewardship of public money and that it has been used and accounted for in an appropriate manner.

This Statement of Accounts details the Authority's financial position for the financial year 1 April 2022 to 31 March 2023. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code). The Code of Practice constitutes "proper accounting practice" under the terms of the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989 and, for audit, the Local Audit and Accountability Act 2014.

Governance

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. Further information is available in the Annual Governance Statement which was reviewed by the Audit Committee on 31 May 2023. The Statement explains how the Authority has complied with the Code and meets the requirements of the Accounts and Audit Regulations 2015.

The purpose of this Annual Financial Report is to provide a summary of the financial position of the Authority as at 31 March 2023 together with details of the non-financial performance of the Authority during 2022/23. The report enables readers to focus on the key elements of the Statement of Accounts. The report contains the following sections:

- About North Tyneside;
- Key Facts about North Tyneside Governance;
- Financial Performance of the Authority 2022/23;
- Non-Financial Performance of the Authority 2022/23;
- Significant Issues for 2023/24 and beyond; and
- Explanation of the key Financial Statements.

About North Tyneside

Geography and Place

North Tyneside on the North-East coast of England is bounded by Newcastle upon Tyne, the North Sea, the River Tyne to the south, and Northumberland to the north.

Across North Tyneside there are 100,611 homes; of these; 63,633 are owner occupied; 20,916 are social rent (including council and housing association) and 16,062 are privately rented.

Economy

North Tyneside has a proud industrial heritage and, like many parts of the North East, was a centre of heavy industry. This included the Swan Hunter shipyard in Wallsend and the exporting of coal. Today most of the heavy industry has ceased but the borough has seen, through a strong approach to regeneration, a diverse economy develops comprising of traditional manufacturing and engineering industries as well as a mix of exciting new sectors including digital, health and life sciences and renewable energy. As an example, North Tyneside is home to two significant Business Parks with Cobalt Business Park being the UK's largest commercial office park.

There are 5,360 enterprises that operate within the borough, which has grown every year since 2011. This has been supported by the Council's award winning Business Factory which helps start-up businesses in the borough. Small and Medium Sized Enterprises with high growth potential are supported by the Business Factory's Aspire Programme.

These businesses are delivering good job opportunities for residents in North Tyneside and the region. Previously the number of jobs in the borough had shown an increase each year since 2011 but this fell to 89,000 in 2020, largely attributable to the impact of the COVID-19 pandemic on the economy, before rising to 93,000 in 2021[1]. Unemployment stands at 4.6% as of December 2022.

Population

North Tyneside has a population of 209,151[2] and the population is projected to grow by 5% overall by 2030. The proportion residents of over the age of 65 is projected to increase by over 20%, over 75's by over 30%, and over 85's by 15% and fewer children.

Working Age Groups	Female	Male	Total Population
0-15 (Children)	17,982	19,353	37,335
16-64 (Working Age Population)	66,027	62,576	128,603
65+ (Retired)	23,699	19,514	43,213
Total	107,708	101,443	209,151

North Tyneside has a relatively small black, Asian and other ethnic minority community population, which accounts for 5.2%[3] of the overall population. A further 2.4% of residents are from white minority backgrounds.

A great place to live, work and visit

The most recent annual residents survey from 2021 showed that overall, 4 in 5 residents believe North Tyneside to be a good place to live. Whitley Bay[4] has been named as the best place to live in the North East and one of the best places to live in Britain after Tynemouth was named the previous year. The reasons were the beautiful coastline and thoughtful regeneration that have helped Whitley Bay start to come in line with Tynemouth.

[1] 2020 & 2021 ONS Job Density
[2] ONS 2021 mid-year population estimate
[3] ONS 2021 mid-year population estimate
[4] Sunday Times 2023

Around 8 in 10 young people attend a school that is ranked as Good or Outstanding by Ofsted. The rate of young people who are in Employment, Education or Training is high and continues to improve.

The annual residents survey showed that over half of residents are happy with the way the Authority runs things and feel that it acts on residents' concerns. It is encouraging that satisfaction, sense of belonging and feeling that people in the local area pull together increased significantly in the southern part of the borough. The southern area of the borough includes Battle Hill, Chirton, Howdon, Riverside and Wallsend wards. Historically, resident perception in this area has been significantly lower than the other three areas, but in 2021 there was a much greater consistency of opinion across the borough.

The quality of the local environment is a clear driver of local area satisfaction and a priority for many residents in making somewhere a good place to live. Three beaches in North Tyneside are among a group of only 57 beaches across the country to win both a Blue Flag and Seaside Award. King Edwards Bay, Tynemouth Longsands and Whitley Bay have achieved the Blue Flag standard every year since 1994. Eight of the warden managed parks in North Tyneside have retained their Green Flag Awards, international benchmark of quality.

In the 2021 annual residents survey, the issues residents have identified as most needing to be improved and of high importance were road and pavement repairs, the level of anti-social behaviour and clean streets. Road and pavement repairs are the issue perceived to be most in need of improvement. Over the last four years, residents have expressed increasing concern around anti-social behaviour and crime across the borough. The Authority is committed to tackling anti-social behaviour and has invested in a number of initiatives such as Coast Watch to help reduce incidences of this within the borough.

Key Facts about North Tyneside Governance

North Tyneside Council is a multifunctional and complex organisation. Its policies are directed by the political leadership and implemented by the Senior Leadership Team (SLT) and officers of the Council.

<u>Political structure</u>

North Tyneside has 20 wards, and the Authority consists of 60 Councillors and an Elected Mayor. Following the most recent election in May 2023 the political make-up of the Authority was:

- Labour Party - 51 Councillors plus a Labour Elected Mayor
- Conservative Party - 7 Councillors
- Independent - 2 Councillors

The Mayor has responsibility for the appointment of the Cabinet, allocations of portfolios and the delegation of Executive function. Cabinet Members are held to account by a system of scrutiny which is set out in the Constitution. Scrutiny of executive decisions for 2022/23, including the setting of the 2022/23 budget has been undertaken by either the Overview Scrutiny and Policy Development committee or the Budget Study Group.

Management Structure
Leading the implementation of the Council Plan Priorities is the organisational structure of the Authority headed by the Senior Leadership Team (SLT), led by the Chief Executive, Paul Hanson.

During 2022/23 the SLT consisted of the Chief Executive, Assistant Chief Executive and 8 Directors of Service. The Director of Resources attends SLT not only as a senior officer of the Authority but in his role as the Authority's Chief Finance Officer (the officer responsible under statute for the administration of the Authority's financial affairs).

The SLT works together to achieve the most effective services possible for the borough. It also ensures that North Tyneside plays a full part in national, regional and sub-regional activities.

Financial Performance of the Authority 2022/23

The Authority incurs both revenue and capital expenditure each year. Revenue expenditure is usually used to purchase goods and services that are consumed within one year; these are financed from Council Tax, Government Grants, and Non-Domestic Rates under the rates retention scheme and other income such as fees and charges. Capital expenditure is money spent on assets which have a useful life in excess of one year; these are financed by capital receipts, borrowing, and grants and contributions. The Authority has well established and robust financial management procedures in place to monitor budgets and mitigate any forecast over spending. Revenue and capital budget monitoring information is reported to Cabinet throughout the year.

Revenue Expenditure

The Budget for 2022/23 was approved by Full Council at its meeting of 17 February 2022. The net General Fund revenue budget was set at £163.512m including Efficiency Programme savings of £7.257m. The following table summarises the financial position of the Authority as at 31 March 2023. Accounting adjustments relate mainly to capital accounting entries which are made to enable a clearer understanding of each service's final position.

Table 1 – Financial Position of Authority for year ended 31 March 2023

Services	Budget	Actual Outturn	Variance	Accounting Adjustments	Adjusted Variance
	£m	£m	£m	£m	£m
Adult Social Care	56.809	57.939	1.130	0.000	1.130
Children, Young People & Learning	25.753	35.072	9.319	(0.453)	8.866
Public Health	1.799	3.675	1.876	(1.876)	0.000
Commissioning and Asset Management	8.255	21.708	13.453	(8.504)	4.949
Environment	40.048	35.979	(4.069)	3.871	(0.198)
Regeneration and Economic Development	11.053	11.719	0.665	(0.416)	0.249
Corporate Strategy	1.530	2.357	0.827	(0.320)	0.507
Chief Executive's Office	(0.069)	(0.158)	(0.089)	0.000	(0.089)
Resources	5.233	6.670	1.437	0.020	1.457
General Fund Housing	2.144	2.661	0.517	0.000	0.517
Central Items	(9.224)	(28.210)	(18.985)	7.678	(11.307)
Support Services	20.181	20.181	0.000	0.000	0.000
Total Authority	**163.512**	**169.593**	**6.081**	**0.000**	**6.081**

As detailed in the Outturn Report that will be taken to Cabinet on 26 June 2023 the Strategic Reserve has been drawn down to meet the overspend of £6.081m shown in the above table. After the final transfers, the General Fund Revenue Account shows spend on Budget for 2022/23, with a reduced closing balance on the Strategic Reserve of £6.345m and unchanged General Fund balances of £7.000m.

The table below shows the split of the Authority's budget by funding type.

	Budget £000s	**Final Outturn £000s**	**Variance £000s**
Funded By:			
Council Tax Receipts	(109,720)	(109,720)	0
Business Rates	(43,319)	(43,319)	0
Revenue Support Grant	(11,797)	(11,797)	0
Transfer from Collection Fund	1,324	1,324	0
Total Funding	**163,512**	**163,512**	**0**
Decrease in Balances	0	3,780	3,780
Balances brought forward	(10,398)	(10,398)	0
Balances carried forward	**(10,398)**	**(6,618)**	**3,780**

The decrease in balances above relates to school balances of £3.780m. Collective school balances in North Tyneside maintained schools decreased from a surplus of £3.398m at the start of the year to a closing deficit of £0.382m, see note 32 and note 35.

The final outturn figures shown in the above table include capital and other internal accounting adjustments. The adjusted variance column is explained in more detail within the Outturn Report which will be taken to [Cabinet on 26 June 2023.]

Housing Revenue Account (HRA)

For 2022/23 the HRA outturn was £0.185m better than budget, with a net expenditure of £0.186m compared to the budgeted net expenditure of £0.371m. After taking into account the improved position on brought forward balances of £0.061m, the overall position on the HRA to be carried forward was £0.246m under budget. Although the bottom-line position was maintained, a number of areas of the Budget experienced significant pressures, being affected to a greater or lesser extent as the service continued to address issues post-pandemic and linked primarily to the global economic downturn and the conflict in Ukraine, ranging from increased reliance on subcontractors through to increased costs due to material shortages. There were also significant pressures on utility costs linked to sheltered schemes caused by the cost of living crisis. This may prove to be more of an issue in future if inflation is slow to reduce and will necessitate a fundamental review of service charges.

As indicated above repairs continued to face increased cost pressures and this led to an overspend of £0.882m against budget. Increased costs of materials and the introduction of market supplements for trade staff pending a Craft Pay Review all contributed to the increase in costs.

Capital financing costs and interest on debt came in within £0.010m of budget overall.

On the upside Rent and Service charge income projections overall were better than budget by £0.113m, along with management costs being £0.276m under budget due primarily to vacancy savings and windfall income in-year. In addition the in-year Bad Debt provision came in £0.242m under budget as arrears increased at a lower than expected rate. Also the HRA benefitted from an increased level of interest on balances (£0.236m) due to increases in the Bank of England base rates.

All of these improvements combined to cover the in-year pressures experienced across the service. Full details of the HRA position are set out in the Outturn Report which will be taken to [Cabinet on 26 June 2023.]

Capital Expenditure

The initial 2022/23 Investment Plan Budget was £64.431m (£36.617m General Fund and £27.814m Housing). Further variations to the Plan and reprogramming were agreed by Cabinet during the year as part of the Financial Monitoring process to give an approved Plan at the year-end of £87.316m (£60.702m General Fund and £26.614m Housing). The table below summarises these changes.

	£000s
Investment Plan approved by Council 17 Feb 2022	64.431
Reprogramming from 2021/22	24.723
Reprogramming to 2023/24 and future years	(33.264)
Other variations (net)	31.426
Revised Investment Plan	**87.316**

Actual capital expenditure in 2022/23 totalled £77.442m (£63.045m in 2021/22), comprising General Fund expenditure of £50.814m and £26.628m on Housing schemes.

The following table compares the actual capital expenditure with the revised budget for the year.

	Revised Capital Budget 2022/23 £000s	Actual Capital Expenditure 2022/23 £000s	Variation from budget over/(under) £000s
General Fund	60.702	50.814	(9.888)
Housing	26.614	26.628	14
Total	**87.316**	**77.442**	**(9.874)**

Main areas of capital investment during 2022/23

- £24m Decent Homes Improvements
- £13m Transport and Highway Works, including the Local Transport Plan ahd sustainable transport improvements
- £11m Regeneration Initiatives, including significant investment in North Shields
- £8m Improvements to the Council's Operational Assets, including buildings, vehicles and ICT infrastructure
- £7m Energy Efficiency and Sustainability Works, including Green Homes works and Street Lighting LED upgrades
- £7m School Improvement Works

Major Projects Underway within the Investment Plan

- Increasing Affordable Housing Provision within the Borough, including HRA new build schemes
- Regeneration Schemes, including the continued delivery of Our Ambition
- Transport Improvements, including the Seafront Cycleway
- Sports and play facilities, including the development of a Regional Sports Hub
- Continued investment in Schools, including expanding high needs provision

Borrowing Facilities

Section 3 of the Local Government Act 2003 requires the Authority to determine its own affordable borrowing requirement necessary to fund capital expenditure. The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

The Authority set its Authorised Limit for external debt for 2022/23 at £1.255m, £1.175m in 2021/22 and its Operational Boundary for external debt at £0.695m, £0.635m in 2021/22. All transactions were carried out within the Authorised Limit boundaries during 2022/23. As shown in the Balance Sheet, the total liabilities for borrowing, finance lease balances (including Private Finance Initiative (PFI)) and other liabilities are £533.438m, £505.797m in 2021/22.

Main points from Financial Statements

Comprehensive Income & Expenditure Statement

The Cost of Services line in the Comprehensive Income & Expenditure Statement represents the net expenditure incurred by the Authority in the direct provision of Services (page 25). The net expenditure of £180.071m, £168.068m in 2021/22 is an increase of £12.003m on the previous year. The variations relate in the main to capital accounting adjustments particularly within the Housing Revenue Account and pension accounting adjustments.

In terms of income, Taxation and Non-specific Grant Income, there has been an increase in income of £13.345m from £189.606m in 2021/22 to £202.951m in 2022/23. This mainly relates to an increase in council tax income and retained business rates income.

The Group position shows North Tyneside Trading Company net expenditure of £0.285m compared to £0.361m in 2021/22 (page 26).

Balance Sheet

The Balance Sheet is set out on pages 29 to 30. Overall, the Authority has net assets of £685.994m which is an increase of £398.304m from the 2021/22 figure of £287.690m. The following paragraphs provide additional detail in relation to this increase.

Long term assets have increased by £35.893m to £1.201.552m. The increase relates to Property, Plant and Equipment.

Current Assets are £122.282m in 2022/23 compared to £139.251m in 2021/22. In the main the decrease of £16.969m relates to a decrease in short term investments of £12.500m and cash and cash equivalents of £8.130m together with an increase in short term debtors of £3.505m. Current liabilities have decreased by £10.702m to £99.326m in 2022/23 due to a decrease in short term creditors of £32.313m offset by an increase in short term borrowing of £24.113m.

Long Term Liabilities have reduced by £368.678m to £538.514m in 2022/23. In the main this is due to a decrease in the Pension Liability of £371.130m arising from the latest actuarial valuation.

Overall Useable Reserves have seen a decrease of £26.941m and stand at £124.868m, (Note 31 provides more details on these reserves), and Unuseable Reserves have increased by £425.245m (Note 33 provides more details on these reserves).

Non-Financial Performance of the Authority

The Our North Tyneside Plan 2021-2025 (Council Plan) was refreshed in 2021 following the Mayoral Elections on 6 May 2021 to reflect the policy priorities of the incoming administration. Following consultation with residents and key stakeholders, Full Council agreed the refreshed Our North Tyneside Plan 2021-2025 on 23 September 2021.

The refreshed Our North Tyneside Plan 2021-2025 has five theme priorities:-

A thriving North Tyneside
A family-friendly North Tyneside
A secure North Tyneside
A caring North Tyneside
A green North Tyneside

This is a summary of progress of the Our North Tyneside Plan Performance Report:-

- Delivery of the Affordable Homes Programme is on track and a 10-year Delivery Plan was agreed by Cabinet in February 2022. The number of long-term vacant dwellings is currently at its lowest level in seven years.

- In August 2022, Cabinet approved the Carbon Net-Zero 2030 Action Plan including over 150 actions to decarbonise the Authority's operations and the Borough as a whole.

- £8m funding has been secured from the Green Homes Grant Local Delivery Scheme to install low carbon heating, energy efficiency measures and renewable energy systems in homes with low-household incomes. To date over 800 measures have been installed in 700 homes so far.

- Regeneration work is well underway in North Shields including public realm improvements, a new integrated transport hub, and new town square. Planning permission has been granted for new family homes at the former Unicorn House Site and works are due to commence later in 2023. £1.7m in grant funding has been secured from the North of Tyne Combined (NTCA) to develop a Cultural and Creative Zone and work has commenced on the new Riverside Embankment Walkway to connect the town centre and Fish Quay. Planning permission for a new Ferry Landing on Western Quay was granted in December 2022. However, the Levelling Up Fund bid by NEXUS for that project was unsuccessful and alternative funding solutions are now being pursued. £19.130m of grant funding has been secured from Transforming Cities Fund (TCF) to fund the capital works at the transport hub, embankment walkway and gateways an additional £1.850m has been secured from DLUHC to fund the new town square.

- In Whitley Bay, improvement works to the Northern Promenade were completed and £4.500m funding from the Active Travel Fund has been secured to provide a continuous segregated walking and cycling route between St Mary's Lighthouse and Tynemouth. In summer 2023, Master Planning activity will commence for Whitley Bay Town Centre.

- In Wallsend, engagement on the draft Masterplan is underway and a final version will be presented to Cabinet for approval in May 2023. £0.499m Museum Estate and Development Fund (MEND) funding has been secured for a range of improvements at Segedunum Roman Fort and Museum. An expression of interest has been submitted to the National Heritage Lottery Fund to secure £5.000m of funding for developments at Segedunum Roman Fort and Museum and a decision is expected in June 2023. The Round 2 Levelling Up bid to deliver public realm improvements along the High Street together with transport connections and enhancements to Segedunum was unsuccessful, however, there remains a final submission round in Autumn 2023 for which a revised bid will be submitted. Funding has been secured from the North of Tyne Combined Authority (NTCA) to fund project activity in and around Wallsend High Street including £1.280m capital grant for public realm and active travel work and £0.066m grant for revenue activity including events which will help drive footfall, shop front grants, business support and resource to be based within the town centre to support businesses to start-up and grow.

- In the North West of the borough, £0.075m of feasibility funding has been secured from NTCA for Northumberland Line Economic Corridor priorities. This includes funding to re-design, scope and map a visitor/ heritage trail using the existing wagonways and heritage assets. Killingworth Lake concept plans have been developed and officers are now working to identify eligible funding streams to progress the proposals. Work is continuing with partners to secure investment and encourage more and better jobs to be delivered at Indigo Park.

- Beaches and warden managed parks in the borough continue to be recognised nationally for their high standards. Three beaches have retained their Blue Flags and Seaside Awards and this year eight parks were awarded Green Flag Awards, including Chirton and Redburn Dene Parks who secured this for the first time in 2022.

- In response to residents feeling increasingly concerned about community safety issues, a multi-agency North Tyneside Anti-Social Behaviour Task Force has been established to develop and deliver a shared plan to tackle anti-social behaviour as a partnership making a difference for residents, communities, visitors and businesses. The trend of anti-social behaviour reported to Northumbria Police is decreasing and the rate per population is now 19.3 per 1,000 residents, which is the lowest level in four years in North Tyneside.

- Support is delivered to low-income households across the borough through the Council Tax Support Scheme and Hardship Support Scheme. As well as a number of initiatives including the Holiday Activities and Food Programme, Household Support Fund and Poverty Intervention Fund to address health and socio-economic inequalities.

- The education offer in the borough is strong compared to national and regional comparators, however an area of focus remains to close the gap between disadvantaged and non-disadvantaged pupils, which has widened in North Tyneside, as it has regionally and nationally, following the COVID-19 pandemic.

- We are continuing to meet the social care needs of our residents and have seen an increase in demand for social care. Many residents are presenting with more complex needs as a legacy of Covid restrictions. Our Carepoint Team is integrated with the NHS and has staff based at all local acute hospitals. This team has been key in ensuring that our hospitals have maintained bed availability over the winter and that A&E services have not been overwhelmed. Our Reablement Service continues to be one of the highest performing in the country supporting our residents to regain skills and the confidence to return home after a stay in hospital.

Significant issues relating to 2023/24 and beyond

It has been highlighted previously by the Chief Finance Officer that, whilst the Authority has a sustainable financial outlook, it has a relatively low but adequate level of reserves. The level of uncertainty for funding Local Government Finance beyond 2022/23 alongside the uncertain short-term implications of national and global issues is of concern when considering the financial sustainability of the Authority, particularly when taken in the context of funding reductions the Authority has managed since 2007/08.

Another area of significant risk is around inflation and the impact that will have on key expenditure around utilities and waste disposal, as well as the impact it will have on the supply chain and costs of materials for Capital projects, HRA projects and general goods and services within revenue. The Consumer Price Index (CPI) rate in April 2022 was 9%, by March 2023 this had risen to 10.1%. Whilst CPI has fallen back to 8.7% (for the 12 months to April 2023), current forecasts are for high inflation rates to continue into at least the early periods of 2023/24.

The ringfenced Dedicated Schools Grant (DSG) is received from the Government and administered by the Authority and is the main source of income for the schools' budget. The High Needs block of the DSG first fell into deficit during 2017/18 and it is an important element of the financial management of the Authority that the DSG is not in a deficit position. As a result, there has been action to address the deficit working collaboratively with Schools Forum and other SEND partners, especially to address the increasing numbers of children with special needs entering the education system.

These deficits have come under increasing scrutiny from the Department for Education (DfE) and in July 2022, the Authority was invited to take part in the Safety Valve Intervention Programme. The Authority's DSG Management Plan, agreed in advance with parents and carers, children and young people, and partners from across education, health, and care, was submitted in February 2023. Without further action, the High Needs block cumulative deficit was forecast to be in the region of £19.5m by 2027/28. The Authority's submission was successful, the DfE agreed financial support to the Authority of £19.5m over a 5-year period, with the first payment of £7.8m paid at the end of the financial year 2022/23. In subsequent financial years, subject to compliance with the conditions set in the agreement, the DfE will release the remainder of the £19.5m.

To support the implementation of the DSG Management Plan, the Authority also submitted a capital build proposal. The Authority has been notified that it will receive £4.6m in June 2023, to support its capital investment programme. The Authority is required to submit a report three times per year, describing the progress that it has made on delivery of the DSG Management Plan.

Many of the current key risks that will impact on future Housing Revenue Account (HRA) Business Planning are unchanged from last year, most of which are linked to the current economic climate and high rates of inflation. The rate by which inflation reduces by September will influence next year's rent increase, as they will be based on the September 2023 CPI rate of inflation. This may again lead to Government intervention to cap the size of the rent increase, which was capped at 7% for this year.

The HRA also faces inflationary pressures on the cost of the goods and materials needed to maintain the housing stock, and to meet Cabinet's aspirations to build new homes. HRA planning will consider the affordability of budgets in light of these inflationary pressures and expected rental income.

The potential impact of the cost of living crisis on the Authority's most vulnerable tenants continues to be monitored closely to assess what the full impact of this will be on the rate of increase in the levels of arrears, which have doubled since 2015. Additional support for vulnerable tenants was included in the 2023/24 HRA Budget.

One other key factor in terms of HRA Business Planning is the number of homes that are managed and the impact of Right to Buy (RTB). The Government significantly increased the discount rates attached to RTB back in 2012 to incentivise more sales, but this appeared to have steadied at between 100-120 sales per annum over the last three years. 2021/22 saw the largest number of sales since the changes were introduced at 167, however, 2022/23 saw a return to the previous trend albeit at the upper end at 120 sales. These trends continue to be monitored to assess the potential impact on the resource base and further pressure on the Authority's ability to tackle tenant waiting lists. This makes it more important to add to the stock, but as set out above in a much more difficult cost environment.

As described above following the introduction of self-financing and changes to RTB discounts, the numbers of sales has increased significantly. In 2013 the Authority signed an agreement with the Government allowing it to retain any receipts above fixed levels ie £1.873m per annum, as long as the Authority used those receipts to fund new build within 3 years at 30% of cost, rules which have subsequently changed to 5 years and 40%. The Government has now offered the opportunity for the Authority to also retain the fixed element of £1.873m per annum for the next two years as long as it complies with existing criteria for retained receipts and delivers more affordable housing. The Authority has subsequently signed the agreement to ensure the additional resources are utilised locally and support the Mayor and Cabinet's Affordable Homes ambitions.

Inflation and interest rate risk remain a key component of the capital investment plan and treasury management. The May 2023 Bank of England Monetary Policy Committee (MPC) report forecasts elevated inflationary pressure in the short term. The May MPC report projects base rate to peak in Q4 of 2023, before falling to 3.5% by 2026. The high inflation and interest environment continues to impact on the Investment Plan from the perspective of increasing costs in goods supply and labour costs. As well as maintaining pressure on interest rates which have a bearing on the cost of borrowing for the Authority going forward.

The Strategic Reserve (£6.345m) represents 1.73% of the General Fund 2022/23 gross Budget and 3.88% of the 2022/23 net Budget, with the General Fund balances (£7.000m) added, these represent 3.65% of the 2022/23 gross Budget and 8.16% of the 2022/23 net General Fund Budget. There is no prescribed level of reserves advice by finance bodies with the level being considered in light of risks the Authority faces not just in the current year but looking ahead.

In recognition of the required use of the Strategic Reserve to balance the 2022/23 financial year, the current Medium-Term Financial Plan (MTFP) includes the planned replenishment of the Strategic Reserve by £9m over the next 4 years.

The other general fund earmarked reserves total £44.602m, which is a decrease of £15.449m from the 20202/23 position of £60.051m. Of this decrease £9.322m relates to COVID-19 grants where balances held have either been spent as planned or returned to Central Government in line with grant conditions.

The net movement in HRA reserves and balances is an increase of £2.659m. The HRA reserves have increased by £2.845m to £24.147m in 2022/23 and the HRA balances have decreased by £0.186m to a total of £3.315m. Within the HRA reserve total, £21.661m relates to PFI reserves.

School Balances show a decrease of £3.780m, to leave a closing deficit of £0.382m. As at 31 March 2023, the DSG account is

Page 41

showing a net deficit balance of £8.341m. This compares to a deficit balance of £12.851m in 2021/22.

During the financial year a Cabinet report titled ‘Strategic Partnership Update’ was agreed on 23 January 2023. This report agreed to delegate authority to the Director of Resources in consultation with the Cabinet Member for Finance and Resources and the Director of Commissioning and Asset Management to finalise commercial arrangements for the remaining Equans employees within Finance, Human Resources and ICT to return to the control of the Authority. The services wholly return to the Authority on 1 May 2023. Part of the commercial arrangements related to a Termination Fee payable by the Authority. The fee was agreed to be £3,559,677 and will be payable in 2023/24. This will be funded using part of the earmarked reserve that was created from the minimum revenue provision surplus at the end of 2021/22.

Continuing risks for 2023/24 include the impact of inflation across a number of areas of expenditure for the Authority. The 2023/24 pay award is expected to be higher than the average of 5.6% seen in 2022/23 and, despite being covered for 2023/24, only 2% per annum is set aside for future years.

For 2023/24, current projections are that around £3.800m will be needed from contingencies set aside in the 2023-2027 MTFP for increases in energy costs for Electricity and Gas, what the future direction of travel for this element of expenditure will need to be closely monitored in 2023/24.

Services such as Catering will be impacted by increases in food prices and energy costs. Due to the increase in fuel costs, transport budgets will need to be closely monitored and home to school transport contracts will need to be negotiated. The cost of waste disposal is also set to increase and new government requirements in relation to food waste will also have to be planned for which has the potential to increase the current contract costs. These risks specifically referred to form part of seventeen workstreams that Finance will support the wider Authority in completing, to help resolve existing pressures, mitigate emerging pressures and identify opportunities for efficiencies. These workstreams will feed into the 2024/2028 MTFP.

Annual Governance Statement

The Annual Governance Statement (AGS) sets out very clearly those significant areas of risk that the Authority continues to take action to monitor and control. The Senior Leadership Team and Cabinet take regular review and challenge of risks identified, verifying assumptions and controls with regard to those risks, ensuring that clear links are then made through to the review and refresh of the Financial Strategy. The AGS was approved by the Audit Committee on 31 May 2023.

Explanation of the Key Financial Statements

The Accounts and Audit Regulations 2015 require the Authority to produce a Statement of Accounts for each financial year. These statements contain a number of different elements which are explained below:

Core Financial Statements

The Comprehensive Income & Expenditure Statement (CIES) shows the cost of providing services in the year in accordance with International Financial Reporting Standards (IFRS), rather than the amount funded from Council Tax and other Government Grants. The amount funded from Council Tax and Government Grants differs from this by a series of adjustments made in accordance with regulations. These adjustments are made in the Movement in Reserves Statement. The CIES is shown on page 25. The group position is presented separately on page 26.

The Movement in Reserves Statement (MIRS) shows the movement from the start of the year to the end on the different reserves held by the Authority and the wider group, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unuseable reserves'.

The Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line show the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments. The MIRS is shown on page 27 and includes the group position.

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority and the group. The net assets of the Authority are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The Balance Sheet is shown on pages 29 to 30.

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority. The Cash Flow for the Authority and Group is shown on page 31.

Notes to the Accounts

The notes aim to assist in the understanding of the Statement of the Accounts. They are fundamentally important in the presentation of a true and fair view. They provide information on the basis of the preparation of the financial statements and disclose information not presented directly in the key financial statements which is relevant to the understanding of the information contained elsewhere within the Statement of Accounts. Where group transactions are significant, these are disclosed separately.

Housing Revenue Accounts (HRA)

The Housing Revenue Account (HRA) Income & Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities 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 on the HRA Statement. The HRA is shown on page 156.

Collection Fund

The Collection Fund is a statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates. The Collection Fund is shown on page 165.

If you would like further information about these accounts, please contact Jon Ritchie, Director of Resources, North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

Jon Ritchie
Director of Resources
Date: 15 June 2023

2.0 Independent Auditor's Report to the Members of North Tyneside Council

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3.0 Statements to the Accounts

3.1 Statement of Responsibilities for the Statement of Accounts

The Authority's and the Group's Responsibilities

The Authority and the Group are required:

i. To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, the officer is the Director of Resources;

ii. To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

iii. To approve the Statement of Accounts.

The Director of Resources Responsibilities

The Director of Resources is responsible for the preparation of the Authority's and the Group's Statement of Accounts in accordance with proper practice as set out in the 2022/23 CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom ('The Code').

In preparing this Statement of Accounts the Director of Resources has:

i. Selected suitable accounting policies and then applied them consistently;
ii. Made judgements and estimates that were reasonable and prudent; and
iii. Complied with the Code of Practice on Local Authority Accounting.

The Director of Resources has also:

i. Kept proper accounting records which were up to date; and
ii. Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts for the year ended 31 March 2023, required by the Accounts and Audit Regulations 2015 are set out in the following pages and that they give a true and fair view of the financial position of the Authority including the Group and its income and expenditure for the year ended 31 March 2023.

Signed:

Jon Ritchie, Director of Resources
Date: 15 June 2023

3.2 Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

This Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

*** Restated see Note A for further details**

Council position:

2021/22 *				2022/23		
Gross Exp £000s	**Gross Inc £000s**	**Net Exp £000s**		**Gross Exp £000s**	**Gross Inc £000s**	**Net Exp £000s**
38	(164)	(126)	Chief Executive Office	64	(157)	(93)
219,519	(183,992)	35,527	Commissioning & Asset Management	224,458	(182,849)	41,609
4,894	(2,700)	2,194	Corporate Strategy	7,354	(4,219)	3,135
55,432	(17,758)	37,674	Environment & Leisure	60,973	(17,771)	43,202
2,800	(2,533)	267	General Fund Housing	6,191	(3,369)	2,822
177,959	(92,558)	85,401	Health, Education, Care & Safeguarding	202,206	(103,536)	98,670
37,528	(71,312)	(33,784)	Housing Revenue Account	47,825	(73,240)	(25,415)
15,454	(18,744)	(3,290)	Public Health	16,231	(18,695)	(2,464)
19,436	(8,555)	10,881	Regeneration & Economic Development	20,859	(9,257)	11,602
63,687	(53,896)	9,791	Resources	63,950	(52,791)	11,159
55,616	(32,083)	23,533	Central Costs (including Support Services)	33,024	(37,180)	(4,156)
652,363	**(484,295)**	**168,068**	**Cost of Services**	**683,135**	**(503,064)**	**180,071**
12,690	0	12,690	Other Operating Expenditure (Note 10)	11,314	0	11,314
33,574	(706)	32,868	Financing and Investment Income and Expenditure (Note 11)	35,017	(1,061)	33,956
0	(189,606)	(189,606)	Taxation and Non-Specific Grant Income (Note 12)	0	(202,951)	(202,951)
698,627	**(674,607)**	**24,020**	**Deficit/(Surplus) on Provision of Services**	**729,466**	**(707,076)**	**22,390**
		(13,007)	Surplus on Revaluation of Non-Current Assets (Note 33a)			(9,794)
		(202,520)	Remeasurement of the net defined benefit liability (Note 33d)			(410,900)
		(1,996)	(Surplus)/Deficit on Financial Instruments measured at fair value through OCI&E (Note 33h)			0
		(217,523)	**Other Comprehensive Income and Expenditure (OCI&E)**			**(420,694)**
		(193,503)	**Total Comprehensive Income and Expenditure**			**(398,304)**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

*** Restated see Note A for further details**

Group position:

2021/22 *				2022/23		
Gross Exp £000s	**Gross Inc £000s**	**Net Exp £000s**		**Gross Exp £000s**	**Gross Inc £000s**	**Net Exp £000s**
38	(164)	(126)	Chief Executive Office	64	(157)	(93)
219,519	(183,992)	35,527	Commissioning & Asset Management	224,458	(182,849)	41,609
4,894	(2,700)	2,194	Corporate Strategy	7,354	(4,219)	3,135
55,432	(17,758)	37,674	Environment & Leisure	60,973	(17,771)	43,202
2,800	(2,533)	267	General Fund Housing	6,191	(3,369)	2,822
177,959	(92,558)	85,401	Health, Education, Care & Safeguarding	202,206	(103,536)	98,670
37,528	(71,312)	(33,784)	Housing Revenue Account	47,825	(73,240)	(25,415)
15,454	(18,744)	(3,290)	Public Health	16,231	(18,695)	(2,464)
19,436	(8,555)	10,881	Regeneration & Economic Development	20,859	(9,257)	11,602
63,687	(53,896)	9,791	Resources	63,950	(52,689)	11,261
55,616	(31,869)	23,747	Central Costs (including Support Services)	33,024	(36,950)	(3,926)
6,724	(7,085)	(361)	North Tyneside Trading Company (NTTC)	1,006	(1,291)	(285)
659,087	**(491,054)**	**168,033**	**Cost of Services**	**684,141**	**(504,023)**	**180,118**
12,690	0	12,690	Other Operating Expenditure (Note 10)	11,314	0	11,314
33,574	(706)	32,868	Financing and Investment Income and Expenditure (Note 11)	35,017	(1,061)	33,956
0	(189,606)	(189,606)	Taxation and Non-Specific Grant Income (Note 12)	0	(202,951)	(202,951)
705,351	**(681,366)**	**23,985**	**Deficit/(Surplus) on Provision of Services**	**730,472**	**(708,035)**	**22,437**
		(13,007)	Surplus on Revaluation of Non-Current Assets (Note 33a)			(9,794)
		(202,520)	Remeasurement of the net defined benefit liability (Note 33d)			(410,900)
		(1,996)	Deficit/(Surplus) on Financial Instruments measured at fair value through OCI&E (Note 33h)			0
		(217,523)	**Other Comprehensive Income and Expenditure (OCI&E)**			**(420,694)**
		(193,538)	**Total Comprehensive Income and Expenditure**			**(398,257)**

3.3 Movement in Reserves Statement for the year ended 31 March 2023 – Authority and Group

This Statement shows the movement from the start of the year to the end on the different reserves held by the Authority and the Group, analysed into ‘useable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unuseable reserves’. The Statement shows how the movements in year of the Authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	General Fund Balances £000s	Housing Revenue Account Balances £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Total Council Useable Reserves £000s	Useable Reserves of NTTC £000s	Total Group Useable Reserves £000s	Council Unuseable Reserves Note 33 £000s	Total Group Reserves £000s
Balance at 31 March 2022	**(87,610)**	**(24,803)**	**(13,167)**	**(8,227)**	**(18,002)**	**(151,809)**	**(176)**	**(151,985)**	**(135,881)**	**(287,866)**
<u>Movement in Reserves during 2022/23</u>										
Total Comprehensive Income & Expenditure	33,828	(11,438)	0	0	0	22,390	47	22,437	(420,694)	(398,257)
Adjustments between accounting basis & funding basis under regulations (Note 3)	(5,912)	8,779	(3,025)	1,042	3,667	4,551	0	4,551	(4,551)	0
Decrease/(Increase) in 2022/23	27,916	(2,659)	(3,025)	1,042	3,667	26,941	47	26,988	(425,245)	(398,257)
Balance at 31 March 2023	**(59,694)**	**(27,462)**	**(16,192)**	**(7,185)**	**(14,335)**	**(124,868)**	**(129)**	**(124,997)**	**(561,126)**	**(686,123)**

	General Fund Balances £000s	Housing Revenue Account Balances £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Total Council Useable Reserves £000s	Useable Reserves of NTTC £000s	Total Group Useable Reserves £000s	Council Unuseable Reserves Note 33 £000s	Total Group Reserves £000s
Balance 31 March 2021	**(90,711)**	**(24,727)**	**(10,851)**	**(9,102)**	**(19,932)**	**(155,323)**	**(141)**	**(155,464)**	**61,136**	**(94,328)**
<u>Movement in Reserves during 2021/22</u>										
Total Comprehensive Income & Expenditure	43,129	(19,109)	0	0	0	24,020	(35)	23,985	(217,523)	(193,538)
Adjustments between accounting basis & funding basis under regulations (Note 3)	(40,028)	19,033	(2,316)	875	1,930	(20,506)	0	(20,506)	20,506	0
Decrease/(Increase) in 2021/22	3,101	(76)	(2,316)	875	1,930	3,514	(35)	16,330	(197,017)	(193,538)
Balance at 31 March 2022	**(87,610)**	**(24,803)**	**(13,167)**	**(8,227)**	**(18,002)**	**(151,809)**	**(176)**	**(151,985)**	**(135,881)**	**(287,866)**

3.4 Balance Sheet as at 31 March 2023

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority and the Group. The net assets of the Authority are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Group 31 March 2022 £000s	Council 31 March 2022 £000s		Notes	Group 31 March 2023 £000s	Council 31 March 2023 £000s
1,143,670	1,135,422	Property, Plant & Equipment	19	1,180,872	1,170,246
2,356	2,356	Heritage Assets		2,621	2,621
1,311	1,311	Investment Property		1,313	1,313
3,160	3,160	Intangible Assets		2,377	2,377
9,825	20,333	Long Term Investments	23 & 37	9,825	22,249
3,077	3,077	Long Term Debtors		2,746	2,746
1,163,399	**1,165,659**	**Long Term Assets**		**1,199,754**	**1,201,552**
27,836	27,836	Short Term Investments		15,336	15,336
335	335	Assets Held for Sale	20	335	335
2,319	1,300	Inventories	41	1,578	1,456
78,893	78,816	Short Term Debtors	24	82,359	82,321
32,655	30,964	Cash & Cash Equivalents	25	24,847	22,834
142,038	**139,251**	**Current Assets**		**124,455**	**122,282**
(7,993)	(7,993)	Short Term Borrowing	26	(32,106)	(32,106)
(87,799)	(87,448)	Short Term Creditors	27	(55,381)	(55,135)
(4,874)	(4,874)	Finance Lease & PFI Creditors	18	(4,919)	(4,919)
(9,527)	(9,527)	Provisions	28	(7,100)	(7,100)
(186)	(186)	Other Short-Term Liabilities		(66)	(66)
(110,379)	**(110,028)**	**Current Liabilities**		**(99,572)**	**(99,326)**

Group 31 March 2022 £000s	Council 31 March 2022 £000s	Balance Sheet as at 31 March 2023	Notes	Group 31 March 2023 £000s	Council 31 March 2023 £000s
(100,487)	(100,487)	Finance Lease & PFI Creditors	18	(97,970)	(97,970)
(3,698)	(3,698)	Provisions	28	(3,150)	(3,150)
(392,443)	(392,443)	Long Term Borrowing	29	(398,443)	(398,443)
(2,087)	(2,087)	Other Long-Term Liabilities		(2,083)	(2,083)
(1,884)	(1,884)	Other Long-Term Creditors	30	(1,727)	(1,727)
(394,800)	(394,800)	Pension Liability	9	(23,670)	(23,670)
(11,793)	(11,793)	Capital Grants Receipts in Advance	13	(11,471)	(11,471)
(907,192)	**(907,192)**	**Long Term Liabilities**		**(538,514)**	**(538,514)**
287,866	**287,690**	**Net Assets**		**686,123**	**685,994**
		Financed By:			
(151,809)	(151,809)	Useable Reserves	31	(124,868)	(124,868)
(176)	0	Useable Reserves of Group Entity	31	(129)	0
(135,881)	(135,881)	Unuseable Reserves	33	(561,126)	(561,126)
(287,866)	**(287,690)**	**Total Reserves**		**(686,123)**	**(685,994)**

I certify that the Statement of Accounts for the year ended 31 March 2023, required by the Accounts and Audit Regulations 2015 are set out in pages 25 to 31 and that they give a true and fair view of the financial position of the Authority including the Group and its income and expenditure for the year ended 31 March 2023.

Signed:

Jon Ritchie
Director of Resources
Date: 15 June 2023

3.5 Cash Flow Statement for year ended 31 March 2023

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

Group 2021/22 £000s	Council 2021/22 £000s		Notes	Group 2022/23 £000s	Council 2022/23 £000s
(23,985)	(24,020)	Net (deficit)/surplus on the provision of services		(22,437)	(22,390)
123,588	117,677	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	38	44,592	43,759
(36,757)	(36,757)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	38	(29,941)	(29,941)
62,846	**56,900**	**Net cash flows from operating activities**		**(7,786)**	**(8,572)**
(28,847)	(24,820)	Net Cash flow from Investing Activities	39	(25,296)	(25,296)
(25,867)	(24,842)	Net Cash flow from Financing Activities	40	25,274	25,738
8,132	**7,238**	**Net increase/(decrease) in cash and cash equivalents**		**(7,808)**	**(8,130)**
24,523	23,726	Cash and cash equivalents at the beginning of the reporting period	25	32,655	30,964
32,655	**30,964**	**Cash and cash equivalents at the end of the reporting period**		**24,847**	**22,834**

4.0 Index to the Notes to the Financial Statements

The values within the financial statements are disclosed with roundings which are appropriate to their individual presentation. Consequently, the tables in the Statement of Accounts may contain rounding differences.

A Prior Period Adjustment

There has been a requirement to restate the Authority’s previously published accounts in respect of the presentation of the Comprehensive Income & Expenditure Statement (CI&ES) and the Expenditure and Funding Analysis as service reporting has changed in 2022/23 compared to that disclosed in 2021/22. The restatement is in relation to the Authority’s position and not the Group position.
The table below summarises the adjustments that have been made; it should be noted that this change has no impact on the available resources of the Authority. The tables below only show the lines that have been amended not the complete Statement or Note.

Page 55

Statement/Note	Original 2021/22 Published Figure £000s	Restated 2021/22 Figure £000s	Movement £000s
Comprehensive Income & Expenditure Statement			
Environment & Leisure	47,787	37,674	(10,113)
Health, Education, Care & Safeguarding	80,941	85,401	4,460
Regeneration & Economic Development	2,205	10,881	8,676
Law & Governance	1,806	0	(1,806)
Resources	7,985	9,791	1,806
General Fund Housing	0	267	267
Public Health	0	(3,290)	(3,290)
Total	140,724	140,724	0
Expenditure and Funding Analysis – Net Expenditure			
Environment & Leisure	47,787	37,674	(10,113)
Health, Education, Care & Safeguarding	80,941	85,401	4,460
Regeneration & Economic Development	2,205	10,881	8,676
Law & Governance	1,806	0	(1,806)
Resources	7,985	9,791	1,806
General Fund Housing	0	267	267
Public Health	0	(3,290)	(3,290)
Total	140,724	140,724	0

Statement/Note	Original 2021/22 Published Figure £000s	Restated 2021/22 Figure £000s	Movement £000s
Segmental Income			
Environment & Leisure	(16,957)	(8,889)	8,068
Regeneration & Economic Development	(103)	(6,603)	(6,500)
Law & Governance	(662)	0	662
Resources	(2,212)	(2,874)	(662)
General Fund Housing	0	(791)	(791)
Public Health	0	(777)	(777)
Total	(19,934)	(19,934)	0

4.1 Explanatory Notes to the Core Financial Statements

1 Accounting Policies

General Principles

Accounting Policies explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. They are the principles, bases, conventions, rules and practices applied by the Authority that specify how the effects of transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for and presenting assets, liabilities, gains, losses and changes in reserves. The Accounting Policies cover material transactions within the Statement of Accounts.

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2015 Regulations.

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

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. Generally, the majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions in the year in which they are identified and are accounted for accordingly.

Accruals of Income and Expenditure (Authority & Group)

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- 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 unless the difference is immaterial;

- 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 written down and a charge made to revenue for the income that might not be collected; and
- The Authority has an accruals de minimis level of £10,000, this does not apply to grant funded schemes.

Overheads and Support Services

The costs of overheads and support services are shown within the Central Costs line on the Comprehensive Income and Expenditure Statement in accordance with the Authority's arrangements for accountability and financial performance.

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 Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments; and

- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until there is reasonable assurance that the conditions attached to the grant or contribution will be 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 or for which there is not reasonable assurance that they will be satisfied are carried in the Balance Sheet as creditors (revenue grants) or capital grants receipts in advance (capital grants). When conditions are satisfied or reasonable assurance is achieved, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Community Infrastructure Levy

The Authority has elected to charge a community infrastructure levy (CIL). The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Authority charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (secondary education, health facilities, green spaces, community facilities and walking and cycling connections) to support the development of the area.

The CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

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;
- Revaluation and impairment 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; and
- Amortisation of intangible assets attributable to the service.

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

MRP 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. The Minimum Revenue Provision policy is approved annually by Council as part of the budget setting process. Under the Item 8 debit and credit determination from April 2017 depreciation for Housing Revenue Accounts assets is calculated in accordance with proper accounting practice and charged to the Housing Revenue Account. Impairment and revaluation adjustments are reversed out of the Housing Revenue Account and will not impact on housing rents.

Depreciation for NTTC is a charge against revenue and cannot be reversed. The charge records the cost of holding the non-current asset during the year.

Leases

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

Where a lease covers both land and buildings, the land and buildings elements are 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.

The Authority as Lessee

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

The Authority as Lessor

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service (Other Operating Expenditure) line in the Comprehensive Income and Expenditure Statement. Rental income is recognised 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).

Employee Benefits

Benefits Payable during Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu, flexi balances) earned by employees but not

taken before the year-end which employees can carry forward into the next financial year.

The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

<u>Termination Benefits</u>

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

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

<u>Post-Employment Benefits (Retirement Benefits)</u>

Employees of the Authority are primarily members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE); and

- The Local Government Pensions Scheme (Tyne and Wear Pension Fund), administered by South Tyneside Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees of the Authority/Schools.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Commissioning & Asset Management line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

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

- The liabilities of the Tyne and Wear Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees; and

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.

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

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price; and
- Property – market value.

The change in the net pension's liability is analysed into the following components:

Service cost

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement; and

- Net Interest on the net defined benefit liability (asset) i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and

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

The notes to the Core Financial Statements provide further details on contributions made.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) 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.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority 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 there is no impact on the level of Council Tax.

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 that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

The freehold and leasehold properties which comprise the Council’s portfolio are valued by Capita.

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 Authority 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.

Measurement

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 Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure and community assets– depreciated historical cost;
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; and,
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

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

Assets under the course of construction are recorded at cost during the construction period. Once the asset becomes operational a valuation is undertaken as relevant to the asset's type.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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. However, where the increase reverses a revaluation decrease on the same asset that was previously charged to the Surplus or Deficit on Provision of Services, all or part of the revaluation gain is credited to the Surplus or Deficit on Provision of Services up to the amount of the previously recognised loss, net of depreciation that would have been charged had the loss not been recognised.

Where decreases in value 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); or
- 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 line(s) in the Comprehensive Income and Expenditure Statement.

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

<u>De-Minimis Levels</u>
The Authority has set a de-minimis level for the recognition of capital assets of £0.010m for land, buildings and infrastructure and £0.006m for equipment.

Assets below the de-minimis level are charged to the revenue account i.e. the asset is not included in the balance sheet unless it is part of an overall project costing more than the de-minimis level.

The Authority may capitalise particular items of expenditure that are below its de-minimis limit (e.g. because the terms of a grant require it to be applied to capital expenditure), as this brings the Authority back in line with proper practices for the particular item. The treatment of items below the limit in this way has no material impact on the accounts.

<u>Impairment</u>

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

Where impairment losses are identified, they are accounted for in the following ways:

- 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); or

- 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 line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, Heritage Assets and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

- Council Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (generally 30-60 years);
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset (generally 3-10 years); and
- Infrastructure – straight-line allocation over the useful life of the asset (generally 10-120 years).

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. For buildings valued over £0.500m consideration will be given as to whether there is any significant part which requires a separate component, such as the roof or any specialist item of plant or equipment.

The land element will continue to be considered as a separate asset with its own valuation which, except in very unusual circumstances, will not be subject to depreciation.

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.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any

previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.
If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Amounts received for a disposal in excess of £0.010m are categorised as capital receipts. 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 Authority's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. Capital Receipts may also be used under the Flexible Use of Capital Receipts which allows local authorities to fund revenue expenditure incurred to generate ongoing savings.

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

Highways infrastructure assets

The temporary relief introduced by the Update to the Code at paragraph 4.1.4.3 1 d specifies that disclosures of gross historical cost and accumulated depreciation are not required for infrastructure assets. The temporary relief is an Update to the Code updating both the 2021/22 and the 2022/23 Codes.

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

Recognition
Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement
Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation
Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

Part of the highways network	Useful life
Carriageways	40 years
Footways and cycle tracks	40 years
Coastal protection	40 – 50 years
Flood defences	40 years
Bridges	40 years
Street lighting	30 years
Street furniture	15 years
Traffic management systems	15 years

Disposals and derecognition
When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the ‘Other operating expenditure’ line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are 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 transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement

Heritage Assets

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Recognition and Measurement

Assets have been valued at cost or insurance valuation if this information is readily available. Where neither is obtainable at a cost commensurate with the benefits of doing so the assets are not recognised on the Balance Sheet.

Impairment

The carrying amounts of heritage assets are reviewed where there is evidence of impairment. Any impairment is recognised and measured in accordance with the Authority's general policy on impairment.

Disposals

Disposal proceeds are disclosed separately and accounted for in accordance with the statutory accounting requirements relating to capital receipts.

The Authority's museums are included and accounted for as operational assets within Property, Plant and Equipment.

Investment Property

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

Investment Properties are measured initially at cost and subsequently at fair value, based on the price that would be received from the sale of the property in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The same treatment is applied to gains and losses on disposal. Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £0.010m) the Capital Receipts Reserve.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant services in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant services in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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 the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £0.010m) the Capital Receipts Reserve.

Interests in Companies and Other Entities

The Authority has a material interest in the North Tyneside Trading Company Limited and its subsidiary companies. As a result of this, the financial statements of the group will be consolidated with the Authority’s accounts and group accounts will be prepared for 2022/23.

The Authority does not have any other material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require consolidation within the group accounts and so these are recorded as financial assets at cost, less any provision for losses.

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 in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will normally pass to the Authority at the end of the contracts, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment (See Note 19).

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 are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

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 Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- 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 Comprehensive Income and Expenditure Statement;
- 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 – proportion of the amount’s payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment or revenue expenditure in the relevant service line of the Comprehensive Income and Expenditure Statement when the relevant works are eventually carried out.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority 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.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable (maximum 10 years) when it was repaid. The reconciliation of amounts charged to the CIES to the net charge 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.

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 cashflow characteristics. There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual 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 Comprehensive Income and Expenditure Statement (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 Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.
Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

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

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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

The Authority has designated its investments in equity instruments to FVOCI for shares held in Newcastle International Airport Limited and North Tyneside Trading Company. This designation once made is irrevocable. The treatment of equity instruments measured at FVOCI is in line with that described in the accounting policy for FVPL.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets that are measured at FVOCI are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Provisions and Contingent Liabilities

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

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

Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. The nature of the Authority's main reserves and balances are shown in Note 32 to the Core Financial Statements. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

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

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

Estimation Techniques

Estimation techniques are the methods adopted to arrive at estimated monetary amounts for the values of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their exact value. Estimation techniques have been used to determine provisions (including redundancy payments and equal pay), reserves, pension liabilities and Business Rate Appeals, as there is uncertainty over the monetary amounts. Except where specified in the CIPFA Code, the Authority has determined the estimation techniques that most closely reflect the economic reality of the transactions.

Collection Fund Statement

Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. However, regulations determine the amount of Council Tax and Business Rates that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund will be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund Balance Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of Council Tax and Business Rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and arrears.

Events after the Reporting Period

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

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

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

Joint Arrangements

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;

- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

Where the Authority has entered into a pooled budget arrangement under Section 75 of the National Health Service Act 2006, the Authority accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement. The Authority only accounts for its share of the assets, liabilities, revenue and expenses of the arrangement.

Value Added Tax (VAT) (Authority & Group)

Income and Expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

Fair Value measurement

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

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

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

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

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

Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority-maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

Trust Schools
In accordance with accounting guidance land and buildings leased to the foundation trust are not included on the Authority's Balance Sheet.

Voluntary Aided Schools
Land and buildings owned by diocesan authorities are not included on the Authority's Balance Sheet.

Academy Schools
Land and buildings transferred to an Academy are removed from the Authority's Balance Sheet in the year that the transfer takes place.

2 Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 has introduced changes in accounting policy which will be required from 1 April 2023 and may require retrospective application. The accounting policies have been reviewed and it has been concluded that the changes will not have a material impact on the Statement of Accounts.

The standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

- Updating a reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

It is not envisaged that the above changes will have a significant effect on local authority financial statements.

3 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income & Expenditure figure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure together with movements in reserves under statute.

2022/23	Useable Reserves					
	General Fund Balances £000s	**Housing Revenue Account £000s**	**Capital Receipts Reserve £000s**	**Major Repairs Reserve £000s**	**Capital Grants Unapplied £000s**	**Movement in Unuseable Reserves £000s**
Adjustments to the Revenue Resources Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
• Pensions Costs (transferred to (or from) the Pensions Reserve) - Note 33(d)	(34,254)	(5,516)	0	0	0	39,770
• Financial Instruments (transferred to the Financial Instruments Adjustment Account) Note 33(c)	33	0	0	0	0	(33)
• Council Tax and NDR (transfers to or from the Collection Fund) - Note 33(f)	5,654	0	0	0	0	(5,654)
• Holiday Pay (transferred to the Accumulated Absences Reserve) - Note 33(g)	(101)	(82)	0	0	0	183
• Postings between the General Fund and the Dedicated Schools Grant Adjustment Account – Note 33(i)	4,506	0	0	0	0	(4,506)
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	2,393	(19,848)	0	0	(9,706)	27,161
Total Adjustments to Revenue Resources	**(21,769)**	**(25,446)**	**0**	**0**	**(9,706)**	**56,921**

2022/23	Useable Reserves					
	General Fund Balances £000s	**Housing Revenue Account £000s**	**Capital Receipts Reserve £000s**	**Major Repairs Reserve £000s**	**Capital Grants Unapplied £000s**	**Movement in Unuseable Reserves £000s**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	158	6,341	(6,499)	0	0	0
Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve - Note 49	0	14,621	0	(14,621)	0	0
Statutory/Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account) – Note 33(b)	13,801	3,318	3,031	0	0	(20,150)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) – Note 33(b)	1,898	9,945	0	0	0	(11,843)
Total Adjustments between Revenue and Capital Resources	**15,857**	**34,225**	**(3,468)**	**(14,621)**	**0**	**(31,993)**

2022/23	Useable Reserves					
	General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure – Note 33(b)	0	0	443	0	0	(443)
Use of the Major Repairs Reserve to finance capital expenditure – Note 49	0	0	0	15,663	0	(15,663)
Application of capital grants to finance capital expenditure – Note 33(b)	0	0	0	0	13,373	(13,373)
Total Adjustments to Capital Resources	**0**	**0**	**443**	**15,663**	**13,373**	**(29,479)**
TOTAL ADJUSTMENTS	**(5,912)**	**8,779**	**(3,025)**	**1,042**	**3,667**	**(4,551)**

Page 82

2021/22	Useable Reserves					
	General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments to the Revenue Resources Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
• Pensions Costs transferred to or from the Pensions Reserve) – Note 33(d)	(33,869)	(5,531)	0	0	0	39,400
• Financial Instruments (transferred to the Financial Instruments Adjustment Account) – Note 33(c)	33	0	0	0	0	(33)
• Council Tax and NDR (transfers to or from the Collection Fund) – Note 33(f)	11,913	0	0	0	0	(11,913)
• Holiday Pay (transferred to the Accumulated Absences Reserve) – Note 33(g)	(1,241)	69	0	0	0	1,172
• Postings between the General Fund and the Dedicated Schools Grant Adjustment Account – Note 33(i)	(12,851)	0	0	0	0	12,851
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(13,418)	(14,125)	0	0	(11,952)	39,495
Total Adjustments to Revenue Resources	**(49,433)**	**(19,587)**	**0**	**0**	**(11,952)**	**80,972**

2021/22	Useable Reserves General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,187	9,199	(10,386)	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,874)	0	1,874	0	0	0
Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve – Note 49	0	12,357	0	(12,357)	0	0
Statutory/Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account) – Note 33(b)	9,266	5,386	4,383	0	0	(19,035)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) – Note 33(b)	826	11,678	0	0	0	(12,504)
Total Adjustments between Revenue and Capital Resources	**9,405**	**38,620**	**(4,129)**	**(12,357)**	**0**	**(31,539)**

2021/22	Useable Reserves General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure – Note 33(b)	0	0	1,813	0	0	(1,813)
Use of the Major Repairs Reserve to finance capital expenditure – Note 49	0	0	0	13,232	0	(13,232)
Application of capital grants to finance capital expenditure – Note 33(b)	0	0	0	0	13,882	(13,882)
Total Adjustments to Capital Resources	**0**	**0**	**1,813**	**13,232**	**13,882**	**(28,927)**
TOTAL ADJUSTMENTS	**(40,028)**	**19,033**	**(2,316)**	**875**	**1,930**	**20,506**

Page 84

4(a) Expenditure and Funding Analysis

The Expenditure and Funding Analysis is in relation to the Council only as the objective of the statement is to demonstrate to council tax (and rent) payers how the funding available to the Authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Adjustments to remove the internal charging within services have been made to the net expenditure chargeable to the General Fund and HRA balances. This is to ensure that the true expenditure and income figures to the Authority are used within the statutory accounts. Therefore, there is a difference between the figures shown in the first column below for each service and those shown in Table 1 on page 9 within the Narrative Statement.

2022/23	Net Expenditure Chargeable to the GF and HRA Balances (After adjustments for Internal Charging) £000s	Adjustments between Funding and Accounting Basis £000s	Net Expenditure in Comprehensive Income & Expenditure Statement £000s
Chief Executive Office	(159)	66	(93)
Commissioning & Asset Management	21,118	20,491	41,609
Corporate Strategy	2,603	532	3,135
Environment & Leisure	35,229	7,973	43,202
General Fund Housing	2,537	285	2,822
Health, Education, Care & Safeguarding	87,908	10,761	98,669
Housing Revenue Account	(10,027)	(15,388)	(25,415)
Public Health	(5,007)	2,543	(2,464)
Regeneration & Economic Development	3,545	8,057	11,602
Resources	7,952	3,208	11,160
Central Costs (including support services)	17,035	(21,191)	(4,156)
Net Cost of Services	**162,734**	**17,337**	**180,071**
Other Income & Expenditure	(137,477)	(20,204)	(157,681)
Deficit on Provision of Service	**25,257**	**(2,867)**	**22,390**

Opening General Fund & HRA Balance	(13,899)
Deficit on General Fund & HRA Balance in Year	25,257
Transfers from Earmarked Reserves	(21,291)
Closing General Fund and HRA Balance	**(9,933)**

Adjustments to the General Fund and HRA Balances to arrive at the Comprehensive Income & Expenditure Statement Amounts

Adjustments for capital purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;

- Financing and Investment Income & Expenditure – the statutory charges for capital i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and

- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for Pension Adjustments – net change for the removal of pension contributions and the addition of IAS19 Employee Benefit pension related expenditure and income:

- For Services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs; and

- For Financing and Investment Income & Expenditure the net interest on the defined benefit liability is charged to the CIES.

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statue and include:

- For services this includes adjustments made from accruing compensated absences earned but not taken in the year;

- For Financing and Investment Income & Expenditure the adjustments relate to the timing differences for premiums and discounts; and

- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

2022/23	Adjs for Capital Purposes £000s	Pension Adjs £000s	Other Adjs £000s	Total Adjs £000s
Chief Executive Office	0	67	(1)	66
Commissioning & Asset Management	16,391	8,739	(4,640)	20,490
Corporate Strategy	(93)	629	(3)	533
Environment & Leisure	3,560	4,436	(23)	7,973
General Fund Housing	0	275	9	284
Health, Education, Care & Safeguarding	1,165	9,371	224	10,760
Housing Revenue Account	(19,855)	4,385	82	(15,388)
Public Health	1,869	645	29	2,543
Regeneration & Economic Development	7,654	403	0	8,057
Resources	1,297	1,912	(1)	3,208
Central Costs (including support services)	(19,764)	(1,393)	(33)	(21,190)
Net Cost of Services	**(7,776)**	**29,469**	**(4,357)**	**17,336**
Other Operating Expenditure	5,572	0	0	5,572
Financing & Investment Income & Expenditure	0	10,300	0	10,300
Taxation & Non-Specific Grant Income	(30,421)	0	(5,654)	(36,075)
Difference between General Fund and HRA (surplus)/deficit and Comprehensive Income & Expenditure Statement (surplus)/deficit	**(32,625)**	**39,769**	**(10,011)**	**(2,867)**

2021/22	Net Expenditure Chargeable to the GF and HRA Balances (After adjustments for Internal Charging) £000s	Adjustments between Funding and Accounting Basis £000s	Net Expenditure in Comprehensive Income & Expenditure Statement £000s
Chief Executive Office	(188)	62	(126)
Commissioning & Asset Management	6,674	28,853	35,527
Corporate Strategy	1,283	911	2,194
Environment & Leisure	27,106	10,568	37,674
General Fund Housing	15	252	267
Health, Education, Care & Safeguarding	74,363	11,038	85,401
Housing Revenue Account	(5,742)	(28,042)	(33,784)
Public Health	(5,328)	2,038	(3,290)
Regeneration & Economic Development	3,139	7,742	10,881
Resources	7,060	2,731	9,791
Central Costs (Includes support services)	42,075	(18,542)	23,533
Net Cost of Services	**150,457**	**17,611**	**168,068**
Other Income & Expenditure	(134,580)	(9,468)	(144,048)
(Surplus)/Deficit on Provision of Service	**15,877**	**8,143**	**24,020**

The 2021/22 comparator has been restated to reflect the service reporting structure in place for the 2022/23 financial year. Please see Note A for further details.

Opening General Fund & HRA Balance	(15,722)
Deficit on General Fund & HRA Balance in Year	15,877
Transfers to Earmarked Reserves	(14,054)
Closing General Fund and HRA Balance	**(13,899)**

Adjustments to the General Fund and HRA Balances to arrive at the Comprehensive Income & Expenditure Statement Amounts

2021/22 *	**Adjustments for Capital Purposes £000s**	**Pension Adjustments £000s**	**Other Adjustments £000s**	**Total Adjustments £000s**
Chief Executive Office	0	66	(4)	62
Commissioning & Asset Management	18,858	8,456	1,539	28,853
Corporate Strategy	411	526	(26)	911
Environment & Leisure	15,086	4,857	(129)	19,814
General Fund Housing				
Health, Education, Care & Safeguarding	1,975	9,401	(88)	11,288
Housing Revenue Account	(32,195)	4,222	(69)	(28,042)
Public Health	0	494	(19)	475
Regeneration & Economic Development	269	264	3	536
Resources	1,321	969	(34)	2,256
Central Costs (includes support services)	(17,294)	(1,215)	(33)	(18,542)
Net Cost of Services	**(11,569)**	**28,040**	**1,140**	**17,611**
Other Operating Expenditure	9,670	0	1,874	11,544
Financing & Investment Income & Expenditure	0	11,360	0	11,360
Taxation & Non-Specific Grant Income	(20,459)	0	(11,913)	(32,372)
Difference between General Fund and HRA (surplus)/deficit and Comprehensive Income & Expenditure Statement (surplus)/deficit	**(22,358)**	**39,400**	**(8,899)**	**8,143**

*The 2021/22 comparator has been restated to reflect the service reporting structure in place for the 2022/23 financial year. Please see Note A for further details.

Page 92

4(b) Segmental Income

This note contains revenue received from external customers in relation to front line services such as car parking, leisure, catering and housing rents and is analysed on a segmental basis below:

2021/22 £000s		2022/23 £000s
(7)	Chief Executive Office	0
(7,228)	Commissioning & Asset Management	(7,557)
(150)	Corporate Strategy	(156)
(8,889)	Environment & Leisure	(9,655)
(791)	General Fund Housing	(838)
(17,996)	Health, Education, Care & Safeguarding	(20,256)
(62,850)	Housing Revenue Account	(65,738)
(777)	Public Health	(1,093)
(6,603)	Regeneration and Economic Development	(6,457)
(2,874)	Resources	(1,082)
(1,446)	Central Costs (including support services)	(951)
(109,611)	**Total - Authority**	**(113,783)**
(327)	North Tyneside Trading Company	(404)
(109,938)	**Total - Group**	**(114,187)**

The 2021/22 comparator has been restated to reflect the service reporting structure in place for the 2022/23 financial year. Please see Note A for further details.

5 Nature of Expenses

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is on the basis of budget reports analysed by Cabinet. The following analysis provides a breakdown of the figures in the Comprehensive Income and Expenditure Statement by subjective category.

2022/23

	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges	(140,302)	0	(140,302)
Government Grants & Contributions	(348,021)	(45,582)	(393,603)
Support Services & Recharges	(14,741)	0	(14,741)
Interest and Investment Income	0	(969)	(969)
Income in relation to investment properties	0	(92)	(92)
Income from Council Tax/ Business Rates	0	(157,369)	(157,369)
Total Income	**(503,064)**	**(204,012)**	**(707,076)**
Employee Expenses	279,432	10,300	289,732
Other Service Expenses	332,692	0	332,692
Support Services Recharges	22,889	0	22,889
Depreciation, amortisation, impairment and other capital charges	48,122	0	48,122
Interest Payments	0	24,717	24,717
Precepts & Levies	0	12,296	12,296
Gain on Disposal of Fixed Assets	0	(982)	(982)
Total Operating Expenses	**683,135**	**46,331**	**729,466**
Deficit on Provision of Services	**180,071**	**(157,681)**	**22,390**

2021/22

	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges	(143,920)	0	(143,920)
Government Grants & Contributions	(322,242)	(38,849)	(361,091)
Support Services & Recharges	(18,133)	0	(18,133)
Interest and Investment Income	0	(606)	(606)
Income in relation to Investment Properties	0	(100)	(100)
Income from Council Tax/ Business Rates	0	(150,757)	(150,757)
Total Income	(484,295)	(190,312)	(674,607)
Employee Expenses	258,250	11,360	269,610
Other Service Expenses	326,919	0	326,919
Support Services Recharges	23,170	0	23,170
Depreciation, amortisation, impairment and other capital charges	44,024	0	44,024
Interest Payments	0	22,214	22,214
Precepts & Levies	0	11,533	11,533
Payments to Housing Capital Receipts Pool	0	1,874	1,874
Gain on Disposal of Fixed Assets	0	(717)	(717)
Total Operating Expenses	**652,363**	**46,264**	**698,627**
Deficit on the Provision of Services	**168,068**	**(144,048)**	**24,020**

6 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in pages 36 to 56, the Authority 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:

Service Concessions

An examination of the Authority's contracts has resulted in the assets associated with Private Finance Initiative (PFI) schemes for Schools, Street Lighting, Housing, Dudley/Shiremoor Joint Service Centres and Whitley Bay Joint Service Centre being recorded on the Authority's Balance Sheet.

The contract for Waste Management does not meet the criteria under International Financial Reporting Interpretations Committee (IFRIC) 12 and therefore is not included on the Balance Sheet.

Pension Fund Guarantors

The Authority, together with the other Tyne & Wear Councils, is guarantor to the Tyne & Wear Pension Fund in respect of employees of the North East Regional Assembly and the Association of North East Councils. The Tyne & Wear authorities also act collectively as guarantors for the pension liabilities of the North East Regional Employers Organisation (NEREO), Disability North and Percy Hedley.

The authorities involved have agreed with the Pension Fund administrators that if any of the above bodies should cease operating then any pension deficit would be repaid over an agreed repayment period. In the unlikely event of any of these bodies failing, the Authority's share of the potential pension deficit (18%) would need to be considered as part of the overall financial position of that body.

Management have considered the requirements under IAS39 (Financial Instruments: Recognition and Measurement) in respect of these arrangements and it is not felt that they meet the criteria to be included on the Authority's Balance Sheet on the grounds of materiality and unlikely event of the bodies ceasing to exist.

The Authority also acts as guarantor for the following organisations where TUPE (Transfer of Undertakings, Protection of Employment) arrangements of staff have taken place:

- Capita;
- EQUANS; and
- Lovell Partnership Limited (now Morgan Sindall).

Each of these organisations have acquired a bond to protect the Pension Fund against costs that might arise should their contract with the Authority cease prematurely.

The Authority would be liable for any liability in excess of the level of the bond. Management have considered the requirements under IAS39 in respect of these arrangements, and it is not felt that they meet the criteria to be included on the Authority's Balance Sheet on the grounds of materiality and unlikely event of the bodies ceasing to exist.

7 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future, or which are otherwise inherently uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2023, for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Assets are valued, in accordance with Royal Institute of Chartered Surveyors (RICS) valuation standards, involving the use of a number of estimation techniques including various property indices. These can be volatile at times and may result in valuation changes from year to year. The gross book value (GBV) of the Authority's portfolio is £1,021.862m as at 31 March 2023. A 1% change in asset valuation would equate to a £10.219m change in the GBV. Any change in valuation would also result in a change in depreciation charges. A 1% change in depreciation charges would equate to a £0.261m movement. See Note 19 for more details on PPE.
Fair Value measurement	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Pension Fund engages a firm of specialist actuaries to provide the Authority with expert advice about the assumptions to be applied. See Note 9 page 88 for details of sensitivity analysis of the estimations.

Provisions	The Authority has made a number of provisions, in line with the Code, totalling £10.250m. The provisions include estimated insurance liabilities, equal pay, redundancies, and business rates. Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2022/23 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2023. The estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of the total provision up to and including 31 March 2023. A provision of £3.301m has been set up in recognition of this. See Note 28.

8 Leasing

Operating leases – Authority as Lessee

The Authority leases a number of buildings on short-term leases which are classified as operating leases. The total rentals payable in 2022/23 were £3.532m (£3.454m in 2021/22).

Undischarged operating lease rentals at 31 March 2023 amounted to £69.576m (£73.002m in 2021/22), comprising the following elements:

31 March 2022 £000s		31 March 2023 £000s
3,474	Due Year 1	3,555
14,329	Due Years 2-5	14,530
55,199	Due after Year 5	51,491
73,002	**Total**	**69,576**

Schools within the Borough use plant and equipment which are financed under the terms of operating leases. These are not included in the above figures on the grounds of materiality.

Operating leases – Authority as Lessor

The Authority has granted a number of leases to organisations (commercial and community) for the use of Council-owned buildings and land. These leases have been accounted for in 2022/23 as being operating leases and the total rental income was £2.467m (£2.666m in 2021/22). The future minimum lease payments expected to be received are:

31 March 2022 £000s		31 March 2023 £000s
2,387	Due Year 1	2,400
3,099	Due Years 2-5	3,662
24,068	Due after Year 5	24,683
29,554	**Total**	**30,745**

9 Pension Schemes

Pension schemes accounted for as defined contribution schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme (TPS), administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022/23, the Authority paid £15.375m (£15.185m 2021/22) to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay (23.68% 2021/22). The contributions due to be paid in the next financial year are estimated to be £15.280m. The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and are detailed later in this note.

Participation in pension schemes

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

The Authority participates in two post-employment schemes:

- The Tyne & Wear Pension Fund (TWPF), 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 earned over the period covered by this note are set out in 'The Government Pension Scheme (LGPS) Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'. The funded nature of the LGPS requires the employer and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

  The last actuarial valuation was at 31 March 2019 and the contributions to be paid until 31 March 2023 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate;

- 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 is no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

The TWPF pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pension committee of South Tyneside Council. Policy is determined in accordance with the Pensions Fund Regulations.

Risks associated with the Fund in relation to accounting

Asset volatility – the liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term creates volatility and risk in the short term in relation to the accounting figures.

Changes in bond yield – 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.

Inflation risk – 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 either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.

Life expectancy – 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.

Discretionary post-retirement benefits

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

Transactions relating to post-employment benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund (and Housing Revenue Account) via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

The following transactions have been charged to the Comprehensive Income and Expenditure Statement (CIES) during the year:

Pension Revenue Summary	**2021/22 £000s**				**2022/23 £000s**			
	TWPF		**TPS***	**Total**	**TWPF**		**TPS***	**Total**
	Funded	**Unfunded**			**Funded**	**Unfunded**		
Comprehensive Income & Expenditure Statement								
Cost of Services								
Current Service Costs	53,590	0	0	53,590	56,230	0	0	56,230
Past Service Costs	280	0	0	280	80	0	0	80
Financing and Investment Income and Expenditure								
Net Interest Expense	9,980	450	930	11,360	8,680	500	1,120	10,300
Total post-employment benefit charged to the Deficit/(Surplus) on the Provision of Services	63,850	450	930	65,230	64,990	500	1,120	66,610
Other post-employment benefit charged to the CIES								
Remeasurement of the net defined benefit liability comprising:								
Return on plan assets (excluding the amount included in the net interest expense)	(46,350)	0	0	(46,350)	41,800	0	0	41,800
Actuarial (gains)/losses arising on changes in demographic assumptions	(7,280)	(200)	(450)	(7,930)	0	(60)	(520)	(580)
Actuarial losses/(gains) arising on changes in financial assumptions	(102,790)	(450)	(4,930)	(108,170)	(558,960)	(3,260)	(8,540)	(570,760)
Actuarial (gains)/losses due to liability experience	(39,450)	(1,270)	650	(40,070)	113,220	1,650	3,770	118,640
Total post-employment benefit charged to the Other Comprehensive Income & Expenditure	(195,870)	(1,920)	(4,730)	(202,520)	(403,940)	(1,670)	(5,290)	(410,900)

*This is an unfunded scheme as detailed on page 79.

Pension Revenue Summary	2021/22 £000s				2022/23 £000s			
	TWPF		TPS*	Total	TWPF		TPS*	Total
	Funded	Unfunded			Funded	Unfunded		
Movement in Reserves Statement								
Reversal of net charges made to the (surplus)/deficit for the Provision of Services for post-employment benefits	(63,850)	(450)	(930)	(65,230)	(64,990)	(500)	(1,120)	(66,610)
<u>Actual amount charged against the Cost of Services for pensions in the year</u>								
Employer's contributions payable to the scheme	21,400	1,670	2,760	25,830	22,580	1,580	2,680	26,840
Retirement benefits payable to pensioners	(39,800)	(1,670)	(2,760)	(44,230)	(42,410)	1,080	1,560	(39,770)

*This is an unfunded scheme as detailed on page 79.

Pension assets and liabilities recognised in the balance sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	2021/22 £000s				2022/23 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Present value of the defined benefit obligation	(1,520,420)	(19,140)	(42,890)	(1,582,450)	(1,136,990)	(16,390)	(36,040)	(1,189,420)
Fair Value of plan assets	1,187,650	0	0	1,187,650	1,165,750	0	0	1,165,750
Net liability arising from defined benefit obligation	(332,770)	(19,140)	(42,890)	(394,800)	28,760	(16,390)	(36,040)	(23,670)

Reconciliation of the movements in the fair value of scheme (plan) assets

	2021/22 £000s				2022/23 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Opening fair value of scheme assets	1,129,260	0	0	1,129,260	1,187,650	0	0	1,187,650
Interest Income	23,600	0	0	23,600	31,910	0	0	31,910
Remeasurement gain/ (loss):								
• The return on plan assets, excluding the amount included in the net interest expense	46,350	0	0	46,350	(41,800)	0	0	(41,800)
Contributions from employer	21,400	1,670	2,760	25,830	22,580	1,580	2,680	26,840
Contributions from employees into the scheme	6,840	0	0	6,840	7,230	0	0	7,230
Benefits paid	(39,800)	(1,670)	(2,760)	(44,230)	(41,820)	(1,580)	(2,680)	(46,080)
Closing fair value of scheme assets	1,187,650	0	0	1,187,650	1,165,750	0	0	1,165,750

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active members	36%
Deferred Pensioners	14%
Pensioners	50%

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

	2021/22				2022/23			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded £000s	Unfunded £000s	£000s	£000s	Funded £000s	Unfunded £000s	£000s	£000s
Opening balance at 1 April	(1,615,450)	(22,280)	(49,450)	(1,687,180)	(1,520,420)	(19,140)	(42,890)	(1,582,450)
Current Service Cost	(53,590)	0	0	(53,590)	(56,230)	0	0	(56,230)
Interest Cost	(33,580)	(450)	(930)	(34,960)	(40,590)	(500)	(1,120)	(42,210)
Contributions by participants	(6,840)	0	0	(6,840)	(7,230)	0	0	(7,230)
Remeasurement (gains) and losses:								
• Actuarial (gains)/losses arising from changes in experience assumptions	39,450	1,270	(650)	40,070	(113,220)	(1,650)	(3,770)	(118,640)
• Actuarial (gains)/losses arising from changes in demographic assumptions	7,280	200	450	7,930	0	60	520	580
• Actuarial (gains)/losses arising from changes in financial assumptions	102,790	450	4,930	108,170	558,960	3,260	8,540	570,760
Past Service Cost	(280)	0	0	(280)	(80)	0	0	(80)
Net Benefits paid	39,800	1,670	2,760	44,230	41,820	1,580	2,680	46,080
Closing balance at 31 March	**(1,520,420)**	**(19,140)**	**(42,890)**	**(1,582,450)**	**(1,136,990)**	**(16,390)**	**(36,040)**	**(1,189,420)**

Local Government Pension Scheme assets comprised

The assets allocated to the employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence, there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Administering Authority) is shown in the disclosures split by quoted and unquoted investments.

The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

	Asset Split 31 March 2022 %	Asset Split 31 March 2023 %		
	Total	**Quoted**	**Unquoted**	**Total**
Equities	57.0	40.1	11.1	51.2
Property	8.4	0.0	10.5	10.5
Government Bonds	2.0	1.3	0.0	1.3
Corporate Bonds	18.8	19.5	0.0	19.5
Multi Asset Credit	0.0	4.5	0.0	4.5
Cash	1.8	1.8	0.0	1.8
Other*	12.0	0.0	11.2	11.2
Total Assets	100.0	67.2	32.8	100.0

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

Basis for estimating assets and liabilities

The Local Government Pension Scheme, Teachers' Pension Scheme and discretionary benefits liabilities have been estimated by Aon Hewitt, an independent firm of actuaries. The latest actuarial valuation of the Authority's liabilities (in respect of the LGPS) took place as at 31 March 2022, whilst the latest actuarial valuation of the discretionary benefits 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 IAS19 purposes were:

	TWPF		TPS	
	2021/22	**2022/23**	**2021/22**	**2022/23**
Mortality assumptions				
Future lifetime from age 65 (currently 65)				
• Men	21.5	21.6	21.8	21.6
• Women	24.5	24.6	25.0	24.6
Future lifetime from age 65 (currently 45)				
• Men	22.8	22.9	n/a	n/a
• Women	26.0	26.1	n/a	n/a

	TWPF Funded		TPS/TWPF Unfunded	
	2021/22	**2022/23**	**2021/22**	**2022/23**
Rate of Inflation (CPI)	3.0%	2.7%	3.0%	2.7%
Pensions accounts revaluation rate	3.0%	2.7%	n/a	n/a
Rate of increase in salaries	4.5%	4.2%	n/a	n/a
Rate of increase in pensions	3.0%	2.7%	3.0%	2.7%
Rate for discounting scheme liabilities	2.7%	4.7%	2.7%	4.7%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period. Sensitivity of unfunded benefits has not been included on materiality grounds. The impact on the Defined Benefit Obligation in the scheme is shown below:

	Increase in Assumption £000s	**Decrease in Assumption £000s**
Longevity (increase/decrease in 1 year)	(29,560)	29,560
Rate of increase in salaries (increase/decrease by 0.1%)	2,270	(2,270)
Rate of increase in pensions (increase/decrease by 0.1%)	17,050	(15,920)
Rate for discounting scheme liabilities (increase/decrease by 0.1%)	(18,190)	19,330

Commutation
Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre-2008 service) is 75% of the permitted maximum.

Asset and Liability Matching (ALM) strategy
The Pensions Committee of South Tyneside Council has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The Fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index-linked gilt-edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the Fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations, the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (51.2% of scheme assets) and bonds (20.8%). These percentages are materially the same as the comparative year. The scheme also invests in properties as part of the diversification of the scheme's investments (10.5%). The ALM strategy is monitored annually or more frequently if necessary.

Impact on the Authority's cash flows
The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The most recent triennial valuation of the fund was carried out as at 31 March 2022.

The Authority anticipates paying £24.590m in contributions to the scheme in respect of the LGPS in 2023/24 for the accounting period to 31 March 2024, £0.730m in respect of unfunded benefits and also £1.620m for enhanced teachers' benefits. The weighted average duration of the defined benefit obligation for the LGPS scheme members is 16.6 years 2022/23 (20.1 years 2021/22).

10 Other Operating Expenditure

The other operating expenditure shown in the Comprehensive Income & Expenditure Statement consists of:

2021/22 £000s		2022/23 £000s
11,533	Levies	12,296
1,874	Payments to the Government Housing Capital Receipts Pool	0
(717)	Gains on the disposal of non-current assets	(982)
12,690	**Total**	**11,314**

11 Financing and Investment Income and Expenditure

The financing and investment income & expenditure shown in the Comprehensive Income & Expenditure Statement consists of:

2021/22 £000s		2022/23 £000s
22,214	Interest payable and similar charges	24,717
11,360	Net Interest Expense Pensions	10,300
(606)	Interest receivable and similar income	(969)
(100)	Income & expenditure in relation to Investment Properties and changes in their fair value	(92)
32,868	**Total**	**33,956**
0	Intra-group transactions to be excluded	0
32,868		**33,956**

Page 111

12 Taxation and Non-Specific Grant Income

The taxation and non-specific grant income shown in the Comprehensive Income & Expenditure Statement consists of:

2021/22 £000s		2022/23 £000s
(106,098)	Council Tax Income	(110,828)
(24,154)	Retained Business Rates	(26,036)
(20,505)	Business Rates Top Up	(20,505)
(18,446)	Non-Ringfenced Government Grants	(15,160)
(20,403)	Capital Grants, Contributions & Donated Assets	(30,422)
(189,606)	**Total**	**(202,951)**

13 Grants and Contributions Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23.

2021/22 £000s		2022/23 £000s
	Non-Ringfenced Government Grants	
(11,443)	Revenue Support Grant	(11,797)
(5,576)	COVID-19 Local Authority Support Grant	0
(1,335)	COVID-19 Income Compensation for Lost Sales, Fees and Charges	0
(92)	Local Services Support Grant	(3,363)
(18,446)		(15,160)
	Capital Grants and Receipts in Advance	
(4,033)	Department for Education	(5,114)
(2,533)	North East Local Enterprise Partnership (NELEP) – Local Growth Fund	(882)
(4,051)	Local Transport Plan	(3,219)
(1,234)	English Heritage	(17)
(30)	Environment Agency	(856)
(2,491)	Department for Business, energy & Industrial Strategy	(105)
(1,766)	Transforming Cities Fund	(9,937)
(1,063)	Brownfield Housing Fund	(341)
0	Department for Levelling Up, Housing & Communities	(890)
0	Active Travel Fund	(1,404)
0	European Regional Development Fund	(1,022)
(1,613)	Section 106 Contributions	(5,330)
(1,589)	Other Grants and Contributions (individually under £1.000m)	(1,305)
(20,403)		(30,422)

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that would require the monies to be returned to the provider if they are not met. The balances at the year-end are as follows:

31 March 2022 £000s		31 March 2023 £000s
	Contributions and Donations in advance	
(11,745)	Section 106 Agreements	(11,423)
(48)	Other Grants & Contributions (individually under £1.000m)	(48)
(11,793)	**Total**	**(11,471)**

31 March 2022 £000s		31 March 2023 £000s
	Revenue Grants & Contributions Receipt in Advance	
(217)	Other Grants & Contributions (individually under £1.000m)	(169)
(217)	**Total**	**(169)**

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement within the Cost of Services in 2022/23.

2021/22 £000s		2022/23 £000s
	Credited to Services	
(156,941)	Dedicated Schools Grant	(167,211)
(24,481)	Mandatory Rent Allowances Benefit	(24,313)
(20,352)	Rent Rebates Benefit	(19,691)
(13,372)	Private Finance Initiative	(13,372)
(12,616)	Public Health Grant	(12,970)
(9,430)	Continuing Health Care Contributions	(11,902)
(9,224)	Pupil Premium Grant	(9,546)
(7,202)	Post 16 Education Grant	(7,898)
(9,297)	Improved Better Care Fund Grant	(9,579)
(2,266)	New Homes Bonus	(1,700)
(755)	Section 31 Children’s Grant	(594)
(695)	Teachers’ Pension Grant	(852)
(1,990)	Department for Education	(1,413)
(7,998)	Small Business Rate Relief Grant	(19,151)
(4,185)	Contributions	(6,217)
(1,086)	Physical Education (PE) & Sport	(1,538)
(442)	Assessed & Supported Year in Employment	(1,066)
(7,681)	Adult Social Care Support Grant	(10,480)
(577)	Housing Benefit Administration Grant	(811)

2021/22 £000s		2022/23 £000s
	Credited to Services	
(246)	Teachers Pay Grant	(215)
(1,539)	Adoption Reform Grant	(1,344)
(754)	Tackling Troubled Families Grant	(794)
0	Schools Block Supplementary Grant	(3,390)
(1,987)	COVID-19 Workplace Capacity Grant	0
0	COVID-19 Hardship Fund	0
(1,418)	COVID-19 Rapid Testing – Care Homes	0
(880)	COVID-19 Schools Catch-up Premium	0
(2,299)	COVID-19 Infection Control Grant	0
(531)	COVID-19 Recovery Premium Schools Grant	(1,811)
(1,610)	Household Support Grant	(3,220)
(1,271)	COVID-19 Test and Trace Service Support Grant	0
(1,447)	COVID-19 Additional Restrictions Grant	0
(1,439)	COVID-19 Contain Outbreak Management Fund	0
(14,821)	Other Grants & Contributions (Individually Under £1.000m)	(16,943)
(320,832)	**Total**	(348,021)

14 Officers' Remuneration

This disclosure note is split into two categories: employees and Senior Officers. Table 1 shows employees whose remuneration, excluding employer's pension contributions, was £50,000 or more. Table 2 sets out details of Senior Officers (by post title) whose salary is between £50,000 and £162,500.

A Senior Officer is defined as any person having responsibility for the management of the Authority, to the extent that the person has power to direct or control the major activities of the Authority, in particular activities involving the expenditure of money, whether solely or collectively with other persons. In North Tyneside Council this is deemed to be the Senior Leadership Team.

Table 3 provides details of exit packages. The packages included within each band are those that have been agreed by the Authority. The agreement may be legal, contractual or constructive at the end of the financial year. The costs include all relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

Table 1

2021/22				2022/23		
APT&C	**LEA Teachers**	**Total**	**Remuneration Band**	**APT&C**	**LEA Teachers**	**Total**
60	13	**73**	£50,000 - £54,999	85	12	**97**
31	6	**37**	£55,000 - £59,999	36	11	**47**
13	5	**18**	£60,000 - £64,999	26	6	**32**
18	0	**18**	£65,000 - £69,999	26	4	**30**
7	8	**15**	£70,000 - £74,999	5	3	**8**
5	4	**9**	£75,000 - £79,999	6	4	**10**
0	1	**1**	£80,000 - £84,999	2	4	**6**
2	0	**2**	£85,000 - £89,999	0	1	**1**
2	0	**2**	£90,000 - £94,999	0	0	**0**
0	0	**0**	£95,000 - £99,999	3	0	**3**
1	2	**3**	£100,000 - £104,999	1	0	**1**
0	0	**0**	£105,000 - £109,999	0	2	**2**
0	0	**0**	£110,000 - £114,999	0	0	**0**
0	0	**0**	£115,000 - £119,999	0	0	**0**
0	0	**0**	£130,000 - £134,999	0	0	**0**
139	**39**	**178**	**Total**	**190**	**47**	**237**

The above figures include any payments made to individuals in respect of redundancy payments. These payments are included as per the Code’s definition of remuneration. This table does not include those senior officers detailed in Table 2 below.

Key
APT&C – Administrative, Professional, Technical & Clerical
LEA – Local Education Authority

Table 2

This table sets out the remuneration disclosures for Senior Officers.

2022/23

Post Holder Information (2022/23)	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive (Paul Hanson)	162,419	0	0	0	162,419	32,159	**194,578**
Assistant Chief Executive	103,969	0	0	0	103,969	20,586	**124,555**
Director of Health, Education, Care and Safeguarding [1]	80,756	0	0	0	80,756	12,367	**93,123**
Interim Director of Children's Services [1]	57,386	0	0	0	57,386	11,363	**68,749**
Interim Director of Adults Services [1]	57,386	0	0	0	57,386	11,363	**68,749**
Director of Housing	103,646	0	0	0	103,646	20,522	**124,168**
Director of Environment	99,414	0	0	0	99,414	19,684	**119,098**
Director of Commissioning and Asset Management	99,414	0	0	0	99,414	19,684	**119,098**
Director of Resources [2]	25,997	0	0	0	25,997	5,147	**31,144**
Director of Resources [2]	73,109	0	0	0	73,109	14,475	**87,584**
Director of Regeneration and Economic Development	99,414	0	0	0	99,414	19,684	**119,098**
Director of Public Health	99,414	0	0	0	99,414	14,296	**113,710**
Total	**1,062,324**	0	0	0	**1,062,324**	**201,330**	**1,263,654**

[1] In 2022/23 the Director of Health, Education, Care and Safeguarding left the Authority on 30/09/2022. This role has been split into two posts; the Interim Director of Children's Services and the Interim Director of Adults Services, with both appointments starting on 01/10/2022.
[2] In 2022/23 the Director of Resources left the Authority on 31/07/2022 and a new Director of Resources started on 08/08/2022.

2021/22

Post Holder Information (2021/22)	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive (Paul Hanson)	160,494	0	0	0	160,494	31,778	**192,272**
Director of Health, Education, Care and Safeguarding	110,923	0	0	0	110,923	21,963	**132,886**
Director of Environment, Housing and Leisure	110,923	0	0	0	110,923	21,963	**132,886**
Director of Law & Governance	145,246	0	0	0	145,246	18,066	**163,312**
Director of Commissioning & Asset Management	97,489	0	0	0	97,489	19,303	**116,792**
Director of Resources	97,489	0	0	0	97,489	19,303	**116,792**
Director of Regeneration & Economic Development	93,712	0	0	0	93,712	18,555	**112,267**
Director of Corporate Strategy & Customer Services	97,489	0	0	0	97,489	19,303	**116,792**
Director of Public Health	93,712	0	0	0	93,712	13,476	**107,188**
Total	**1,007,477**	0	0	0	**1,007,477**	**183,710**	**1,191,187**

Table 3
The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments) (a)	Number of compulsory redundancies (b)		Number of other departures agreed (c)		Total number of exit packages by cost band (b) + (c)		Total cost of exit packages in each band £000s	
£	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**
£0 - £20,000	6	0	12	4	18	4	129	27
£20,001 - £40,000	1	0	1	5	2	5	60	141
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	1	0	0	0	1	0	0
£100,001 - £150,000	0	0	1	0	1	0	108	95
Total	**7**	**1**	**14**	**9**	**21**	**10**	**297**	**263**

Page 119

There is a reserve for redundancy payments of £1.485m (£1.524m 2021/22) (see Note 32) which is not included in the table above.

15 Members' Allowances and Expenses

Total allowances paid to Members during the year were as follows:

2021/22 £000s		2022/23 £000s
637	Basic Allowances	668
177	Special Responsibility Allowances	172
1	Expenses	3
815	**Total**	**843**

16 Related Party Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in Note 5 Nature of Expenses and in Note 13 Grants and Contributions Income.

Members of the Council have direct control over the Authority's financial and operating policies. The total of Members' allowances paid in 2021/22 is shown in Note 15. During 2022/23, the Authority had no material dealings with companies in which one or more Members have an interest. However, the Authority paid grants and other sums totalling £8.357m to voluntary and other statutory bodies in which a number of Members had declared an interest (£9.137m in 2021/22). The grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest open to public inspection at Law and Governance Services, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY.

4 Members of the Council declared an interest in relation to Northumberland Healthcare NHS Trust, 2022/23 payments totalled £3.965m (2021/22 £3.612m).

1 Member of the Council declared an interest in relation to Cumbria, Northumberland, Tyne & Wear NHS Foundation Trust, 2022/23 payments totalled £2.778m.

1 Members of the Council declared an interest in relation to North Tyneside Citizens Advice Bureau, 2022/23 payments totalled £0.565m (2021/22 £0.000m).

2 Members of the Council declared an interest in relation to the North East Regional Employers Organisation, 2022/23 payments totalled £0.249m.

2 Members of the Council declared an interest in relation to North Tyneside Trading Company Aurora Properties (Sale) Limited, 2022/23 payments totalled £0.222m.

1 Member of the Council declared an interest in relation to Northumberland Inshore Fisheries and Conservation Authority, 2022/23 payments totalled £0.154m

Officers – no related party transactions were declared in 2022/23, (no related party transactions in 2021/22).

Other public bodies – The Authority has a pooled budget arrangement with North Tyneside Clinical Commissioning Group. Details are outlined in Note 37.

Entities controlled or significantly influenced by the Authority – Details of where the Authority has an interest in active companies are shown in Note 23.

North of Tyne Combined Authority (NoTCA) – 13 Members of the Authority serve as members of NoTCA boards. During 2022/23 the Authority paid a transport levy of £11.881m (£11.129m in 2021/22).

North Tyneside Trading Company (NTTC) is materially significant to the overall financial position of the Authority and has therefore been consolidated into the Group Accounts.

17 Audit Costs

In 2022/23 the Authority incurred the following fees relating to external audit:

2021/22 £000s		2022/23 £000s
125	Fees payable to the appointed auditor under the Local Audit and Accountability Act 2014	250
6	Fees payable for the certification of grant claims and returns	9
38	Additional Fee Work, COVID-19 work	0
169	Total Authority fees payable	**259**
19	Fees payable to external audit with regard to audit services for North Tyneside Trading Company Group	18
188	Total Group costs	**277**

18 Long Term Contracts – Service Concessions

The Service Concessions entered into by the Authority are three Private Finance Initiative (PFI) Schemes – Schools for the Future, Street Lighting (joint with Newcastle City Council) and North Tyneside Living, and two Local Improvement Finance Trusts (LIFT) to provide Joint Service Centres at Dudley and Whitley Bay.

Schools PFI Scheme
2022/23 was the twentieth year of a thirty year PFI contract for the construction, maintenance, and operation of four schools in the Borough. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Kajima North Tyneside Limited, took on the obligation to construct and maintain the plant and equipment required to operate the schools. The buildings and any plant and equipment installed in them will transfer to the Authority for nil consideration at the end of the contract.

The schools involved in the scheme are Burnside Community High School, Coquet Park First School, Marine Park First School and Western Community Primary School.

Street Lighting PFI Scheme
2022/23 was the nineteenth year of a twenty five year PFI contract for the replacement, maintenance, and operation of street lighting provision in the Borough. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor took on the obligation to replace and maintain the assets required to operate the street lighting across the Borough. The assets will transfer to the Authority for nil consideration at the end of the contract. The operator is Scottish and Southern Electric Contracting.

North Tyneside Living – Housing PFI Scheme
2022/23 was the tenth year of a twenty eight year PFI contract for the construction/ refurbishment, maintenance, and operation of twenty six sheltered accommodation schemes in the Borough. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Solutions for North Tyneside, took on the obligation to construct and maintain the building, plant and equipment required to operate the schemes. The assets will transfer back to the Authority for nil consideration at the end of the contract.

Dudley Joint Service Centre (LIFT)
2022/23 was the sixteenth year of a twenty five year Local Improvement Finance Trust (LIFT) contract for the construction, maintenance, and operation of a joint service centre at Dudley. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Newcastle & North Tyneside LIFTCo, took on the obligation to construct and maintain the building, plant and equipment required to operate the joint service centre. At the end of the twenty five year contract, the Authority has the right to purchase the building, plant, and equipment from the operator.

Whitley Bay Joint Service Centre (LIFT)
2022/23 was the tenth year of a twenty five year Local Improvement Finance Trust (LIFT) contract for the construction, maintenance, and operation of a joint service centre at Whitley Bay. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Newcastle & North Tyneside LIFTCo, took on the obligation to construct and maintain the building, plant and equipment required to operate the joint service centre. At the end of the twenty five year contract, the Authority has the right to purchase the building, plant, and equipment from the operator.

Property, Plant and Equipment
The assets used to provide the services listed above are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 19.

Payments
The Authority makes an agreed payment under each contract each year, all of which increase each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed. Payments remaining to be made under the contracts at 31 March 2023 (excluding any estimation of inflation and availability/performance deductions) are on the following page:

2021/22 Total £000s		Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	2022/23 Total £000s
17,713	Payable in one year	7,214	4,919	7,390	19,523
71,692	Payable within 2-5 yrs	32,580	22,601	26,621	81,802
83,591	Payable within 6-10 yrs	23,680	30,324	24,409	78,413
66,485	Payable within 11-15 yrs	9,583	26,715	14,193	50,491
54,597	Payable within 16-20 yrs	4,591	22,987	4,364	31,942
294,078	**Total**	**77,648**	**107,546**	**76,977**	**262,171**

Although the payments made to the various contractors are described as unitary payments, they have been calculated to compensate the contractors for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The total of the liabilities outstanding to the contractors for the capital expenditure is as follows:

2021/22 £000s		2022/23 £000s
109,666	Balance outstanding at start of year	105,361
(4,591)	Payments made during the year	(3,946)
286	Additional liabilities incurred in the year	1,474
105,361	**Balance outstanding at year-end**	**102,889**

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The overall balance of £102.889m is split long term £97.970m and short term £4.919m. The £3.946m in the above table relates to debt repayment, paying off the debt on the assets.

There have been no renewals or terminations of the above schemes during 2022/23 and no major works have taken place. There have been no material changes in the arrangements with operators of any of the existing schemes during the year.

19 Property, Plant and Equipment
Council Position

2022/23	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Cost or Valuation								
1 April 2022	**675,219**	**246,293**	**34,393**	**8,439**	**3,493**	**14,253**	**982,090**	**124,684**
Additions	24,969	6,292	2,904	18	387	21,004	55,574	1,217
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(5,350)	1,764	0	0	0	0	(3,586)	161
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(80)	29	0	0	0	0	(51)	955
Derecognition - Disposals	(5,643)	0	0	0	(90)	0	(5,733)	0
Derecognition - Other	0	0	(1,550)	0	0	0	(1,550)	(106)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	1,491	3,685	0	0	0	(10,059)	(4,883)	0
At 31 March 2023	**690,606**	**258,063**	**35,747**	**8,457**	**3,790**	**25,198**	**1,021,861**	**126,911**

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Accumulated Depreciation & Impairments								
1 April 2022	**0**	**(4,802)**	**(19,717)**	**(746)**	**(12)**	**0**	**(25,277)**	**(1,134)**
Depreciation charge	(14,621)	(7,328)	(4,123)	(15)	(17)	0	(26,104)	(3,519)
Depreciation written out to the Revaluation Reserve	12,998	344	0	0	0	0	13,342	422
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	1,384	221	0	0	0	0	1,605	1,384
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	38	0	0	0	0	38	0
Impairment (losses)/ reversals recognised in the (Surplus)/Deficit on the Provision of Services	0	(1,833)	0	0	(385)	0	(2,218)	0
Derecognition – Disposals	171	0	0	0	0	0	171	0
Derecognition - Other	0	0	1,550	0	0	0	1,550	106
Other movements in Depreciation & Impairment	0	0	0	0	0	0	0	0
At 31 March 2023	**(68)**	**(13,360)**	**(22,290)**	**(761)**	**(414)**	**0**	**(36,893)**	**(2,741)**
Net Book Value								
At 31 March 2023	690,538	244,703	13,457	7,696	3,376	25,198	984,968	124,170
At 31 March 2022	675,219	241,491	14,676	7,693	3,481	14,253	956,813	123,550

2021/22	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Community Assets £000s	Surplus Assets £000s	Assets under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Cost or Valuation								
1 April 2021	**652,932**	**254,908**	**31,393**	**8,420**	**3,806**	**17,901**	**969,360**	**122,248**
Additions	25,601	4,408	2,956	19	1,138	13,701	47,823	84
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,425	(11,008)	0	0	1,709	0	(3,874)	1,022
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(4,313)	(13,796)	0	0	(2,145)	0	(20,254)	1,332
Derecognition - Disposals	(7,940)	0	0	0	(868)	0	(8,808)	0
Derecognition - Other	0	0	(683)	0	0	0	(683)	(2)
Assets reclassified (to)/from Held for Sale	0	0	0	0	(265)	0	(265)	0
Other movements in Cost or Valuation	3,514	11,781	727	0	118	(17,349)	(1,209)	0
At 31 March 2022	**675,219**	**246,293**	**34,393**	**8,439**	**3,493**	**14,253**	**982,090**	**124,684**

2021/22	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Community Assets £000s	Surplus Assets £000s	Assets under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Accumulated Depreciation & Impairments								
1 April 2021	**0**	**(17,323)**	**(16,137)**	**(732)**	**(92)**	**0**	**(34,284)**	**(3,143)**
Depreciation charge	(14,129)	(7,169)	(4,263)	(14)	(1)	0	(25,576)	(3,440)
Depreciation written out to the Revaluation Reserve	424	15,780	0	0	20	0	16,224	3,450
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	13,470	3,906	0	0	0	0	17,376	2,006
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	546	0	0	110	0	656	0
Impairment (losses)/ reversals recognised in the (Surplus)/Deficit on the Provision of Services	0	(569)	0	0	(28)	0	(597)	(9)
Derecognition – Disposals	241	0	0	0	0	0	241	0
Derecognition - Other	0	0	683	0	0	0	683	2
Other movements in Depreciation & Impairment	(6)	27	0	0	(21)	0	0	0
At 31 March 2022	**0**	**(4,802)**	**(19,717)**	**(746)**	**(12)**	**0**	**(25,277)**	**(1,134)**
Net Book Value								
At 31 March 2022	675,219	241,491	14,676	7,693	3,481	14,253	956,813	123,550
At 31 March 2021	652,932	237,585	15,256	7,688	3,714	17,901	935,076	119,109

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 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.

	2021/22		2022/23	
	Infrastructure Assets	**PFI Included in Infrastructure Assets**	**Infrastructure Assets**	**PFI Included in Infrastructure Assets**
	£000	£000	£000	£000
Net Book Value at 1 April	177,807	15,822	178,609	15,289
Additions	6,795	407	9,146	2,692
Derecognition	0	0	0	0
Depreciation	(7,202)	(940)	(7,360)	(953)
Impairment	0	0	0	0
Other movements in cost	1,209	0	4,883	0
Net Book Value at 31 March	**178,609**	**15,289**	**185,278**	**17,028**

	31-Mar-22	**31-Mar-23**
	£000	£000
Infrastructure Assets	178,609	185,278
Other PPE Assets	956,813	984,968
Total PPE Assets	**1,135,422**	**1,170,246**

The authority has determined in accordance with Regulation 30M England of the Local Authorities Capital Finance and Accounting England Amendment Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

The following statement shows progress of the Authority's rolling programme for the revaluation of Property, Plant & Equipment. The basis for valuation is set out in the Statement of Accounting Policies (page 43).

	Council Dwellings £000s	Other Land & Buildings £000s	Surplus Assets £000s	Total £000s
Valued at current value as at:				
2019/20	0	25,241	571	25,812
2020/21	0	9,950	0	9,950
2021/22	0	163,380	3,130	166,510
2022/23	690,606	59,492	88	750,186
Gross Book Value	**690,606**	**258,063**	**3,789**	**952,458**

Split of Council Dwellings

Sheltered Housing Accommodation	73,526
Housing with Multiple Occupants	1,836
Homeless Units	867
General Housing Stock	614,377
Total	**690,606**

(i) General Housing Stock within Council Dwellings are valued at current cost less a reduction of 44% for Social Housing use:

	£000s
Vacant Possession Value at 31 March 2023	1,472,540
Social Housing Adjustment	(782,002)
Net Book Value after Adjustment for Social Housing	**690,538**

Note 44 provides more details of the housing stock.

Property, Plant and Equipment – Group Position

2021/22	Total Property, Plant and Equipment £000s
Net Book Value	
Authority - Total Property, Plant and Equipment	1,135,422
North Tyneside Trading Company (NTTC)	8,248
At 31 March 2022	**1,143,670**

2022/23	Total Property, Plant and Equipment £000s
	1,170,246
	10,626
At 31 March 2023	**1,180,872**

The 2022/23 NTTC values consists of property £10.600m and land £0.023m (2021/22 property £8.225m, land £0.023m).

20 Assets Held for Sale

31 March 2022 £000s		31 March 2023 £000s
1,270	Balance at 1 April	**335**
265	Assets newly classified as Held for Sale	0
(1,200)	Assets Sold	0
335	Balance at 31 March	**335**

The above assets have been measured on the Balance sheet at fair value using the following valuation techniques:

Input Level in Fair Value Hierarchy	Valuation Technique used to measure Fair Value	31 March 2022 Fair Value £000s	31 March 2023 Fair Value £000s
Level 3	Measurement technique uses significant unobservable inputs to determine the fair value measurements.	335	335

21 Summary of Capital Expenditure and Sources of Finance

2021/22 £000s		2022/23 £000s
623,372	**Opening Capital Financing Requirement**	**606,746**
	Capital Investment	
54,618	Property, Plant & Equipment	64,719
1,433	Share Capital	1,916
444	Intangible Assets	293
50	Heritage Assets	265
6,783	Revenue Expenditure Funded from Capital Under Statute	12,918
63,328		**80,111**
	Sources of Finance	
(1,813)	Capital Receipts	(443)
(4,483)	Capital Receipts Set Aside	(3,031)
(28,704)	Government Grants and Other Contributions	(39,896)
(13,231)	Major Repairs Reserve	(15,663)
(12,505)	Direct Revenue Contributions	(11,842)
(19,218)	Minimum Revenue Provision	(17,119)
(79,954)		**(87,994)**
606,746	**Closing Capital Financing Requirement**	**598,863**
	Explanation of Movements in Year	
(3,103)	(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(3,104)
(10,051)	(Decrease)/Increase in underlying need to borrow (unsupported by Government financial assistance)	(378)
(3,472)	Movement in Assets acquired under PFI or similar Contracts	(4,401)
(16,626)	**(Decrease)/ Increase in Capital Financing Requirement**	**(7,883)**

22 Capital Commitments

Council approved the General Fund Investment Plan and the Housing Investment Plan for 2023-2028 on 16 February 2023. The current contractually committed schemes contained within the approved Plan comprise of:

31 March 2022 £000s		31 March 2023 £000s
2,840	Central Services	768
3	Children's & Education Services	441
99	Leisure Services	1,165
4,949	Environment & Regulatory Services	4,663
517	Highways & Transport	10,834
2,746	Housing Services	433
318	Planning	101
11,472		**18,405**

Major schemes within the above totals include:

	£000s
Street Lighting PFI	4,657
HRA Housing Services	120
Local Transport Plan & Highways	564
Operational Depot Accommodation Review	200

Page 134

23 Long Term Investments

31 March 2022 £000s		31 March 2023 £000s
9,825	£1 Ordinary shares in Newcastle Airport Local Authority Holding Company Ltd	9,825
10,508	£1 Ordinary shares in North Tyneside Trading Company	12,424
0	Kier North Tyneside Limited – 200 £1 “A” ordinary shares	0
20,333	**Long Term Investments - Authority**	**22,249**
(10,508)	Intra group investments excluded	**(12,424)**
9,825	**Long Term Investments - Group**	**9,825**

Newcastle Airport Local Authority Holding Company Ltd

The Council redesignated its Newcastle Airport equity instrument, previously held as available for sale assets under IAS39, as fair value through other comprehensive income under IFRS9 classifications in 2018/19. This decision protects Council taxpayers from any future movements in the value of these shareholdings until such time as the shares are sold or released. In the Balance Sheet the £10.784m previously held in the available for sale reserve, in respect of Newcastle Airport, was released and taken to the Financial Instruments Revaluation Reserve.

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. In consideration of this transfer the Authority received shares in NIAL.

On 4 May 2001, the seven local authority shareholders of NIAL (the ‘LA7’) created NIAL Holdings Ltd which is 51% owned by the LA7 and 49% owned by AMP Capital Investors Limited following their purchase on 16 November 2012. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Ltd, a company wholly owned by the seven authorities. The Newcastle Airport Local Authority Holding Company Ltd has a called-up share capital of 10,000 shares with a nominal value of £1 each. North Tyneside Council holds a 12.41% interest in the company valued at £9.825m (£9.825m in 2021/22). The shares are not held for trading outside of the LA7.

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

Through its shares in Newcastle Airport Local Authority Holding Company Limited the Authority has an effective shareholding of 6.33% in Newcastle International Airport Limited (and the group companies of NIAL Group Limited and NIAL Holdings Limited). The principal activity of Newcastle International Airport Ltd (Registered No 2077766) is the provision of landing services for both commercial and freight operators.

No dividend was received for the year ended 31 December 2022 (£0.000 was received for the year ended 31 December 2021).

Members of the LA7, excluding North Tyneside Council, entered into a loan agreement with NIAL Group Limited in 2012/13, issuing £67.665m shareholder loan notes.

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

Significant Observable Inputs – Level 3

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

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

A request for a copy of NIAL Group Limited accounts should be made in writing to the following address:
Head of Finance, South Tyneside Council, Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear, NE33 2RL.

Kier North Tyneside Limited

A contract with Kier North Tyneside Limited was established in September 2009, to deliver the housing and public building maintenance, housing programmed works and general capital works for North Tyneside Council. The Authority has a 20% holding in Kier North Tyneside Limited as a long-term investment (200 £1 “A” ordinary shares).

Kier North Tyneside Limited was incorporated on 8 June 2009 and started a contract with the Authority on 6 September 2009 which ran to 31 March 2019. The Authority decided not to grant the optional 5 year contract extension and the services transferred back to the Authority on 1 April 2019.

The Authority received a dividend of £0.000m during 2022/23 (£0.000m in 2021/22) from Kier North Tyneside Limited.

North Tyneside Trading Company (NTTC) & Subsidiaries

The Authority has three live and two dormant trading companies at present:

• North Tyneside Trading Company Limited is the parent company for Aurora Affordable Homes and Aurora Properties (Sale) Limited.

• North Tyneside Trading Company (Development) Limited (no. 09651100) was incorporated in 2015 in order to deliver part of the Authority’s affordable homes programme. The company constructed 13 properties in 2016/17 and has since purchased a further 81 properties on the open market in line with its purchasing strategy. All the homes are rented out at affordable rents. The company is now trading as Aurora Affordable Homes.

• Aurora Properties (Sale) Limited (no. 10690739) was incorporated in 2017 with the aim of providing homes for sale on the open market. It completed its first project in 2018/19 at Wallington Court with its second project at the Avenue site (Empress Point) in Whitley Bay now complete and its third project at Northumberland Square in 2020/21. All properties have been sold.

• North Tyneside Trading Company (Consulting) Limited (no. 08326801) was incorporated in 2012 with the objective to provide services to other public bodies, and any other customers (whether public bodies or not) as considered appropriate; it is currently dormant.

• Aurora Properties (Rental) Limited (no. 10645895) was incorporated in 2017 with the aim of providing homes to be let at a market rent; it is currently dormant.

Funding for the purchase and construction of homes is provided by the Authority in the form of equity, which NTTC then passes on as equity funding to its subsidiaries. In addition, Aurora Properties (Sale) Limited also receives loan funding directly from the Authority.

In 2022/23, 1,916,000 £1 ordinary shares were purchased in NTTC by the Authority which in turn purchased £1,916,000 of equity in North Tyneside Trading Company (Development) Limited.

A dividend of £0.000m was received for the year ended 31 March 2023 (£0.000m was received for the year ended 31 March 2022).

The Code of Practice requires local authorities with interests in subsidiaries, associates and joint ventures to produce group accounts in addition to their single entity financial statements where their interest is considered material. NTTC is materially significant to the overall financial position of the Authority and has therefore been consolidated into the group accounts.

Audited financial statements for the North Tyneside Trading Company and subsidiaries for their accounting period ending 31 March 2023 will be freely available from the Companies House website in due course; previous years audited financial statements are already available.

24 Short Term Debtors

This table shows the amounts owed to the Authority for which payments have not been received by 31 March 2023, but which should be repaid within one year. The figures below are net of impairment allowances set aside.

31 March 2022 £000s		31 March 2023 £000s
13,474	Central Government Bodies	14,954
6,129	Other Local Authorities	6,275
6,904	NHS Bodies	9,624
52,309	Other Entities and Individuals	51,468
78,816	**Total Authority Debtors**	82,321
77	Debtors – North Tyneside Trading Company	38
0	Intra-group debtors to be excluded	0
78,893	**Total Group Debtors**	**82,359**

This year the Authority set aside a sum of £24.816m (£23.807m 2021/22) to cover bad and doubtful debts. Of this £6.798m (£6.814m 2021/22) relates to the General Fund, £5.207m (£5.085m 2021/22) relates to the Housing Revenue Account and £12.811m (£11.908m 2021/22) relates to the Collection Fund.

25 Cash and Cash Equivalents

31 March 2022 £000s		31 March 2023 £000s
69	Cash held by the Authority	67
16,234	Schools Cash at Bank	15,738
(14,860)	Bank Current Accounts	(15,471)
29,521	Short term deposits	22,500
30,964	**Total Authority Cash and Cash Equivalents**	**22,834**
1,691	Cash & Cash Equivalents – North Tyneside Trading Company	2,013
32,655	**Total Group Cash and Cash Equivalents**	**24,847**

26 Short Term Borrowing

31 March 2022 £000s		31 March 2023 £000s
(7,834)	Public Works Loans Board (PWLB)	(6,850)
0	Market Loans (including other local authorities)	(25,097)
(159)	Lender's Option Borrower's Option (LOBO)	(159)
(7,993)	**Total**	**(32,106)**

27 Short Term Creditors

The table below shows an analysis of the Authority's creditors as at the 31 March 2023.

31 March 2022 £000s		31 March 2023 £000s
(36,665)	Central Government Bodies	(12,393)
(1,025)	Other Local Authorities	(346)
(2,064)	NHS Bodies	(2,933)
(47,694)	Other Entities and Individuals	(39,463)
(87,448)	**Total Authority Creditors**	**(55,135)**
(351)	Creditors – North Tyneside Trading Company	(246)
0	Intra group creditors to exclude	0
(87,799)	**Total Group Creditors**	**(55,381)**

28 Provisions

Provisions have been made for known liabilities uncertain as to the amount or timing, in compliance with IAS37.

	Long Term Estimated Insurance Liabilities (a) £000s	Short Term General Provisions (b) £000s	Total £000s
Balance at 1 April 2021	**(3,816)**	**(9,089)**	**(12,905)**
Additional provisions made	0	(1,029)	(1,029)
Amounts written off	0	0	0
Amounts used	118	591	709
Balance at 31 March 2022	**(3,698)**	**(9,527)**	**(13,225)**

	Long Term Estimated Insurance Liabilities (a) £000s	Short Term General Provisions (b) £000s	Total £000s
Balance at 1 April 2022	**(3,698)**	**(9,527)**	**(13,225)**
Additional provisions made	0	0	0
Amounts written back	0	28	28
Amounts used	548	2,399	2,947
Balance at 31 March 2023	**(3,150)**	**(7,100)**	**(10,250)**

(a) Provision for Estimated Insurance Liabilities

The provision includes estimated figures for known claims against the Insurance Reserve. Due to the varied nature of these claims it is not practicable to set out expected timings of individual claims.

(b) General Provisions

The main element of the general provision relates to Business Rates Appeals of £3.301m.

The provision in relation to Business Rates arises from the localisation of Business Rates which became effective from the 1st April 2013. The Authority has set aside a provision for any potential liabilities as a result of business rate payers' appeals against rateable valuations.

Long term provisions have not been discounted as this adjustment is not expected to have a material impact on the Accounts.

29 Long Term Borrowing

The Authority's total outstanding debt repayable over 12 months as at 31 March 2023 is a principal of £398.443m. The following table analyses the debt by lender and maturity:

31 March 2022 £000s		**31 March 2023 £000s**
	(a) by lender category	
(372,443)	Public Works Loan Board (PWLB)	(378,443)
0	Market Loans (including other local authorities)	0
(20,000)	Lender's Option Borrower's Option (LOBO) – Commerzbank	(20,000)
(392,443)		**(398,443)**
	(b) by maturity	
(14,000)	Maturing between 1 and 2 years	(10,000)
(23,575)	Maturing between 2 and 5 years	(23,575)
(44,900)	Maturing between 5 and 10 years	(44,900)
(309,968)	Maturing more than 10 years	(319,968)
(392,443)		**(398,443)**

30 Long Term Creditors

The table below shows an analysis of the Authority's creditors as at 31 March 2023.

31 March 2022 £000s		31 March 2023 £000s
(25)	Central Government Bodies	0
(1,859)	Other Entities and Individuals	(1,727)
(1,884)	**Total**	**(1,727)**

31 Useable Reserves

31 March 2022 £000s		31 March 2023 £000s
(87,610)	General Fund Balances and Reserves (See Note 32)	(59,694)
(24,803)	Housing Revenue Account Balance and Reserves (See Note 32)	(27,462)
(13,167)	Capital Receipts Reserve	(16,192)
(8,227)	Major Repairs Reserve	(7,185)
(18,002)	Capital Grants Unapplied	(14,335)
(151,809)	**Total Authority Useable Reserves**	**(124,868)**
(10,684)	Useable Reserves – North Tyneside Trading Company	(12,553)
10,508	Intra group transactions	12,424
(151,985)	**Total Group Useable Reserves**	**(124,997)**

31 (a) General Fund Balance including Earmarked Reserves Balances

The General Fund is the statutory fund into which all the receipts of the Authority are required to be paid and out of which all liabilities of the Authority are met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payment 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 Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year. Note 32 provides more details on the Authority's reserves and balances position.

31 (b) Housing Revenue Account Balance including Reserves

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority 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 or (where in deficit) that is required to be recovered from tenants in future years. The Housing Revenue Account Income and Expenditure Statement is shown on pages 156 to 157.

31 (c) 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. There is also an option to use these receipts to finance certain revenue expenditure under the flexible use of capital receipts guidance. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

31 (d) Major Repairs Reserve (MRR)

The Authority 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 year-end. See page 161 for details of the reserve.

31 (e) Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

32 Reserves & Balances

2022/23

	Balance 1 April 2022 £000s	Transfers out 2022/23 £000s	Transfers in 2022/23 £000s	Balance 31 March 2023 £000s
General Fund Balances				
School Balances	(3,398)	3,780	0	382
General Fund	(7,000)	0	0	(7,000)
Total General Fund Balances	(10,398)	3,780	0	(6,618)
General Fund Reserves				
Strategic Reserve	(14,426)	8,081	0	(6,345)
Insurance Reserve	(8,328)	930	0	(7,398)
Covid 19 Local Authority Support Grant	(1,384)	1,384	0	0
Support Change Fund Programme	(4,497)	2,050	0	(2,447)
Street Lights PFI Reserve	(4,467)	3,000	(141)	(1,608)
Redundancy & Remuneration Reserve	(1,525)	40	0	(1,485)
Schools PFI Lifecycle costs (capital)	(2,232)	876	(296)	(1,652)
Education PFI Reserve	(3,747)	3,212	0	(535)
Dudley & Shiremoor Joint Service Centres	(1,967)	367	(238)	(1,838)
Whitley Bay CFC PFI Reserve	(1,433)	230	(129)	(1,332)
Public Health Grant	(957)	992	(1,499)	(1,464)
Education Funding Agency	(1,094)	1,095	(168)	(167)
Business Rates Support Top Up	(3,118)	3,118	0	0
Local Restriction Support Grant	(2,684)	2,684	0	0
Additional Restrictions Grant	(202)	202	0	0
Contain Outbreak Management	(1,578)	1,578	(127)	(127)
Business Rates; NoTCA Growth	(1,841)	0	0	(1,841)
Education Change Reserve	(1,094)	0	0	(1,094)
Section 31 COVID 19 Business Rates Relief Grant	(1,074)	0	(2,898)	(3,972)
Business Rates Volatility Fund	(1,113)	0	0	(1,113)
Minimum Revenue Provision Reserve	(5,893)	0	0	(5,893)
General Fund Reserves (individually under £1.000m)	(7,685)	2,356	(1,736)	(7,065)
Other Grants (individually under £1.000m)	(4,873)	2,160	(2,986)	(5,699)
Total General Fund Reserves	(77,212)	34,355	(10,218)	(53,075)
Total General Fund Balances & Reserves	**(87,610)**	**38,135**	**(10,218)**	**(59,693)**

	Balance 1 April 2022 £000s	Transfers out 2022/23 £000s	Transfers in 2022/23 £000s	Balance 31 March 2023 £000s
HRA Balances & Reserves				
HRA Balances	(3,501)	186	0	(3,315)
North Tyneside Living PFI Reserve	(13,117)	363	(2,387)	(15,141)
Housing PFI Lifecycle Costs	(5,889)	174	(805)	(6,520)
HRA Reserves (individually under £1.000m)	(2,296)	442	(632)	(2,486)
Total HRA Balances & Reserves	(24,803)	1,165	(3,824)	(27,462)
Total Balances & Reserves	**(112,413)**	**39,300**	**(14,042)**	**(87,155)**

Page 147

2021/22	Balance 1 April 2021 £000s	Transfers out 2021/22 £000s	Transfers in 2021/22 £000s	Balance 31 March 2022 £000s
General Fund Balances				
School Balances	(3,720)	322	0	(3,398)
General Fund	(7,000)	0	0	(7,000)
Total General Fund Balances	(10,720)	322	0	(10,398)
General Fund Reserves				
Strategic Reserve	(14,504)	78	0	(14,426)
Insurance Reserve	(8,701)	373	0	(8,328)
COVID-19 Local Authority Support Grant	(1,685)	1,685	(1,348)	(1,348)
Support Change Fund Programme	(4,671)	174	0	(4,497)
Street Lights PFI Reserve	(3,034)	0	(1,433)	(4,467)
Redundancy & Remuneration Reserve	(1,635)	110	0	(1,525)
Schools PFI Lifecycle costs (capital)	(2,232)	0	0	(2,232)
Education PFI Reserve	(1,450)	0	(2,297)	(3,747)
Dudley & Shiremoor Joint Service Centres	(1,320)	173	(820)	(1,967)
Whitley Bay Customer First Centre PFI	(775)	56	(714)	(1,433)
Dedicated Schools Grant *	7,932	0	(7,932)	0
Public Health Grant	(1,059)	1,094	(992)	(957)
Education Funding Agency	(1,448)	1,294	(940)	(1,094)
Business Rates Support Top Up	(3,307)	3,307	(3,118)	(3,118)
Local Restriction Support Grant	(4,661)	4,661	(2,684)	(2,684)
Additional Restrictions Grant	(2,738)	2,661	(125)	(202)
Contain Outbreak Management	(5,302)	5,302	(1,578)	(1,576)
Business Rates; NoTCA Growth	(1,841)	0	0	(1,841)
S31 Business Rates Relief	(13,635)	13,635	0	0
Educational Change Reserve	(1,094)	0	0	(1,094)
Section 31 COVID-19 Business Rates Relief Grant	0	0	(1,074)	(1,074)
Business Rates Volatility Fund	0	0	(1,113)	(1,113)
Minimum Revenue Provision	0	0	(5,893)	(5,893)
General Fund Reserves (individually under £1.000m)	(6,254)	415	(1,846)	(7,685)
Other Grants (individually under £1.000m)	(6,577)	4,047	(2,343)	(4,873)
Total General Fund Reserves	(79,991)	39,065	(36,286)	(77,212)
Total General Fund Balances & Reserves	**(90,711)**	**39,387**	**(36,286)**	**(87,610)**

	Balance 1 April 2021 £000s	Transfers out 2021/22 £000s	Transfers in 2021/22 £000s	Balance 31 March 2022 £000s
<u>HRA Balances & Reserves</u>				
HRA Balances	(5,002)	1,501	0	(3,501)
North Tyneside Living PFI Reserve	(12,390)	0	(727)	(13,117)
New Build Council Housing	(238)	238	0	0
Housing PFI Lifecycle Costs	(5,170)	0	(719)	(5,889)
HRA Reserves (individually under £1.000m)	(1,927)	0	(369)	(2,296)
Total HRA Balances & Reserves	(24,727)	1,739	(1,815)	(24,803)
Total Balances & Reserves	**(115,438)**	**41,126**	**(38,101)**	**(112,413)**

* In 2021/22 the DSG Reserve was moved from Useable to Unuseable Reserves to separate out the balance from General Fund reserves.

Purpose of main General Reserves

Reserve	Purpose
COVID-19 Local Authority Support Grant	Funding received from central government to support the Authority with the additional costs and income lost due to COVID-19
Dudley & Shiremoor Joint Service Centres	Established to provide a mechanism which takes account of project cash-flows over a 25-year period to enable the yearly equalisation of the additional costs of the Joint Service Centres.
Education PFI Reserve	Established to provide a mechanism which takes account of project cash-flows over a 30-year period to enable the yearly equalisation of the additional costs of the PFI schools.
Insurance Reserve	Risks covered by the reserve are fire, employer and third-party liability, contract guarantee bonds, motor cars, personal accident.
New Build Council Housing	Established to support the provision of New Build Council Housing.
North Tyneside Living PFI	Set up to equalise cash flows relating to the Council's North Tyneside Living PFI scheme.
Redundancy & Remuneration Reserve	Reserve to meet the expected cost of redundancies arising from the Change Programme.
Schools PFI Lifecycle Costs (Capital)	Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the contract. It doesn't represent additional cash available and lifecycle costs are paid for through the payment to the PFI contractor.
Strategic Reserve	Established to address future potential significant external pressures on the Council's budget.
Street Lights PFI Reserve	Established to provide a mechanism which takes account of project cash-flows over a 25 year period to enable the yearly equalisation of the additional costs of the Street Lighting PFI.
Support for Change Fund Programme	Reserve to support the implementation of the Change Programme.

Whitley Bay Customer First Centre PFI Reserve	Established to provide a mechanism which takes account of project cash-flows over a 25-year period to enable the yearly equalisation of the additional costs of the Customer First Centre.
Section 31 Business Rates Relief	Additional S31 grant provided by Government to cover losses local authorities faced as a result of the additional Business Rates reliefs offered to businesses during the pandemic.
Contain Outbreak Management	COVID-19 grant to assist local authorities in containing outbreaks.
Housing PFI Lifecycle Costs	Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the contract. It doesn’t represent additional cash available and lifecycle costs are paid for through the payment to the PFI contractor.

33 Unuseable Reserves

31 March 2022 £000s		31 March 2023 £000s
(159,111)	Revaluation Reserve	(165,175)
(387,742)	Capital Adjustment Account	(425,782)
1,135	Financial Instruments Adjustment Account	1,102
394,800	Pensions Reserve	23,670
(410)	Deferred Capital Receipts Reserve	(407)
3,788	Collection Fund Adjustment Account	(1,866)
8,399	Accumulated Absences Account	8,582
(9,591)	Financial Instruments Revaluation Reserve	(9,591)
12,851	Dedicated Schools Adjustment Account	8,341
(135,881)	**Total Unuseable Reserves**	**(561,126)**

33(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date on which the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2021/22 £000s		2022/23 £000s	
(150,074)	**Balance at 1 April**		**(159,111)**
(26,378)	Upward revaluation of assets	(30,348)	
13,371	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	20,554	
(13,007)	Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Services		(9,794)
3,681	Difference between fair value depreciation and historical cost depreciation	3,640	
289	Accumulated gains on assets sold or scrapped	90	3,730
3,970	Amount written off to the Capital Adjustment Account		
(159,111)	**Balance at 31 March**		**(165,175)**

33(b) Capital Adjustment Account

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

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The Adjustments between Accounting Basis and Funding Basis under Regulations Statement (Note 3) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22 £000s		2022/23 £000s	
	Balance at 1 April		**(387,742)**
(362,249)	Reversal of items relating to capital expenditure debited or credited to the CIES		
34,852	Charges for depreciation & impairment of non-current assets	36,297	
1,400	Revaluation losses/(gains) on Property, Plant & Equipment	(2,168)	
987	Amortisation of intangible assets	1,076	
6,783	Revenue expenditure funded from capital under statute	12,918	
(6,322)	Revenue expenditure funded from capital under statute (Grant Funded)	(5,806)	
9,767	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	5,562	47,879
47,467			
(3,970)	Adjusting amounts written out of the Revaluation Reserve		(3,730)
43,497	**Net written out amount of the cost of non-current assets consumed in the year**		**44,149**
	Capital financing applied in the year:		
(1,813)	Use of the Capital Receipts Reserve to finance new capital expenditure	(443)	
(13,232)	Use of the Major Repairs Reserve to finance new capital expenditure	(15,663)	
(8,500)	Capital grants & contributions credited to the CIES that have been applied to capital financing	(20,716)	
(13,882)	Application of grants to capital financing from the Capital Grants Unapplied Account	(13,372)	
(19,035)	Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(20,150)	
(12,505)	Capital expenditure charged against the General Fund & HRA balances	(11,843)	(82,187)
(23)	Movements in the market value of investment Property debited or credited to the CIES		(2)
(387,742)	**Balance at 31 March**		**(425,782)**

33(c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the account to manage premiums and discounts paid or received on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balances to the account in the Movement in Reserves Statement.

Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Authority's case, this period is the unexpired term of the replacement loan. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are received but reversed out of the General Fund Balances to the account in the Movement in Reserves Statement. Income is posted back to the General Fund Balance in accordance with statutory arrangements over the lesser of the unexpired period of the loan or 10 years.

2021/22 £000s		2022/23 £000s	2022/23 £000s
1,168	**Balance at 1 April**		1,135
(33)	Proportion of premiums incurred in previous financial years to be charged in accordance with statutory requirements	(33)	
0	Proportion of discounts received in previous financial years to be credited in accordance with statutory requirements	0	
(33)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(33)
1,135	**Balance at 31 March**		**1,102**

33(d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2021/22 £000s		2022/23 £000s
557,920	**Balance at 1 April**	394,800
(202,520)	Remeasurement of the net defined benefit liability	(410,900)
65,230	Reversal of net charges made to the surplus/deficit for the Provision of Services for post-employment benefits	66,610
(25,830)	Employer's pensions contributions and direct payments to pensioners payable in the year included in the Provision of Services	(26,840)
394,800	**Balance at 31 March**	**23,670**

33(e) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2021/22 £000s		2022/23 £000s
(963)	**Balance at 1 April**	(410)
553	Transfer to the Capital Receipts Reserve upon receipt of cash	3
(410)	**Balance at 31 March**	**(407)**

33(f) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2021/22 £000s		2022/23 £000s
15,701	**Balance at 1 April**	3,788
(11,913)	Amount by which council tax income and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	(5,654)
3,788	**Balance at 31 March**	**(1,866)**

33(g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund and Housing Revenue Account Balances is neutralised by transfers to or from the account.

2021/22 £000s		2022/23 £000s	2022/23 £000s
7,228	**Balance at 1 April**		8,399
1,485	Adjustment to the accrual required	463	
(314)	Adjustment to the debtor in respect of leave & flexi taken in advance	(280)	
1,171	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		183
8,399	**Balance at 31 March**		**8,582**

33(h) Financial Instruments Revaluation Reserve

The Financial Instrument Revaluation Reserve contains the gains and/ or losses made by the Authority arising from increases or decreases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost; and
- Disposed of and the gains are realised.

2021/22 £000s		2022/23 £000s
(7,595)	**Balance at 1 April**	**(9,591)**
0	Transfer from Available for Sale Reserve	0
(1,996)	Gain on revaluation of Financial Instrument	0
(9,591)	**Balance at 31 March**	**(9,591)**

33(i) Dedicated Schools Grant Adjustment Account

The Authority's expenditure on schools is funded by grant monies (the Dedicated Schools Grant (DSG)) which is provided by the Education Skills & Funding Agency (ESFA). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a restricted range of educational services provided on an Authority wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school.

Details of the deployment of DSG receivable for 2022/23 are as follows:

	Central Expenditure £000s	Individual Schools budget £000s	Total £000s
Final DSG for 2022/23 before Academy recoupment			(186,863)
High Needs direct funding deduction			0
Academy figure recouped for 2022/23			27,621
Total DSG after Academy recoupment for 2022/23			(159,242)
Brought forward from 2021/22 as agreed with the Department for Education			0
Agreed initial budgeted distribution in 2022/23	(7,298)	(151,944)	(159,242)
In year adjustments	(7,801)	(168)	(7,969)
Final budgeted distribution for 2022/23	(15,099)	(152,112)	(167,211)
Less actual central expenditure	8,309	0	8,309
Less actual ISB deployed to schools	0	154,392	154,392
In Year Carry forward to 2023/24	**(6,790)**	**2,280**	**(4,510)**
DSG unuseable reserve at the end of 2021/22			12,851
Addition to DSG reserve at the end of 2022/23			0
Total of DSG reserve at the end of 2022/23			**8,341**
Net DSG position at the end of 2022/23			**8,341**

Page 158

Dedicated Schools Grant Management Plan

The ringfenced Dedicated Schools Grant (DSG) is received from the Government and administered by the Authority and is the main source of income for the schools budget. The DSG first fell into deficit during 2017/18 and it is an important element of the financial management of the Authority that the DSG is not in a deficit position. As a result, there has been action to address the deficit working collaboratively with Schools Forum although increasing numbers of children with special needs entering the education system has offset some of the progress.

These deficits have come under increasing scrutiny from the Department for Education (DfE) and in July 2022, the Authority was invited to apply to join the Safety Valve Intervention Programme. The programme required the Authority to submit a DSG Management Plan, describing what our forecasted cumulative deficit would be by 2027/28 and how we would achieve an in year balanced budget within that same five-year period. Where the DfE has confidence in the DSG Management Plan submitted, they will agree the additional funding necessary to remove the forecasted cumulative deficit at the end of the plan.

The Authority's DSG Management Plan, co-created with parents and carers, children and young people, and partners from across education, health, and care, was submitted in February 2023. This forecast a cumulative deficit in 2027/28 of £19.5m. The Authority's application was successful and on 15th March 2023, the DfE recorded in our Safety Valve Agreement that they would pay to the Authority £19.5m, with the first payment of £7.80m paid at the end of the financial year 2022-23. In subsequent financial years, subject to compliance with the conditions set in the agreement, namely that the Authority's cumulative deficit is in line with the forecast described, the DfE the remainder of the £19.5m across the five financial years.

Scheduled Safety Valve Payments

Year	Additional DfE payments
2022/23	£7.80m
2023/24	£1.95m
2024/25	£1.95m
2025/26	£1.95m
2026/27	£1.95m
2027/28	£3.90m

To support the implementation of the DSG Management Plan, the Authority also submitted a capital build proposal. The Authority has been notified that we will receive £4.6m in June 2023, to support our capital investment programme. The Authority is required to submit a report three times per year, describing the progress that the Authority has made on delivery the DGS Management Plan.

34 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. 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 are disclosed in a note to the accounts.

Housing Revenue Account (HRA) Water Rates Collection

For well over 20 years the Authority has acted as a collection agent on behalf of Northumbrian Water Limited in respect of HRA tenants' water and sewerage charges. In return for this service the Authority has received an annual commission which has been treated as an income stream to the HRA. The treatment of this arrangement has been called into question due to a High Court ruling during 2015/16 (Jones v London Borough of Southwark) which ruled that Local Authorities collecting water rates via the HRA were doing so as a water supplier and not as an agent of the water supplier. This has potentially significant financial implications for those affected, both in terms of the agency fee and where action has been taken against rent arrears that could be deemed to include water rates. The Court of Appeal has subsequently concluded that local authorities were a water reseller rather than an agency, meaning that discounts to tenants should have been passed on. The Authority continues to assess and monitor the implications of any potential actions under this ruling and has put in place agreed contractual changes with Northumbrian Water Limited to clarify its role as a collection agent rather than a water supplier under current arrangements.

Capita NTC Technical Partnership

The Capita NTC Technical Partnership has been in place since 2012 and in each financial year prior to 2022/23 the Partnership has managed all financial pressures in-year producing a nil variance outturn. In recent years the pressures on the contract have increased, requiring formal commercial discussions to take please to reach a settlement to balance the in-year position. These discussions have resulted in official written communication being issued to Capita, outlining the amount due from Capita to NTC. Written agreement from Capita has always been received and the settlement has always been paid when due. The Authority has included a debtor in its accounts of around £1.8m, which balances the Technical Partnership in the same manner as we have done collectively since 2017/18. Recent correspondence from Capita, has however given rise to significant concern from the Authority that there is a desire to deviate from prior precedents set, as such adding material risk to the outturn position of the Partnership in 2022/23.

Pension Fund Guarantors

The Authority, together with the other Tyne & Wear Councils, is guarantor to the Tyne & Wear Pension Fund in respect of employees of the North East Regional Assembly and the Association of North East Councils. The Tyne & Wear authorities also act collectively as guarantors for the pension liabilities of the North East Regional Employers Organisation (NEREO), Disability North and Percy Hedley.

The authorities involved have agreed with the Pension Fund administrators that if any of the above bodies should cease operating then any pension deficit would be repaid over an agreed repayment period. In the unlikely event of any of these bodies failing, the Authority's share of the potential pension deficit (18%) would need to be considered as part of the overall financial position of that body.

Management have considered the requirements under IAS39 (Financial Instruments: Recognition and Measurement) in respect of these arrangements and it is not felt that they meet the criteria to be included on the Authority's Balance Sheet on the grounds of materiality and unlikely event of the bodies ceasing to exist.

The Authority also acts as guarantor for the following organisations where TUPE (Transfer of Undertakings, Protection of Employment) arrangements of staff have taken place:

- Capita;
- ENGIE; and
- Lovell Partnership Limited (now Morgan Sindall).

Each of these organisations have acquired a bond to protect the Pension Fund against costs that might arise should their contract with the Authority cease prematurely. The Authority would be liable for any liability in excess of the level of the bond. Management have considered the requirements under IAS39 in respect of these arrangements, and it is not felt that they meet the criteria to be included on the Authority's Balance Sheet on the grounds of materiality and unlikely event of the bodies ceasing to exist.

35 School Balances

	Schools with Surpluses £000s	Schools with Deficits £000s	Net Surplus £000s
Balance at 1 April 2022	**(15,230)**	**11,832**	**(3,398)**
Net overspend/(underspend) during year	2,283	1,497	3,780
Balance at 31 March 2023	**(12,947)**	**13,329**	**382**

The above balances are committed to be spent solely on the Education Service of the Authority.

36 National Health Services Act 2006 Pooled Funds and similar arrangements

Until 2014/15, the Authority had two separate pooled budget arrangements under section 75 of the National Health Service Act 2006. They were both joint working relationships between health and social care and covered Intermediate Care and the Joint Loan Store. In 2015/16 these arrangements were subsumed into the Better Care Fund.

The Better Care Fund has been 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 North Tyneside Clinical Commissioning Group and North Tyneside Council establish a pooled fund for this purpose.

The partners to this pooled fund arrangement are North Tyneside Council and North Tyneside Clinical Commissioning Group (the Authority is the host partner). 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.

For 2022/23, the North Tyneside Council Pooled contribution represents the Improved Better Care Fund Grant which is paid to the Authority on the condition that it is pooled in the local Better Care Fund Plan.

The capital elements of the Better Care Fund are non-pooled as they are financed by grant and all spend against them must comply with the grant conditions that make pooling impossible.

For accounting purposes, the CCG's and the Authority have agreed that joint control does not exist, and the Authority has only accounted for its share within the Comprehensive Income and Expenditure Statement.

2021/22 £000s		2022/23 £000s	2022/23 £000s
	Contributions		
1,869	North Tyneside Council (Non-Pooled)	1,869	
9,297	North Tyneside Council (Pooled)	9,579	
18,291	North Tyneside Clinical Commissioning Group (Pooled)	21,088	
29,457	**Total Contributions**		**32,536**
	Spend		
1,380	North Tyneside Council spend in year (Non-Pooled)		1,769
489	North Tyneside Council – grant carry forward (Non-Pooled)		100
20,948	North Tyneside Council spend in year (Pooled)		23,651
6,640	North Tyneside Clinical Commissioning Group spend in year (Pooled)		7,016
29,457	**Total Spend**		**32,536**

37 Financial Instruments

Financial Instruments are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Liabilities
Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Authority's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets
To meet Code requirements, financial assets are now classified into one of three categories:

(a) Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.

(b) Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.

(c) Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur. The Authority has no assets classified as FVTPL during 2022/23.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/ credited to the Financing and Investment Income and Expenditure line in the CIES. The Authority has set aside £24.816m to cover bad and doubtful debts for debtors.

Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

The value of debtors and creditors reported in the following table are solely those amounts meeting the definition of a financial instrument. The following categories of Financial Instrument are carried on the Balance Sheet:

	Long-term		Current	
	31 March 2022 £000s	**31 March 2023 £000s**	**31 March 2022 £000s**	**31 March 2023 £000s**
Financial Assets at Amortised Cost				
Short Term Investments	0	0	27,500	15,000
Debtors	2,227	2,044	33,072	37,439
Cash & Cash Equivalents	0	0	30,964	22,821
	2,227	2,004	91,536	75,260
Financial Assets – Fair Value through other Comprehensive Income				
Investments (Level 3)	20,333	22,249	0	0
Total Financial Assets	**22,560**	**24,293**	**91,536**	**75,260**
Financial Liabilities at Amortised Cost				
Loans principal	392,443	398,443	7,993	32,106
Loans accrued interest	0	0	2,993	3,106
Creditors	0	0	68,628	41,001
	392,443	398,443	79,614	76,213
Other Long-Term Liabilities				
PFI Schemes	100,659	97,971	4,874	4,919
Total Financial Liabilities	**493,102**	**496,414**	**84,488**	**81,132**

Financial instruments gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2022/23			
	Financial Liabilities	Financial assets		Total
	Measured at amortised cost £000s	Measured at amortised cost £000s	Fair value through OCI&E £000s	£000s
Interest on loans	(14,488)	0	0	(14,488)
Interest on PFI Schemes	(10,157)	0	0	(10,157)
Total Interest Payable	(24,645)	0	0	(24,645)
Interest Income	0	605	0	605
Net loss/(gain) for the year	0	0	0	
Dividend Received	0	0	0	0
Net (loss)/gain for the year	**(24,645)**	**605**	**0**	**(24,040)**

	2021/22			
	Financial Liabilities	Financial assets		Total
	Measured at amortised cost £000s	Loans and Receivables £000s	Fair value through OCI&E £000s	£000s
Interest on loans	(14,421)	0	0	(14,421)
Interest on PFI Schemes	(7,718)	0	0	(7,718)
Total Interest Payable	(22,139)	0	0	(22,139)
Interest Income	0	100	0	100
Net (loss)/gain for the year	0	0	(3,026)	(3,026)
Dividend Received	0	0	0	0
Net (loss)/gain for the year	**(22,139)**	**100**	**(3,026)**	**(25,065)**

Fair value of Financial Assets & Liabilities

Financial liabilities and financial assets classed at amortised cost and financial liabilities at amortised cost are carried in the Balance Sheet at amortised cost.
Their fair values can be estimated by calculating the present value of cash flows that will take place over the remaining term of the instruments.

31 March 2022 Carrying Amount £000s	31 March 2022 Fair Value £000s		31 March 2023 Carrying Amount £000s	31 March 2023 Fair Value £000s
		Financial Assets at amortised cost		
27,500	27,500	Short Term Investments	15,000	15,000
35,299	35,299	Debtors	39,483	39,483
30,964	30,964	Cash and Cash Equivalents	22,821	22,821
93,763	93,763		77,304	77,304
		Financial Assets – Fair Value through other comprehensive income		
0	0	Cash and Cash Equivalents	0	0
0	0	Debtors	0	0
20,333	20,333	Investments*	22,249	22,249
0	0	**Financial Assets – Fair value through profit and loss**	0	0
0	0	Cash and Cash Equivalents	0	0
		Debtors		
20,333	20,333		22,249	22,249
114,096	**114,096**	**Total Financial Assets**	**99,553**	**99,553**
		Borrowings		
380,277	442,504	PWLB**	385,293	337,307
20,159	31,938	LOBO	20,159	19,979
0	0	Market Loans	25,097	25,097
400,436	474,442		430,549	382,383

31 March 2022 Carrying Amount £000s	31 March 2022 Fair Value £000s		31 March 2023 Carrying Amount £000s	31 March 2023 Fair Value £000s
68,628	68,628	**Creditors**	41,001	41,001
		Other Long-Term Liabilities		
		Service Concession and Finance lease liabilities		
105,443	105,443	PFI Schemes	102,890	102,890
574,507	**648,513**	**Total Financial Liabilities**	**574,440**	**526,274**

* The Authority holds a 6.33% share in Newcastle International Airport Limited. These shares are not traded in an active market. The fair value for Newcastle Airport has been assessed at 31 March 2023 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. The fair value of shares as at 31 March 2023 is £9.825m (2021/22 £9.825m). North Tyneside Trading Company is wholly owned by the Authority and these shares are not traded in an active market. The fair value shown above has been based on historic cost (cost of shares). Following review there is no evidence that we need to impair any of the value of the company. The value of the shares as at 31 March 2023 is £12.424m (2021/22 £10.508m).

**For loans from the Public Works Loans Board (PWLB), replacement rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.

PFI Liabilities are classified as Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Newcastle Airport – Level 3 inputs. 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.

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. The Authority's accounting policy uses early repayment rates to discount future cash flows. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

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

Nature and extent of risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments; and,
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Treasury Management Team, under policies approved by Authority in the 'Treasury Management and Annual Investment Strategies'. This provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit rate risk and the investment of surplus cash. The annual Treasury Management Strategy is available on the Authority's website.

Credit risk

The Authority recognises expected credit losses on all its financial assets held at amortised cost or FVOCI, either on a 12 month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority. Impairment losses are calculated to reflect expectations that the future cashflows might not take place because the borrower could default on their obligations. Credit risk plays an important role in assessing losses.

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they meet the Authority's minimum credit requirements. This is assessed using information on these institutions provided by our external Treasury Management advisors, assessing the credit risk of the counterparty and the duration of the investment. The Authority's lending policy is set out in the Annual Investment Strategy.

The Authority does not expect any losses from non-performance by any of its counterparties in relation to investments/ deposits. Exposures are managed in line with the approved Treasury Management Strategy Statement and Annual Investment Strategy. Any overnight excess of credit limits is reported to the Director of Resources.

Liquidity risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finances to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Treasury Management Strategy is to continually review the profile of maturity dates so that it does not expose the Authority to undue risk by ensuring that a significant proportion of its borrowings do not mature at any one time.

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

31 March 2022 £000s	Liabilities outstanding	31 March 2023 £000s
380,277	Public Works Loans Board	385,293
20,159	LOBO	20,159
0	Market Loans	25,097
69,629	Creditors	41,001
105,360	PFI liabilities	102,890
575,425		**574,440**
85,719	Less than 1 year	75,488
19,403	Between 1 and 2 years	19,724
46,045	Between 2 and 5 years	67,413
71,934	Between 5 and 10 years	76,096
352,324	More than 10 years	335,719
575,425		**574,440**

Market risk

Interest rate risk

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

- Borrowings at fixed rates – the fair value of the borrowings will fall; and,
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings and investments are not carried at fair value; so nominal gains and losses on fixed rate borrowings and investments would not impact on the Comprehensive Income and Expenditure Statement.

The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting and monitoring of the annual budget. The budget is monitored bi-monthly during the year which allows any adverse changes to be accommodated. The analysis will also advise on whether new borrowing taken out is fixed or variable. Authorities are required to disclose the impact of interest rate changes on their financial assets and liabilities. Whilst there is provision in the Treasury Management Strategy for variable loans, no such loans were in place during 2022/23.

According to this investment strategy, as at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2022 £000s		31 March 2023 £000s
(204)	Change in fair value of fixed rate investments	(75)
(1,831)	Increase in fair value of fixed rate borrowing liabilities (which does not have an impact on the Comprehensive Income and Expenditure Statement)	58,179

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

Price risk

The Authority does not generally invest in equity shares; consequently, it is not exposed to losses arising from movements in the prices of shares. However, the Authority has invested in North Tyneside Trading Company Limited as outlined in Note 23. The value of this investment is £12.424m and due to the nature of the investment it is deemed to be illiquid.

The Authority also holds an investment in Newcastle Airport Local Authority Holding Company Ltd which has been redesignated as fair value through Other Comprehensive Income & Expenditure under IFRS9 classifications. Further details can be found in Note 23.

Foreign exchange risk

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

Amounts arising from expected credit losses (Financial Assets at amortised cost)

Allowances for impairment losses have been assessed, applying the expected credit losses model. It has been concluded that expected credit losses are not material. The debtor's figure is net of the provision for bad debt of £6.798m (£6.814m 2021/22).

38 Notes to the Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

Group 2021/22 £000s	Council 2021/22 £000s		Group 2022/23 £000s	Council 2022/23 £000s
502	502	Interest Received	856	856
(22,318)	(22,318)	Interest Paid	(24,604)	(24,604)

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

Group 2021/22 £000s	Council 2021/22 £000s		Group 2022/23 £000s	Council 2022/23 £000s
32,780	32,780	Depreciation & Impairment	33,464	33,464
3,469	3,469	Revaluations	664	664
987	987	Amortisation of intangible assets	1,076	1,076
23,907	24,125	Increase/(Decrease) in Creditors	(31,378)	(31,272)
6,950	6,963	(Increase)/Decrease in Debtors	(2,327)	(2,366)
6,030	(112)	(Increase)/Decrease in Inventories	738	(162)
39,400	39,400	Movement in the Pension Liability	39,770	39,770
9,768	9,768	Carrying amount of non-current assets sold	5,562	5,562
297	297	Other non-cash items charged to the surplus/deficit on the provision of services	(2,977)	(2,977)
123,588	**117,677**		**44,592**	**43,759**

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

Group 2021/22 £000s	Council 2021/22 £000s		Group 2022/23 £000s	Council 2022/23 £000s
(9,934)	(9,934)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,549)	(6,549)
(26,823)	(26,823)	Any other items for which the cash effects are investing or financing cash flows	(23,392)	(23,392)
(36,757)	**(36,757)**		**(29,941)**	**(29,941)**

39 Notes to the Cash Flow – Investing Activities

Operating activities within the Cash Flow Statement include the following cash flows relating to investing activities.

Group 2021/22 £000s	Council 2021/22 £000s		Group 2022/23 £000s	Council 2022/23 £000s
(52,731)	(52,731)	Purchase of Property, Plant & Equipment, investment property and intangible assets	(65,006)	(65,006)
(10,000)	(11,097)	Purchase of short-and long- term investments	(1,916)	(1,916)
49	(5,283)	Other payments for investing activities	(332)	(332)
9,937	9,937	Proceeds from the sale of Property, Plant & Equipment investment property and intangible assets	6,552	6,552
23,898	34,354	Other receipts from Investing Activities	35,406	35,406
(28,847)	**(24,820)**	**Net Cash Flows from Investing Activities**	**(25,296)**	**(25,296)**

40 Notes to the Cash Flow – Financing Activities

Group 2021/22 £000s	Council 2021/22 £000s		Group 2022/23 £000s	Council 2022/23 £000s
5,000	5,000	Cash receipts of short- and long-term borrowing	55,000	55,000
(25,092)	(25,092)	Repayment of short- and long-term borrowing	(25,004)	(25,004)
(4,591)	(4,591)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,946)	(3,946)
(1,184)	(159)	Other payments for financing activities	(776)	(312)
(25,867)	**(24,842)**	**Net Cash Flows from Financing Activities**	**25,274**	**25,738**

41 Inventories

31 March 2022 £000s		31 March 2023 £000s
365	HRA Stock – Construction Contract	549
935	General Fund Stock (libraries, catering)	907
1,300	Authority Total	**1,456**
1,019	North Tyneside Trading Company (NTTC) Inventories *	122
2,319	**Group Total**	**1,578**

* The inventory for NTTC relates to land and buildings, it is the cost of completed properties pending sale on the open market.

42 Basis of Preparation Note

Going Concern

The Authority's financial statements for 2022/23 have been prepared on a going concern basis in accordance with the CIPFA Code of Local Government Accounting (2022/23). The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate.

The Authority continues to face unprecedented challenges, including the continuing impact of COVID-19 as well as the current cost of living crisis, in delivering essential services whilst resources are constrained.

The Authority continues to regularly monitor its financial position and provide full financial updates to the Authority as appropriate, including options on addressing any emerging spending pressures. This may include potential national flexibilities, reprioritisation of earmarked reserves and balances, restrictions on expenditure, including recruitment, revisions to service delivery or service standards and identification of additional saving measures. The Authority is continuing to liaise with the Government on ensuring sustainable funding going forward.

North Tyneside Council has a high level of balances of cash and short-term investments, totalling £22.500m at 31 March 2023 and a projected cash balances in excess of £20.000m at 31 March 2024. The Authority's cash flow is monitored daily by management and the Authority does not forecast any cash flow shortage during 2023/24. The Authority maintains a cautious and risk-based strategy to managing cashflow. Cash balances are forecast to remain positive for at least 12 months following approval of the financial statements. The Authority has used surplus cashflow throughout 2022/23 to repay maturing debt which has contributed to an under-borrowed position of £68.532m, as such the Authority will not borrow above the approved Capital Financing Requirement to support the capital strategy and cashflow. The Authority, as part its cash flow modelling, has undertaken a prudent approach, ensuring the Authority will maintain an efficient level of working capital for the going concern period.

43 Events after the Balance Sheet Date

There are no events after the balance sheet date to report.

5.0 Supplementary Financial Statements and Explanatory Notes

5.1 Housing Revenue Account – Income & Expenditure Statement for year ended 31 March 2023

The Housing Revenue Account (HRA) Income & Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities 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 on the HRA Statement.

2021/22 £000s		**Note**	**2022/23 £000s**	**2022/23 £000s**
	Expenditure			
13,150	Repairs & Maintenance		13,683	
13,016	Supervision and Management		14,462	
1,639	PFI Unitary Charge Payments		1,865	
263	Rents, Rates, Taxes and other charges		230	
588	Movement in the allowance for bad debts	47	507	
5,876	Capital Charges – including Depreciation, Revaluation and Impairment of non-current assets	52	14,370	45,117
34,532	Total Expenditure			
	Income			
(57,429)	Dwelling rents (Gross)		(59,402)	
(712)	Non-dwelling rents (Gross)		(725)	
(3,159)	Charges for services and facilities		(3,315)	
(2,319)	Contributions towards expenditure		(2,105)	
(7,693)	PFI Credits		(7,693)	(73,240)
(71,312)	Total Income			
(36,780)	**Net cost of HRA services as included in the Comprehensive Income & Expenditure Statement**			**(28,123)**

2021/22 £000s		Note	2022/23 £000s	£000s
317	HRA service's share of Central Costs		317	
2,678	HRA share of other amounts included in the whole Authority Cost of Services but not allocated to specific services		2,391	
(33,785)	**Net Income for HRA Services**			**(25,415)**
	HRA Share of the operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
(1,499)	Gain on disposal of HRA non-current assets		(863)	
14,390	Interest payable & similar charges		14,400	
(74)	Interest and investment income		(286)	
1,309	Pensions interest cost & expected return on pensions assets	51	1,131	
550	Capital grants and contributions		(405)	13,977
(19,109)	**Surplus for the year on HRA Services**			**(11,438)**

Page 178

5.2 Movement on the Housing Revenue Account Statement

2021/22 £000s		2022/23 £000s
(24,727)	Balance on the HRA at the end of the previous year	(24,803)
(19,109)	Surplus for the year on the HRA Services	(11,438)
19,033	Adjustments between accounting basis and funding basis under statute	8,779
(76)	(Increase)/Decrease in year on the HRA	(2,659)
(24,803)	**Balance on the HRA at the end of the year**	**(27,462)**

5.3 Explanatory Notes to the Housing Revenue Account

44 Housing Stock

The Authority was responsible for managing 14,191 dwellings at 31 March 2023 compared with 14,299 at 31 March 2022. The net reduction of 108 properties includes the sale of 120 properties, 5 Rough Sleepers Accommodation properties and 9 affordable homes properties were added in year and 2 properties moved from General Needs to Houses in Multiple Occupation.

The number of empty properties included in the above figures as at 31 March 2023 stands at 113 compared with 111 at 31 March 2022.

The stock is made up as follows:

1 April 2022		31 March 2023
	Low Rise Flats	
1,538	- 1 Bed	1,541
1,026	- 2 Bed	1,015
110	- 3+ Bed	110
	Medium Rise Flats	
567	- 1 Bed	561
1,111	- 2 Bed	1,100
60	- 3+ Bed	60
	Houses and Bungalows	
1,565	- 1 Bed	1,569
2,932	- 2 Bed	2,919
5,059	- 3 Bed	4,989
331	- 4+ Bed	327
14,299	**Total**	**14,191**

45 Balance Sheet Valuation

This note identifies the total net balance sheet value of land, houses and other property within the HRA (valued in accordance with government guidelines) and analyses the movement in the balance sheet value during the year.

1 April 2022 £000s		31 March 2023 £000s
675,219	Houses	690,538
2,960	Land & Buildings	3,747
5,075	Vehicles, Plant & Equipment	4,515
0	Surplus Assets	0
8	Infrastructure	8
15	Intangibles	50
234	Assets Under Construction	0
683,511		**698,858**

46 Vacant Possession

The vacant possession value of dwellings within the HRA (valued in accordance with government guidance) was as follows:

1 April 2022 £ms		31 March 2023 £ms
1,439	Vacant Possession Value of HRA Dwellings	1,473

In accordance with government guidance, council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. This adjustment factor is currently 44% in 2022/23 (44% 2021/22).

As a consequence, the Authority recognises council dwellings at a value of £690.538m on the Balance Sheet. The value of these properties if vacant would be £1,472.540m, therefore recognising an economic cost to the government of providing council housing at less than open market rents of £782.002m.

47 Rent Arrears and Bad Debt Allowance

Overall rent arrears have increased by £0.144m during 2022/23, from £6.156m at 31 March 2022 to £6.300m at 31 March 2023. These figures include rent, service charge and water rate arrears.

	£000s	£000s
Opening Rent Arrears at 1 April 2022 - consisting of:		
Current Tenant Arrears at 1 April 2022	3,694	
Former Tenant Arrears at 1 April 2022	2,462	6,156
Closing Rent Arrears at 31 March 2023 - consisting of:		
Current Tenant Arrears at 31 March 2023	3,930	
Former Tenant Arrears at 31 March 2023	2,370	6,300

The provision for bad debt required at 31 March 2023 is £5.207m compared with £5.085m at 31 March 2022, an increase of £0.122m. Bad debts of £0.385m were written off during the year, and a contribution of £0.507m was made:

2021/22 £000s		2022/23 £000s
4,744	Opening Provision for Bad Debt at 1 April	5,085
(247)	Bad debts written off during year	(385)
588	Additional contributions to bad debt provision during year	507
5,085	**Provision for Bad Debts at 31 March**	**5,207**

48 Major Repairs Reserve

The main credit to the Major Repairs Reserve is an amount equivalent to the total depreciation charges for all HRA assets. Statute allows any difference between the depreciation credit on the reserve and a specified amount deemed necessary for carrying out major repairs for the year to be transferred back to the HRA. Authorities are able to charge capital expenditure directly to the reserve and can also use it to make voluntary set aside payments to repay debt.

The movement on the HRA Major Repairs Reserve (MRR) during the year was as follows:

2021/22 £000s		2022/23 £000s
(9,102)	Balance as at 1 April	(8,227)
(12,357)	Depreciation transferred into MRR	(14,621)
13,232	Financing of HRA capital expenditure: Houses	15,663
(8,227)	**Balance as at 31 March**	**(7,185)**

49 Housing Capital Expenditure and Financing

Capital expenditure of £26.629m was incurred in the HRA during 2022/23

2021/22 £000s		2022/23 £000s
26,758	Dwellings	26,629
0	Revenue Expenditure Funded by Capital under Statute	0
26,758		**26,629**

This was financed as follows:

2021/22 £000s		2022/23 £000s
13,232	Major Repairs Reserve	15,983
11,678	Revenue Contribution	9,401
1,111	Usable Capital Receipts – RTB Retained	184
0	Usable Capital Receipts - Other	259
0	Use of Reserves	370
737	Grants	432
26,758		**26,629**

Total Gross Capital Receipts:

2021/22 £000s		2022/23 £000s
8,717	Dwellings	6,485
172	Land	0
8,889		**6,485**

50 Depreciation for HRA Assets

The charges for depreciation within the HRA for 2022/23 were as follows:

2021/22 £000s		2022/23 £000s
14,129	Dwellings	14,621
956	Vehicles, Plant & Equipment	1,101
50	Land & Buildings	52
1	Other	0
15,136		**15,774**

51 Pension Costs

In accordance with IAS19 Retirement Benefits, the Authority is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. Note 9 provides further details on Pension Costs.

The amounts charged to the HRA for 2022/23 in accordance with IAS19 were as follows:

2021/22 £000s		2022/23 £000s
4,222	Allocated to Services	4,385
1,309	Interest on Net Defined Benefit Liability	1,131
(5,531)	Movement on Pension Reserve	(5,516)

52 Capital Charges

The total value of the capital charges within the Income & Expenditure Account are as follows:

2021/22 £000s		2022/23 £000s
15,136	Depreciation	15,775
4,392	Downwards Revaluations	1,144
(13,652)	Revaluation Increases	(2,549)
5,876		**14,370**

53 Revenue Expenditure funded from Capital under Statute

The amount of revenue expenditure funded from capital under statute in 2022/23 is £0.000m (£0.000m 2021/22).

54 Interest

From 2012/13 under the requirements of the new self-financing regime for HRA, the Authority's long-term loans have been individually split between the General Fund and the HRA. The HRA is therefore charged with the actual interest costs of its long-term borrowing, plus the costs of any short-term borrowing which the HRA may undertake. The method of apportioning the HRA's share of the total interest costs incurred on its share of the debt portfolio complies with general accounting practice, and thus the amount charged to the HRA Income & Expenditure Account represents the statutory charge, totalling £8.982m for 2022/23 (£9.123m 2021/22). This figure is included in interest and other charges in the HRA Income & Expenditure Statement.

55 Capital Charges (Item 8 Debit and Credit)

The cost of capital asset charge to the HRA is prescribed via the Item 8 debit and credit calculations. Depreciation and impairment of property, plant and equipment (details shown in Note 19 of the main accounts) together with debt management expenses (£0.019m in 2022/23 and £0.006m in 2021/22) are included in the Net Cost of Services to reflect the true cost of the use of assets.

Interest payable and similar charges (£14.400m in 2022/23 and £14.390m in 2021/22) are charged after the Net Cost of Services.

5.4 Collection Fund Statement for year ended 31 March 2023

The Collection Fund is a statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and Central Government of Council Tax and Business Rates.

2021/22 £000s		Note	2022/23 £000s Business Rates	£000s Council Tax	£000s Total
	Income				
(122,362)	Council Tax	56	0	(128,006)	(128,006)
0	Council Tax Benefits		0	0	0
(50,443)	Business Rates Receivable	57	(55,004)	0	(55,004)
	Distribution of Collection Fund Deficit:				
(14,519)	Central Government		(4,695)	0	(4,695)
(14,561)	North Tyneside Council		(4,601)	(1,324)	(5,925)
0	Police and Crime Commissioner for Northumbria		0	(109)	(109)
(294)	Tyne & Wear Fire & Rescue Authority		(94)	(65)	(159)
(202,179)	**Total Income**		(64,394)	(129,504)	(193,898)
	Expenditure				
	Precepts, Demands & Shares:	58			
28,582	Central Government		27,975	0	27,975
132,340	North Tyneside Council Demand		27,416	109,720	137,136
8,766	Police and Crime Commissioner for Northumbria		0	9,573	9,573
5,791	Tyne & Wear Fire & Rescue Authority		559	5,436	5,995
175,479			55,950	124,729	180,679
	Distribution of Collection Fund Surplus:	59			
427	North Tyneside Council		0	0	0
36	Police and Crime Commissioner for Northumbria		0	0	0
22	Tyne & Wear Fire & Rescue Authority		0	0	0
485			0	0	0

2021/22 £000s		Note	2022/23 £000s	£000s	£000s
	Charges to the Collection Fund:	60			
6	Increase/(decrease) in Provision for Appeals		(90)	0	(90)
3,022	Increase/(decrease) in Impairment Allowance		1,167	2,009	3,176
234	Cost of Collection		234	0	234
146	Disregarded Amounts		165	0	165
46	Transitional Protection Payment		391	0	391
3,454			1,867	2,009	3,876
179,418	**Total Expenditure**		57,817	126,738	184,554
(22,761)	Deficit/(Surplus) for the year		(6,578)	(2,765)	(9,343)
31,230	Deficit/(Surplus) as at 1 April		9,410	(942)	8,468
8,469	Deficit/(Surplus) as at 31 March	61	2,832	(3,707)	(875)

5.5 Explanatory Notes to the Collection Fund

General

This statement represents the transactions of the Collection Fund, which is a statutory fund separate from the General Fund of the Authority. The Collection Fund accounts independently for income relating to Council Tax and Business Rates on behalf of those bodies (including the Authority's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund. Collection Fund balances are consolidated into the Authority's Consolidated Balance Sheet.

56 Council Tax

Under the Local Government Finance Act 1992, Council Tax replaced Community Charge as the local tax directly supporting local authority expenditure and was introduced on 1 April 1993.

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Authority, the Police and Crime Commissioner for Northumbria and the Tyne & Wear Fire & Rescue Authority 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: (62,229 2022/23) (60,941 2021/22).

This basic amount of Council Tax for Band D property (£2,004.36 2022/23) (£1,941.45 2021/22) is multiplied by the proportion specified for the particular band to give an individual amount due.

The table below shows the Band D equivalent and Council Tax base for 2022/23.

	Band D Equivalents	Collection Rate	Council Tax Base
Tax Base Calculation	63,126	98.50%	62,179
Add Payments in Lieu			50
2022/23 Council Tax Base			62,229

Council Tax Base Calculation

	BAND A Entitled to Disabled Relief Reduction	**BAND A** Value Range up to £40,000 (see Note 1)	**BAND B** Value Range £40,001 to £52,000	**BAND C** Value Range £52,001 to £68,000	**BAND D** Value Range £68,001 to £88,000	**BAND E** Value Range £88,001 to £120,000	**BAND F** Value Range £120,001 to £160,000	**BAND G** Value Range £160,001 to £320,000	**BAND H** Value range over £320,000	**TOTAL**
Properties as per List 30/11/21	0	50,415	15,859	19,672	8,225	4,290	1,447	367	38	100,313
Demolished Dwellings	0	(1)	0	0	0	0	0	0	0	(1)
Assumed Growth on New Build Properties	0	0	0	0	250	0	0	0	0	250
Disabled Relief	166	(87)	18	(46)	(25)	(10)	(4)	9	(21)	0
Exempt Dwellings or 100% discount.	0	(925)	(280)	(336)	(86)	(33)	(14)	(3)	(2)	(1,679)
Impact of Council Tax Support Scheme	(52)	(9,821)	(1,152)	(625)	(120)	(37)	(6)	(2)	0	(11,815)
	114	39,581	14,445	18,665	8,244	4,210	1,423	371	15	87,068
Less: Discounts at 25%	(16)	(6,442)	(1,560)	(1,361)	(421)	(166)	(53)	(27)	(2)	(10,048)
Add: Council Tax Premium Charge (100%)	0	140	20	27	10	3	3	1	0	204
Add: Council Tax Premium Charge (200%)	0	74	10	6	2	4	0	4	2	102
Add: Council Tax Premium Charge (300%)	0	66	9	3	3	0	0	0	0	81
	98	33,353	12,915	17,337	7,835	4,051	1,373	349	15	77,407
Proportion of Band D Equivalent	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	54	22,235	10,045	15,411	7,835	4,951	1,983	582	29	63,126
Total Number of 25% Discounts	60	25,743	6,229	5,422	1,676	654	201	66	4	40,055
Total Number of 50% Discounts	2	13	6	11	4	5	6	21	3	71

Page 190

57 Business Rates

The NDR multipliers (the rate in the £) are set annually by Central Government. For 2022/23, the standard rates multiplier was set at 51.2 pence in the £ and the small business multiplier was set at 49.9 pence in the £.

From 1 April 2013 there has been a fundamental change to the system of Local Government Finance with the introduction of the Business Rates Retention Scheme. This system allows Authorities to retain a proportion of business rates revenues, as well as growth generated in their area. In the case of North Tyneside Council, the retained share (local share) of business rates income is 49%. Of the remainder, 50% is distributed to Central Government and 1% to the Tyne and Wear Fire and Rescue Authority.

At the outset of the Business Rates Retention Scheme the government undertook calculations to ensure that Councils with greater needs than their business rates income would receive a 'top up' payment and Councils with more business rates than their current spending will make a 'tariff' payment to Central Government. In the case of North Tyneside Council, the 'top up' payment for 2022/23 is £20.505m (2021/22 £20.505m). In addition, the Business Rates Retention system offers an element of protection through 'Safety Net' payments. North Tyneside Council would be entitled to a safety net payment if its business rates income in any year fell below 92.5% of its baseline amount.

The Authority's non-domestic rateable value at 31 March 2023 was £147,746,819 (£151,261,773 at 31 March 2022).

58 Precepts, Demands and Shares

In relation to the changes introduced as part of the Business Rates Retention Scheme and described previously, the amount estimated before the start of the 2022/23 financial year for business rates are set out here. Of these totals, the North Tyneside Council share was 49%, the Government share was 50% and the amount in respect of the Tyne & Wear Fire and Rescue Authority was 1%.

In relation to Council Tax, the following authorities made significant demands and precepts on the Collection Fund:

2021/22 £000s		2022/23 £000s
104,330	North Tyneside Council Demand	109,720
8,766	Police and Crime Commissioner for Northumbria Precept	9,573
5,219	Tyne & Wear Fire & Rescue Authority Precept	5,436
118,315		**124,729**

59 Distribution of Collection Fund Surplus

Under Collection Fund legislation, North Tyneside Council has a statutory requirement to produce an estimated surplus or deficit for the following financial year. For 2022/23, the estimated surpluses were as follows:

2021/22 £000s		2022/23 £000s
427	North Tyneside Council	(1,324)
36	Police and Crime Commissioner for Northumbria Precept	(109)
22	Tyne & Wear Fire & Rescue Authority Precept	(65)
485		**(1,498)**

60 Charges to the Collection Fund

As part of the charges to the Collection Fund, North Tyneside Council is required to show amounts written off as uncollectable, which for 2022/23 are (£0.689m) (£1.003m 2021/22) for Council Tax and (£1.609m) for NDR (£0.895m 2021/22).

In addition, bad debt provisions are re-calculated on an annual basis, and for 2022/23 the Council Tax bad debt provision has been increased by £1.320m (£1.029m 2021/22) and the NDR bad debt provision decreased by £0.442m (increase of £0.094m 2020/21).

As shown in the statements, the total charge to the Collection Fund relating to Council Tax is £2.009m and the total charge relating to Business Rates is £1.167m.

The other significant item here is the provision for the NDR appeals as part of the Business Rates System £0.090m in 2022/23 (£0.006m 2021/22).

61 Collection Fund Surplus

The allocation of the Business Rates Collection Fund Deficit and the Council Tax Collection Fund Surplus are as follows:

	Business Rates Deficit £000s	Council Tax (Surplus)/ £000s
North Tyneside Council	1,388	(3,253)
Central Government	1,416	0
Police and Crime Commissioner for Northumbria Precept	0	(292)
Tyne & Wear Fire & Rescue Authority Precept	28	(162)
	2,832	**(3,707)**

6.0 Glossary of Terms

A

Accounting period: the period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period i.e. 31 March is the balance sheet date.

Accounting policies: are the specific principles, bases, conventions, rules and practices applied in preparing and presenting these accounts.

Accruals basis: the method of including amounts in accounts to cover income or expenditure attributable to an accounting period but for which payment has not been received or made by the end of the accounting period. This is based on the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Page 192

Actuarial Gains and Losses: for a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation
  or;
- the actuarial assumptions have changed.

Amortised: reducing the value of a balance in an accounting period. The reduction in value is transferred from the balance sheet to the Comprehensive Income and Expenditure Statement.

Amortised Cost: is the amount at which an asset or liability is measured (usually at cost) plus or minus accumulated interest.

Appropriations: transferring of an amount between specific reserves in the Comprehensive Income and Expenditure Statement.

Asset: something of value which is measurable in monetary terms.

Assets Held for Sale: these are assets previously used in the provision of services by the Council which are now available for immediate sale. The assets are being actively marketed and a sale is probable.

Authorised Limit: this is the limit beyond which borrowing is prohibited.

Authority: this is the corporate body of North Tyneside Council.

Available for Sale financial assets: financial instruments that either do not have fixed or determinable payments or whose prices are quoted on an active market.

B

Bad (and doubtful) debts: debts which may be uneconomic to collect or unenforceable in law.

Balances: the reserves of the Authority, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the funds.

Balance Sheet: a statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Billing authority: a local authority empowered to collect Business Rates and Council Tax i.e. metropolitan authorities, unitary authorities, London Boroughs, district authorities and the City of London. North Tyneside Council is a billing authority.

Business Rates (also known as Non-Domestic Rates (NDR)): a tax levied on business properties and is a means by which local businesses or organisations contribute to the cost of local authority services. The levy on businesses being based on a notional rate in the pound set by the government multiplied by the rateable value of the premises occupied. This multiplier is set annually by central government and comprises of a standard rates multiplier and a small business multiplier. The Authority can now keep half of this revenue to invest in local services.

Budget: a statement of the Authority's expected level of service expressed as an amount of spending over a set period, usually one year.

Capital Adjustment Account: provides a balancing mechanism between the different rates at which assets are depreciated under The Code and are financed through the capital controls systems.

Capital Charges: charges to services for the use of assets. They comprise depreciation, based on the current value of the assets used in the provision of services.

Capital expenditure: expenditure on the acquisition or enhancement of non-current assets. Capital expenditure can be incurred in some instances (where no asset is created) if Secretary of State permission is granted (e.g. equal pay, redundancy costs or where grants are made to other organisations for capital projects).

Capital Financing Requirement: the capital financing requirement is one of the indicators that must be produced as part of the CIPFA Prudential Code. This measures the Authority's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and the next two financial years.

Capital receipts: the proceeds from the sale of a fixed asset, or the repayment of some grants or loans made by the Authority.

Capitalised: transferred from revenue to capital.

Carrying Amount: the Balance Sheet value recorded of either an asset or a liability.

Cash and cash equivalents: this comprises cash in hand, cash overdrawn and short-term investments which are readily convertible into known amounts of cash.

Cashflow: movement in cash and cash equivalents by the Authority in the accounting period.

CIPFA: The Chartered Institute of Public Finance and Accountancy.

CIPFA/LASAAC Code of Practice on Local Authority Accounting (The Code): the code of practice applicable to preparing the accounts.

Collection Fund: this account reflects the statutory requirement contained in section 89 of the Local Government

Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR).

Community assets: assets that the Authority intends to hold in perpetuity have no determinable finite useful life and in addition may have restrictions on their disposal. Examples of community assets are playing fields and parks.

Component: is a significant part of an asset (such as a roof or major item of plant or equipment), which has to be separately identified for the purposes of accounting and asset management.

Comprehensive Income & Expenditure Statement: the account, that sets out the Authority's income and expenditure for the year for non-capital spending. It is sometimes referred to as the Revenue Account.

Consistency: the concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Consolidated: added together with adjustments to avoid double counting of income, expenditure, or to avoid exaggeration, e.g. debtors, creditors as a result of trading between services within the Authority which are reported on as a whole in the section on consolidated financial accounts.

Consumer Price Index (CPI): the index has been designed as a macro-economic measure of consumer price inflation. The official measure is calculated each month by taking a sample of goods and services that a typical household might buy including food, heating, household goods and travel costs.

Contingent asset: a contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

Contingent liabilities: arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingencies: sums set aside as a provision for liabilities which may arise in the future, but which cannot be determined in advance.

Council (or Full Council): the formal meeting of all Members of North Tyneside Council.

Council Tax: the main source of local taxation for local authorities. It is a banded property tax (using 1 April 1991 property values) which is levied on households within its area by the billing authority and is set annually for the properties in its area. Council Tax income is paid into the billing authority's Collection Fund for distribution to precepting authorities and for use by the billing authority's own General Fund.

Creditors: amounts owed by the Authority for work done, goods received, or services rendered to the Authority during the accounting period, but for which payment has not been made by the Balance Sheet date.

Current assets: which will be consumed or cease to have value within the next accounting period, e.g. inventories and debtors.

Current liabilities: amounts that the Authority owes to other bodies and due for payment within 12 months.

Current Service Cost (Pensions): the increase in the present value of a defined benefit scheme’s liabilities expected to rise from employee service in the current period.

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 a number of employees the accrual of defined benefits for some or all of their future service, examples being termination of employees service through redundancy or amendment of the terms affecting future benefits.

D

Debtors: amounts due to the Authority which relate to the accounting period and have not been received by the Balance Sheet date.

Deferred Credits including deferred capital receipts: amounts derived from the asset sales which will be received in instalments over a period of a year (e.g. mortgages on the sale of Council houses).

Deferred Liabilities: these are liabilities which are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time, e.g. deferred purchase arrangements.

Defined Benefit Scheme: 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.

Depreciation: the reduction in value of an asset due to age, wear and tear, deterioration or obsolescence.

Derecognition: financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

E

Earmarked reserves: these reserves represent the monies set aside that can only be used for a specific usage or purpose (see Reserves definition for more information).

Emoluments: all sums paid to or receivable by an employee and sums due by way of expenses or allowances (as far as those sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Enterprise Zones: specific areas where a combination of financial incentives and reduced planning restrictions apply.

Equity instrument: a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Estimation Techniques: methods adopted by the Authority to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

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

Exceptional items: are ones that are material in terms of the Authority's overall expenditure for example impairments and changes in accounting regulations.

Expenditure: costs incurred by the Authority for goods received, services rendered or other value consumables during the accounting period, irrespective of whether any movement of cash has taken place.

External Audit: the independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

Page 196

Extraordinary items: these are very rare. They are material items with a high degree of abnormality that arise outside the normal activities of the Authority and are not expected to recur.

F

Fair Value: fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

Finance Lease: a lease that transfers substantially all the risk and rewards of ownership of a fixed asset to the body leasing the asset (see Leasing definition for more information).

Financial Asset: a right to future economic benefits controlled by the Authority that is represented by: cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity.

Financial Instruments: contracts that give rise to a financial asset of one entity and a financial liability of another entity.

Financial Liability: an obligation to transfer economic benefits controlled by the Authority that is represented by: a contractual obligation to deliver cash (or another financial asset) to another entity, or a contractual obligation to exchange financial assets/liabilities with another entity.

G

General Fund: the main revenue account of the Authority, which brings together all income and expenditure other than recorded in the Housing Revenue Account and the Collection Fund.

General Reserves and Balances: monies held by the Council to deal with unforeseen events that might arise. The Council must maintain a prudent level of such balances.

Government grants: grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of local authority services. These grants may be specifically towards the cost of particular schemes or to support the general revenue spending of the Authority.

H

Heritage Assets these are assets, previously classified as community assets, which are intended to be preserved in trust for future generations because of their cultural, environmental of historical associations.

Historical cost: the actual cost of assets, goods or services, at the time of their acquisition.

Housing Benefits: a system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

Housing Revenue Account: a separate account that includes all income and expenditure arising from the provision of Council housing by the Authority.

I

Impairment: a reduction in the value of a fixed asset, measured by specific means, below its stated carrying amount in the Balance Sheet.

Income: amounts which the Authority receives or expects to receive from any source, including rents, fees, charges, sales and grants.

Infrastructure Assets: assets such as highways, bridges, street lights and footpaths.

Intangible Asset: identifiable non-monetary asset without physical substance e.g. computer licences.

Interest Cost (pensions): for a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Accounting Standards (IAS): international accounting standards issued by the International Accounting Standards Board. They are authoritative statements of how particular types of transactions and other events should be reflected in financial statements.

Inventories: raw materials and consumable items which the Authority has procured to use on a continuing basis and have not been used by the end of the accounting period.

Investment Property: interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

Investments: items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts).

Item 8 Debit and Credit Calculation: this refers to Item 8 of Part I and Item 8 of Part II of Schedule 4 to, the Local Government and Housing Act 1989 in respect of provisions for the treatment of impairment and depreciation in housing revenue accounts of local authorities in England from 1 April 2017.

L

Leasing: a method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright. The two methods are:

- *Operating Leases* – may generally be described as those which do not provide for the property in the asset to transfer to the Authority, only the rental will be taken into account by the lessee; or
- *Finance Leases* – are leases that transfer substantially all of the risks and rewards of ownership of the asset to the lessee. The asset is recorded on the lessee's balance sheet.

Lender Option Borrower Option Loans (LOBO): borrowing whereby the lender can opt to increase the interest rate payable at the end of the initial period. If the lender opts to increase the interest rate payable, then the borrower can either agree to this increase and continue to repay the loan up to the maturity date or can reject the new terms and repay the loan in full (without penalty).

Levies: similar to precepts, these sums are paid to other bodies. However, these amounts are not collected through Council Tax as with precepting bodies; they are items of expenditure on the face of the Comprehensive Income and Expenditure Statement. The bodies that charge a levy on the Authority are the North East Combined Authority (transport levy), the Environment Agency and the Tyne Port Health Authority and Northumberland Inshore Fisheries and Conservation Authority.

Liabilities: amounts due to individuals or organisations, which will have to be paid at some time in the future.

Long Term Assets: assets which have value to the Authority for more than one year, e.g. land, buildings, equipment (also known as non-current assets).

M

Material: the concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP): is the minimum amount which must be charged to an authority's revenue account each year and set aside as a provision for credit liabilities (repayment of debt), as required by the Local Government Act 1989.

N

National Multiplier: the figure used to calculate a non-domestic rates bill from the rateable value.

Non-Domestic Rates (NDR) (also known as Business Rates): a tax levied on business properties and is a means by which local businesses or organisations contribute to the cost of local authority services. The levy on businesses being based on a notional rate in the pound set by the government multiplied by the rateable value of the premises occupied. This multiplier is set annually by central government and comprises of a standard rates multiplier and a small business multiplier. The Authority can now keep half of this revenue to invest in local services.

Net Book Value: the amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided by depreciation.

Net Realisable Value: the open market value of the asset in its existing use (or open market value in the case of investment Property), less the expenses to be incurred in realising the asset.

Non-Current Asset: assets which have value to the Authority for more than one year e.g. land, buildings, equipment (also known as Long Term Assets).

O

Operational Boundary: this reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Operating Lease: a type of lease where the ownership of the asset remains with the lessor, and rental payments are recorded against services in the Comprehensive Income & Expenditure Statement (see Leasing definition for more information).

P

Pooled Funds: established to support partnership working. A pooled fund will receive funds from a variety of sources and will be administrated by the host partner.

Precept: the charge determined by precepting authorities on billing authorities. It requires the billing authority to collect income from Council taxpayers on their behalf. In the case of North Tyneside Council, the precepting authorities are the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority.

Prior Year Adjustments: material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of prior year errors. A prior year error may include the effect of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of fact, and fraud. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions: amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

Private Finance Initiative (PFI): public authority/private sector partnerships designed to procure new major capital investment resources for local authorities.

Property, Plant and Equipment (PPE): Property, Plant and Equipment covers all assets with physical substance (tangible assets) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Prudential Code: The current system on financial controls for capital financing introduced on 1 April 2004 that local authorities are required to operate by.

Prudence: this accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

Public Works Loan Board (PWLB): a central Government agency which lends money to local authorities at lower rates than those generally available from the private sector. Local authorities are able to borrow for their requirements to finance capital expenditure from this source.

R

Related Parties: individuals, or bodies, who have the potential to influence or control the Council or to be influenced or controlled by the Council

Remeasurement of the net defined benefit liability: comprises of

a) actuarial gains and losses,

b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and

c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Remuneration: defined as sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Replacement Cost: cost of replacement of the asset at the balance sheet date.

Reserves: amounts set aside in the accounts to meet expenditure which the Authority may decide to incur in future period, but not allocated to specific liabilities which are certain or very likely to occur. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

Retail Price Index (RPI): measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.

Revaluation Reserve: records unrealised revaluation gains arising (since 1 April 2007) from holding property, plant & equipment. This reserve is matched by fixed assets within the Balance sheet; therefore, they are not resources available to the Authority.

Revenue Contributions: method of financing capital expenditure directly from revenue.

Revenue Expenditure Funded from Capital under Statute: expenditure classified as capital for funding purposes but does not result in the creation of an asset (previously called deferred charges).

Revenue Support Grant: a central Government grant paid to each local authority to help to finance its general expenditure, as opposed to specific grants.

Ring-fenced: this refers to the statutory requirement that certain accounts such as the Collection Fund and Housing Revenue Account must be maintained separately from the General Fund.

S

Section 151 Officer: the Council officer designated under Section 151 of the Local Government Act 1972 to take overall responsibility for the financial administration of the Council.

Service Concession: an arrangement whereby the Authority contracts with a private operator to develop (or upgrade), operate and maintain infrastructure assets (in this case Schools and Street Lighting). The Authority controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the contract.

Strain on the Fund: An early payment of retirement benefits for members aged 55 or over and under 65 generates a ‘Strain on the Fund’ cost. This results in the Authority reimbursing the Tyne & Wear Pension Fund for the loss of employer and employee contributions and investment income which results from the employee retiring early.

T

Treasury Management: this is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS): a strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

U

Unuseable Reserves: reserves earmarked for specific accounting treatments which are not available to fund general expenditure (see Reserves definition for more information).

Useable Reserves: reserves that can be applied to fund expenditure or reduce local taxation (see Reserves definition for more information).

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Title: CIPFA Financial Management Code

North Tyneside Council
Report to Audit Committee
Date: 26 July 2023

Report from:	**Finance**	
Report Author:	**Jon Ritchie, Director of Resources**	**Tel: 643 5701**
Wards affected:	**All**	

PART 1

1.1 Executive Summary:

1.1.1 The purpose of this report is to provide the Audit Committee with an update in respect of the Authority's compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management (FM) Code. The report also identifies areas where compliance could be further enhanced.

1.2 Recommendation(s):

1.2.1 It is recommended that the:

(a) Audit Committee note the work outlined in respect of work required to further enhance financial governance and sustainability in line with the CIPFA FM code, and
(b) be advised that the recommended actions which have been identified will mitigate risks and strengthen the Authority's financial management and governance processes.

1.3 Forward plan:

1.3.1 This report is contained in the forward plan of the Audit Committee.

1.4 Council plan, policy framework:

1.4.1 Improving our compliance with the CIPFA FM Code meets the Our North Tyneside Plan by enabling all aspects of the plan.

1.5 Information:

1.5.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published the Financial Management Code (FM Code) in October 2019. The FM Code provides guidance for good and sustainable financial management in local authorities, giving assurance that authorities are managing resources effectively. The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management, which is an essential part of ensuring that public sector finances are sustainable.

1.5.2 The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected Members, the Chief Finance Officer, and their professional colleagues in the Senior Leadership Team. Complying with the FM Code will help and support the Authority to strengthen the framework that surrounds financial decision making.

1.5.3 The FM Code builds on elements of other CIPFA Codes of Practice, such as The Prudential Code for Capital Finance, Treasury Management in the Public Sector, and the Code of Practice on Local Authority Accounting in the United Kingdom. By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements.

1.5.4 The FM Code is a principles-based approach, rather than prescriptive setting out six principles:

- Leadership;
- Accountability;
- Transparency;
- Standards;
- Assurance; and

- Sustainability.

1.5.5 Each of these principles is supported by a set of guidance standards against which authorities should carry out a self-assessment. The FM Code is structured around 7 areas of focus:

- The Responsibilities of the Chief finance officer and Leadership Team;
- Governance and Financial Management Style;
- Long to Medium Term Financial Management;
- The Annual Budget;
- Stakeholder Engagement and Business Plans;
- Monitoring Financial Performance; and
- External Financial Reporting.

1.5.6 Each of these areas are supported by standards against which authorities should undertake their own self-assessment. Although the FM Code does not have legislative backing, it applies to all authorities, including police, fire, combined and other authorities.

1.6 Prior Year CIPFA FM Code Self-Assessments

1.6.1 The Authority undertook an initial self-assessment in 2021 and a revised assessment has been undertaken in June 2023 against the FM Code standards, identifying compliance and highlighting those areas where actions were required to enhance compliance.

1.6.2 When assessing the measures identified in the FM code, the Authority considered the detailed requirements to meet these and provided an evidence basis for the evaluated risk rating score. In addition, the Authority identified any areas where there were further actions that could be taken to enhance compliance. These actions have been built into the Authority’s service plans through 2021/22, 2022/23 and 2023/24.

1.6.3 The full details of the measures are included in Appendix A to this report the table below shows the summary of outcomes for last self-assessment undertaken in June 2023, they are as follows:

CIPFA FM Code Sections	R	A	G
Responsibilities of the CFO & Leadership Team		1	1
Governance & Financial Management Style			3
Long to Medium Term Financial Management			4
The Annual Budget			2
Stakeholder Engagement and Business Plans			2
Monitoring Financial Performance			2
External Financial Reporting			2

1.6.4 The self-assessment against 17 measures identified that there were:

- 16 low "green" risks
- 1 medium "amber" risk

The amber risk identified under the responsibilities of the CFO and Senior Leadership Team related to the insourcing of the Financial Service on 31 May 2023 from Equans to the Authority. Financial Leadership has 5 aspects which are considered as part of the self-assessment measure. Specifically, the amber risk is relating to point 4 and 5 of the criteria:

The CFO:

- Must lead and direct a finance function that is resourced to be fit for purpose; and
- Must be professionally qualified and suitably experienced.

1.6.5 In meeting the criteria for leading a finance function that is resourced to be fit for purpose, the 2023/24 Finance service plan includes ongoing service development measures to build skills, knowledge and ensure that the right proportion of the Service are professionally qualified. Whilst this will always be an ongoing requirement and will form part of future service plans there is an acknowledgement that once a plan is in place this measure will be achieved and would become a "green" low risk.

1.7 Enhanced CIPFA FM Code Self-Assessment

1.7.1 In recent years an increasing number of authorities have had high-profile financial difficulties leading to those authorities having to issue S114 notices under the Local Government Finance Act 1988. The Committee will be aware of the well-publicised issues at authorities such as Thurrock and Croydon and the measures that have been imposed for those authorities and the reviews which have been undertaken and identified the necessity to improve financial governance and control. As would be expected the Authority have taken the opportunity to review the underlying issues that have been highlighted and have used this as a basis to include and enhanced assessment within North Tyneside to provide additional reassurance that the Authority has strong financial governance in place.

1.7.2 The financial risk outcomes for the Authority have changed over 2022/23 into 2023/24, with the Authority using its Strategic Reserve to balance the General Fund outturn for 2022/23. Financial resilience is a key measure for the Authority to ensure unforeseen circumstances can be managed effectively. The use of the Strategic Reserve in 2022/23 was necessary, however, the Authority's Medium-Term Financial Plan approved by Full Council on 16 February 2023 provided for the replenishment of the Strategic Reserve over the 4-year period to 2026/2027.

1.7.2 Using the published information from other authorities, the Authority has identified an increased set of actions to provide additional assurance. This approach expanded the FM Code measures from 17 to over 50, providing a more detailed view of the Authority's progress against the FM code. The full detail of these additional measures are included within Appendix B to this report.

1.7.3 The additional measures were then assessed against prior year risks and broken down into detailed actions that are required to provide further assurance. Some of these actions were already embedded into the finance process and governance and included within the Authority's service plans. The table below shows a summary of the risk assessment from the enhanced actions that have been included as part of the overall self-assessment.

1.7.4 Table of Actions from Enhanced Review of CIPFA FM Code

CIPFA FM Code Sections – Finance Priorities	1	2	3
Responsibilities of the CFO & Leadership Team		2	3
Governance & Financial Management Style		4	
Long to Medium Term Financial Management		1	4
The Annual Budget			
Stakeholder Engagement and Business Plans			1
Monitoring Financial Performance	2	2	
External Financial Reporting			

1.7.5 The next steps were to reassess risks and progress the CIPFA FM Code, taking the enhanced measures and actions into account to give an updated view of progress against the FM code. Additional amber risks have been highlighted in two areas:

- Financial management will require robust monitoring with a refreshed focus on delivering a balanced budget in 2024/25.
- Medium term planning needs to focus on replenishing reduced reserves from 2024/25 and over the medium-term.

1.7.6 Revised table of outcomes following latest self-assessment

CIPFA FM Code Sections – New Assessment	R	A	G
Responsibilities of the CFO & Leadership Team		1	1
Governance & Financial Management Style		1	2
Long to Medium Term Financial Management		1	3
The Annual Budget			2
Stakeholder Engagement and Business Plans			2
Monitoring Financial Performance			2
External Financial Reporting			2

1.7.7 Whilst the risks have increased following the enhanced review of financial management in line with the FM code model, actions have been identified to both mitigate these risks and to strengthen the overall financial sustainability and governance of the Authority.

1.8 Decision options:

1.8.1 The Audit Committee can agree to endorse the recommendations as set out in Section 1.2 of this report. Alternatively, the Audit Committee can decline to endorse the recommendations and request further details and amendment.

1.9 Reasons for recommended option:

1.9.1 The Audit Committee is recommended to endorse the proposals set out in section 1.2 of this report as further embedding financial sustainability using the CIPFA FM code into the ongoing management of the Authority's finances and finance service.

1.10 Appendices:

Appendix A: CIPFA FM Code Self-Assessment July 2023
Appendix B: Enhanced CIPFA FM Code Self-Assessment Measures 2023

1.11 Contact officers:

Jon Ritchie, Director of Resources, Tel 643 5701
Claire Emmerson, Head of Finance (Deputy S151 Officer), Tel 643 8109
Noel Kay, Senior Finance Manager, Tel 643 5409

1.12 Background information:

1.12.1 The following background papers and reports have been used in the compilation of this report and are available for inspection at the offices of the author:

(a) CIPFA's Financial Management Code (FM Code) October 2019.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

2.1.1 There are no direct financial implications as a result of the recommendations within this report. It does identify actions to strengthen the Authority's effective financial management.

2.2 Legal

2.2.1 The CIPFA FM Code is not a legislative requirement, though it does build on elements of other codes of practice that collectively show authorities are providing evidence to show they are meeting important legislative requirements.

2.3 Consultation/community engagement

2.3.1 The outcome of the latest self-assessment was reported to the Authority's Senior Leadership Team at it's meeting on 5 July 2023 and actions identified are part of the finance service plans.

2.4 Human rights

2.4.1 There are no Human Rights implications as a result of the recommendations in this report.

2.5 Equalities and diversity

2.5.1 There are no Equalities and Diversity implications as a result of the recommendations in this report.

2.6 Risk management

2.6.1 The self-assessment includes a risk-based score of the current financial management of the Authority against the measures identified in the CIPFA FM code.

2.7 Crime and disorder

2.7.1 There are no crime and disorder implications as a result of the recommendations in this report.

2.8 Environment and sustainability

2.8.1 There are no environment and sustainability implications as a result of the recommendations in this report.

Appendix A

Ref	Description	Pages of the Code	Detail	2021 RAG Rating	Prior 2023 RAG Rating	Evidence Base	CFO Draft Assessment and Actions Required
Responsibilities of the Chief Finance Officer and Leadership Team							
A	The leadership team is able to demonstrate that the services provided by the Authority provide value for money	17/18	Legislative requirement for Authorities to deliver VFM. Delivery of VFM depends on decisions by Elected Members. Shared responsibility across the Leadership Team to communicate and understand the risks involved.	G	G	External Audit – Value for Money Assessment as part of the Audit for the Statement of Accounts.	
B	The Authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	18/19	In summary this Statement requires that the CFO: 1. Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest; 2. Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure	A	A	Each of the summary elements for the CIPFA Statement is adhered to and applied within North Tyneside.	

			immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; 3. Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively; 4. Must lead and direct a finance function that is resourced to be fit for purpose; and 5. Must be professionally qualified and suitably experienced.				
Governance and Financial Management Style							
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	21	A proper scheme of delegation that ensures that frontline responsibility for internal and financial control starts with those who have management roles. Clarity over the role	G	G	The Authority have a proper scheme of delegation in place which includes the roles of Head of Paid Service and Monitoring Officer. These are included in	

			of Head of Paid Service and Monitoring Officer. Audit Committee provides independent assurance over governance, risk and internal control arrangements, with a focus on financial management, financial reporting and audit and assurance. Leadership Team with a culture of constructive challenge based on realism. Goals, assumptions and implementations plans are rigorously examined.			the Authority's constitution which was recently updated September 2021.	
D	The Authority applies the CIPFA/SOLA CE Delivering Good Governance in Local Government: Framework (2016)	22	This framework recommends that the review of the effectiveness of the system of internal control is reported in an annual governance statement	G	G	The Annual Governance Statement is submitted to Annually and accompanies the Statement of Accounts. The AGS is reviewed annually and amended where necessary.	
E	The financial management style of the Authority supports financial sustainability	22/23	Strong financial management is assessed against a hierarchy of (1) delivering accountability; (2) supporting performance; and (3) enabling transformation.	G	G	Financial Management is embedded within the organisation. Bi-monthly reports are received by Cabinet and Members undertake quarterly Budget and Performance sessions	2022/23 – Overspend of £6.081m on GF and MTFP with gap of £35.033m to 2026-2027 this will require robust monitoring during the year and with a refreshed focus on delivering a

			Need to perform well at each level before moving to the next. This is broadly linked to economy, efficiency and effectiveness.			with Directors of Service.	balanced budget in 2024/25
Long to medium-term financial management							
F	The Authority has carried out a credible and transparent financial resilience assessment	25/26	Requirement to test sustainability against plausible scenarios of cost drivers, service demands, resources and key risks. Review of alternative options to match demand and resources. CIPFA will be providing Authorities with a Financial Resilience Index which may assist in this.	G	G	The Authority recently took part in a financial resilience assessment which was carried out by Newcastle Council. This has helped to inform where potential improvements could be made to improve the Authority's financial resilience.	Financial Resilience assessment needs to be refreshed to understand the current position of the Authority using financial KPI;s including the Authority's Balance Sheet. This will form part of the Budget and Performance reports to Cabinet and the sessions that will replace the current Budget and Performance sessions that are undertaken. Use of reserves in 2022/23 and the current level of the Strategic Reserves against current risks within the budget for 2023/24 not only in the GF but also including the risks associated with

Appendix A

							Schools and the Investment Plan.
G	The Authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	26	Based on the above, have a long-term financial strategy that links to vision, strategy and outcomes. This should include a vision of what services will look like in the future to achieve financial sustainability. The length of the long-term is undefined and should be linked to the risks faced. Potentially should be 10 years+.	G	G	The Authority produces a Medium-Term Financial Strategy which includes an assessment of the resources available over a 4-year period. An assessment of any potential pressures or growth needed for service delivery is also undertaken and is used to understand the longer-term financial picture for the Authority.	
H	The Authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	26/27	The Authority has a long-term Capital Strategy that ensures that assets are managed, and future plans are linked to capital resources available. Commercial investment activity should be considered over a suitable time horizon with risks fully considered. Ensure compliance with Prudential Code if borrowing.	G	G	The Authority produces a 5-year Capital Strategy which is approved as part of Budget setting by full Council each year.	
I	The Authority has a rolling multi-year medium-term	27	Translation of the long-term view into a more detailed	G	G	As above	

	financial plan consistent with sustainable service plans		medium-term financial plan. The time frame of which should support financially sustainable decision making. Clear link to service plans.				
The Annual Budget							
J	The Authority complies with its statutory obligations in respect of the budget setting process	29	These are generally covered by part 2 of Local Government Act 2003. This includes robustness of estimates and reserves (covered below) and the requirement for financial monitoring. It also includes section 114 of the Local Government Finance Act 1988, which requires the CFO to issue a report if the Authority is about to incur unlawful expenditure. This would include setting an unbalance budget.	G	G	The Authority sets its budget setting process in September of each year which is agreed by Cabinet. The MTFS includes a statement by the CFO on the robustness of estimates and reserves.	
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	29/30	Reserves to be considered as part of the budget process and should be ‘adequate’ and ‘necessary’. Should enable the Authority to manage unexpected events from within its own resources. The budget report details earmarked	G	G	As above	

			reserves held, the purpose of each reserve and estimated opening and closing balances.				
Stakeholder Engagement and Business Plans							
L	The Authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	31	Enabling residents to understand that resources are limited and spending has to be prioritised. Leadership Team redirects resources to areas of higher priority. Understanding of statutory service delivery requirements. Use stakeholder consultation to set priorities. Helps to encourage community involvement,	G	G	Budget engagement is undertaken each year with a range of stakeholders during December and January. Cabinet's initial budget proposals include details of the resources available to undertake the range of Services delivered by the Authority and key stakeholders are consulted on potential proposals for the upcoming financial year.	
M	The Authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	31/32	Decisions are made from clear business cases that detail the up-front and ongoing costs and benefits. Where appropriate the time value of money should be considered. Alternative options should be considered. The complexity of the business case should be	G	G	The Authority produces budget proposals which form part of Cabinet's initial budget proposals. These outline potential efficiency savings which are proposed and describe how these will be achieved with any prescribed milestones for delivery.	Yes we do have a documented option appraisal methodology but does this really demonstrate value for money in decision making? The Capital gateway process does, but again this could be enhanced

			proportionate to the decision.			For Capital the Authority has a gateway process which has been in place for a number of years. All Capital projects must go through a gateway process prior to approval in and inclusion within the Investment Plan. Gateway submissions are approved through the Investment Programme Board, the Board has Members, Directors of Service and Officers which attend each meeting.	so all investment decisions are tested against VFM whether revenue or Capital
Monitoring Financial Reporting							
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	33	The Authority should have timely information on its financial and operational performance. Performance indicators should be reviewed, alongside any overspends / undelivered savings.	G	G	In addition to the bi-monthly reporting to Cabinet, the SLT and Leadership Forum receive regular updates which allow managers to understand the financial performance for the General Fund, Housing Revenue Account, Investment Plan and Schools Finance.	

O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability	33	Need to await the guidance notes as the Code itself is unclear on the requirements. There is reference to monitoring material elements of the balance sheet that might give indications of departures from financial plans. Specific reference is made to commercial asset portfolios, contingencies and provisions. Cash flow is managed in accordance with guidance.	G	G		
External Financial Reporting							
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom	36	The CFO has statutory responsibility for (1) producing the accounts and ensuring they are published on a timely basis (2) maintaining financial records (3) certification of the accounts and confirmation of a 'true and fair view'.	G	G	The Accounts are produced in line with the Accounts and Audit regulations and publication deadlines.	
Q	The presentation of the final outturn figures and variations from budget	36	The narrative report that accompanies the accounts provides a link to	G	G	The Annual Statement of Accounts includes the information and	

	allows the leadership team to make strategic financial decisions		achievement of outcomes and performance. The Leadership Team understand variances from budget and how they have been managed. The future implications of variances should also be considered i.e. will it affect the financial strategy/ financial resilience.			narrative which provides a link to the achievement of outcomes and performance in line with the Our North Tyneside Plan.	

Heading	Orig. Ref	Brief Description	Current Evidence	2021/22 RAG Rating	2023 RAG Rating	Additional Recommended Actions	Target Completion	Priority	Status / Further Actions	Ref	New RAG Rating
Responsibilities of the CFO & Leadership Team											
Financial Leadership	A	The role of Cabinet and the officer leadership team in good financial management and ensuring services provide VFM;	External Audit – Value for Money Assessment as part of the Audit for the Statement of Accounts.	G	G	Review cabinet reports on financial issues (MTFS, budget, treasury management, capital strategy, July Review, HRA budget; major financial decisions		Completed	All cabinet decisions have lead member and SLT approval, specific financial implications detailed.	1	G
						Review cabinet member activities re financial management. Interview Directors and lead Cabinet members.	Q3	3	Arrange meetings with lead members and directors to discuss financial information to allow VFM decisions	2	
						Review access of cabinet members to information.	Q3	3	All new cabinet members receive training. Assess via interview. Confirm policy with Legal/mayor's office	3	
						SLT: review financial agenda items.		Completed	SLT review all financial reports and MTFP. Sponsors on workstreams and feedback to SLT	4	
						Sample SLT reports for financial content.		Completed	Director of Resources / s151 officer provides challenge for financial implications of all SLT reports	5	
						Review directorate senior management team agenda for financial updates		Completed	All SMTs discuss finance at least every other month.	6	
						items for finance content and sample.	Q2	3	Carry out sample check of SMT agendas / reports	7	

Heading	Orig. Ref	Brief Description	Current Evidence	2021/22 RAG Rating	2023 RAG Rating	Additional Recommended Actions	Target Completion	Priority	Status / Further Actions	Ref	New RAG Rating
	B	In summary this Statement requires that the CFO: 1. Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest; 2. Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; 3. Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically,	Each of the summary elements for the CIPFA Statement is adhered to and applied within North Tyneside.	A	A	Consider SLT structure and s151 access and influence with SLT.		Completed	Director of Resources / s151 officer provides challenge for financial implications of all SLT discussions	8	A
						Review degree of sharing of financial information with SLT.		Completed	SLT responsible for finance and regularly request information.	9	

Heading	Orig. Ref	Brief Description	Current Evidence	2021/22 RAG Rating	2023 RAG Rating	Additional Recommended Actions	Target Completion	Priority	Status / Further Actions	Ref	New RAG Rating
		efficiently and effectively;									
		4. Must lead and direct a finance function that is resourced to be fit for purpose; and 5. Must be professionally qualified and suitably experienced.				Review structure, benchmark against comparable organisations (use CIPFA / London Councils / SLT).	Q3	2	Carry out benchmarking with CIPFA.	10	
						Review talent management, professional training and skills training arrangements. Interview sample of finance staff.	Q2	2	Review of IPRS, team plans and succession planning. Carry out survey to inform planning	11	
Governance & Financial Management Style											
Framework for financial accountability;	C	A proper scheme of delegation that ensures that frontline responsibility for internal and financial control starts with those who have management roles. Clarity over the role of Head of Paid Service and Monitoring Officer.	The Authority have a proper scheme of delegation in place which includes the roles of Head of Paid Service and Monitoring Officer. These are included in the Authority's constitution which was recently updated September 2021.	G	G	Review scheme of delegation		Completed	Carried out recently	12	G
						Review financial standing orders		Completed	Carried out recently	13	
						Review any other financial rules; and how they work in practice.	see plan	2	Visibility and training on financial rules still a priority in finance service plan.	14	
Financial risk management		Audit Committee provides independent assurance over governance, risk and internal control arrangements, with a focus on financial management, financial reporting	Audit committee sample check corporate risks and carry out deep dive to review the issues to gain assurance. Also considered at Overview & Scrutiny and OPB with partners.			Risk: review finance risk register and surrounding process.		Completed	Head of finance & senior risk manager meet monthly to review risk register. OPB consider partnership risks monthly	15	
						Review reporting of risk in cabinet reports and reports to ELT, budget process, budget monitoring, option appraisal, by sampling.		Completed	All financial reports include risk assessment, built into financial planning, financial monitoring and project appraisals.	16	

Heading	Orig. Ref	Brief Description	Current Evidence	2021/22 RAG Rating	2023 RAG Rating	Additional Recommended Actions	Target Completion	Priority	Status / Further Actions	Ref	New RAG Rating
		and audit and assurance.									
Financial literacy of organisation;		Leadership Team show financial awareness with a culture of constructive challenge based on realism.				Review quality of reports in relation to financial matters.	Q3	2	Finance involved at a late stage in production of some strategy reports. Tie into SLT interviews/include finance in review	17	
		Financial management at all levels of the Authority demonstrates good financial awareness				Assess budget holder capability.	Q4	2	Provide financial awareness training for budget holders that is complusory	18	
Supporting strategic and operational planning;		Goals, assumptions and implementations plans are rigorously examined.	Cabinet reporting procedures, gateway process, finance approval of vacancies, grant process, SLT minutes, SMT meetings, resident panel, business forum. S151 clearance process.			Review extent to which Finance works with policy team, departmental management teams on strategy development by Interview		Completed	All strategic plans go through a number of rigorous reviews with relevant named partiesinvolved	19	
						Assess quality of strategic documents on financial issues - corporate plan, departmental service plans		Completed		20	
Financial advice to cabinet and committees		Finance to advise commiittees and cabinet, which demonstrates good financial awareness	Overview & Scrutiny has merged with Finance sub-group - now called Overview & Scrutiny Coordination and Finance Committee			Review quality of financial comments in sample of cabinet reports.		Completed	All cabinet reports go through finance, committees always receive written responses to any questions	21	
						Review Finance attendance at committee meetings		Completed	Finance always well represented at committee meetings to ensure all questions are understood	22	

Heading	Orig. Ref	Brief Description	Current Evidence	2021/22 RAG Rating	2023 RAG Rating	Additional Recommended Actions	Target Completion	Priority	Status / Further Actions	Ref	New RAG Rating
Good financial governance meets CIPFA/SOLACE framework	D	This framework recommends that the review of the effectiveness of the system of internal control is reported in an annual governance statement	The Annual Governance Statement is submitted to Annually and accompanies the Statement of Accounts. The AGS is reviewed annually and amended where necessary.	G	G			Completed	Bi-annual reporting to audit committee, reviewed by SLT and signed off by CEX and mayor	23	G
The financial management style of the Authority supports financial sustainability	E	Strong financial management is assessed against a hierarchy of (1) delivering accountability; (2) supporting performance; and (3) enabling transformation. Need to perform well at each level before moving to the next. This is broadly linked to economy, efficiency and effectiveness.	Financial Management is embedded within the organisation. Bi-monthly reports are received by Cabinet and Members undertake quarterly Budget and Performance sessions with Directors of Service.	G	G			2	Financial Management is embedded within the organisation. Bi-monthly reports are received by Cabinet and Members undertake quarterly Budget and Performance sessions with Directors of Service. Finance reports go through SMT, SLT, LMB then cabinet	24	A
Long to Medium Term Financial Management											
The Authority has carried out a credible	F	Medium term financial strategy (MTFP). Alignment of MTFP with service planning	The Authority produces a Medium-Term Financial Plan which includes an	G	G	Review process for assembling MTFP, completeness and quality, frequency		Completed	MTFP reviewed annually to improve process and fit into current SLT planning, inusring fit with ONT and mayoral priorities	25	G

Heading	Orig. Ref	Brief Description	Current Evidence	2021/22 RAG Rating	2023 RAG Rating	Additional Recommended Actions	Target Completion	Priority	Status / Further Actions	Ref	New RAG Rating
and transparent financial resilience assessment			assessment of the resources available over a 4-year period. An assessment of any potential pressures or growth needed for service delivery is also undertaken and is used to understand the longer-term financial picture for the Authority.			Analysis of MTFP alignment with service plans		3	Review service plans outside finance for inclusion of MTFP outcomes	26	
		Financial resilience assessment	The Authority recently took part in a financial resilience assessment which was carried out by Newcastle Council. This has helped to inform where potential improvements could be made to improve the Authority's financial resilience.			Increase frequency and quality of resilience assessment and reporting		Completed	Current review with financial reslience index and increase tempo of reviews with neighbour LAs	27	
	G	Capital strategy	The Authority produces a 5-year Capital Strategy which is approved as part of Budget setting by full Council each year.	G	G	Review fitness for purpose, how often updated, alignment with service plans		Completed	Looking into creating a 10-year investment over the exisitng capital strategy	28	G

Heading	Orig. Ref	Brief Description	Current Evidence	2021/22 RAG Rating	2023 RAG Rating	Additional Recommended Actions	Target Completion	Priority	Status / Further Actions	Ref	New RAG Rating
	H	Compliance with prudential code on borrowing	Robust treasury management strategy reviewed annually	G	G	Review affordability of borrowing, compliance, reporting	Q4	3	Considering impact of alternative treasury strategies	29	G
	I	Use of reserves	Strong controls and reporting on all reserves, clear decision making on use of unringfenced reserve followng reserves and balances policy	G	G	Review plan for use of reserves, reporting of variances	Q4	2	Unringfenced reserves have been depleted and plan in place to replace and bring back to required levels	30	A
		Group and company structures	Group accounts produced successfully for last few years, as a requirement of new trading companies. Assessed annually by EY			Review fitness for purpose, effectiveness		Completed	EY audit group accounts annually	31	
		Recharges and internal trading				Recharges - review compliance with code of practice	Q3	3	Support service recharged reviewed 2023/24. Other internal recharges to be reviewed as part of 15 MTFP workstreams	32	
						Review mechanisms and effectiveness of internal trading arrangements	Q3	3	As above	33	
The Annual Budget											
The Annual Budget	J	The Authority complies with its statutory obligations in respect of the budget setting process	The Authority sets its budget setting process in September of each year which is agreed by Cabinet.	G	G	Review process for setting annual revenue and capital budgets. Fitness for purpose. Compliance with statutory requirements.		Completed	Budget setting process is in line with constitution of LA as mayoral authority.	34	G

Heading	Orig. Ref	Brief Description	Current Evidence	2021/22 RAG Rating	2023 RAG Rating	Additional Recommended Actions	Target Completion	Priority	Status / Further Actions	Ref	New RAG Rating
	K	The Authority complies with its statutory obligations in respect of the budget setting process. Alignment with MTFS		G	G	Review budget alignment with MTFS		Completed	MTFS reviewed annually and sits above MTFP, approved by cabinet alongside process review	35	G
		Robustness of estimates and adequacy of reserves	The MTFS includes a statement by the CFO on the robustness of estimates and reserves.			Analysis of historic robustness		Completed	Calculation performed annually to assess level of ring-fenced and unringfenced reserves against gross and net revenue budget.	36	
						Basis for calculating reserve requirements, review process.		Completed	Reserves and balances reviewed annually and includes in plan	37	
Stakeholder Engagement and Business Plans											
Stakeholder Engagemen	L	The Authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Budget engagement is undertaken each year with a range of stakeholders during December and January. Cabinet's initial budget proposals include details of the resources available to undertake the range of Services delivered by the Authority and key stakeholders are consulted on potential proposals for the upcoming financial year.	G	G	Review engagement with stakeholders on financial aspects of decisions, sample cabinet reports		Completed	Engagement team now host several sessions with a wider residents panel, better representing the whole borough and asking residents for feedback on likes/dislikes of existing engagement process to then revise engagement strategy for 2024/25	38	G

Heading	Orig. Ref	Brief Description	Current Evidence	2021/22 RAG Rating	2023 RAG Rating	Additional Recommended Actions	Target Completion	Priority	Status / Further Actions	Ref	New RAG Rating
	M	Decisions are made from clear business cases that detail the up-front and ongoing costs and benefits.	The Authority produces budget proposals which form part of Cabinet's initial budget proposals. These outline potential efficiency savings which are proposed and describe how these will be achieved with any prescribed milestones for delivery.	G	G	Review transparency of decision making, use of costing and estimation techniques, sample business cases	Q3	3	Review business case process and template, needs to strengthen options appraisals and imrpvove understanding capital and revenue impact. LA has recently refreshed EIA process.	39	G
Monitoring Financial Performance											
Monitoring Financial Performance	N	Budget monitoring	In addition to the bi-monthly reporting to Cabinet, the SLT and Leadership Forum receive regular updates which allow senior leadership to understand the financial performance for the General Fund, Housing Revenue Account, Investment Plan and Schools Finance.	G	G	Budget monitoring: Review process, presentation of data to budget holders, senior management oversight		Completed	Monthly finance meetings with budget holders with relevant seniority linked to risk	40	G
						Review underlying quality of financial data		Completed	All income and expenditure to date reviewed as part of monthly monitoring process to improve forecasting	41	
						Finance team support to departments/budget holders on budget monitoring		Completed	Clear finance link officers identified to all services, with	42	
		Use of financial systems and technology				Review use of technology to automate processes	Q3	1	Replacement ERP system currently being considered, spec being worked up	43	

Heading	Orig. Ref	Brief Description	Current Evidence	2021/22 RAG Rating	2023 RAG Rating	Additional Recommended Actions	Target Completion	Priority	Status / Further Actions	Ref	New RAG Rating
						and speed up availability of information					
						User friendliness and accessibility of information		Completed	Constant updating of reporting tools to improve user friendliness	44	
		Use of financial data, modelling				Review accessibility of data, delivery of business insights, alignment of financial forecasting with operational performance and throughputs	Q2	1	Better link to performance	45	
		Revenue and capital projects				Sample project documentation, interviews	Q2	2	Capital monitoring process under review to improve outcomes. Revenue projects folded into monthly budget monitoring	46	
	O	Key controls and reconciliations; The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability	Need to await the guidance notes as the Code itself is unclear on the requirements. There is reference to monitoring material elements of the balance sheet that might give indications of departures from financial plans. Specific reference is made to commercial asset portfolios, contingencies and provisions. Cash flow is managed in accordance with guidance	G	G	Review operation of key controls and reconciliations	Q2	2	Review of controls and reconciliations underway following end of finance outsourcing partnership. Review management of balance sheet	47	G

Heading	Orig. Ref	Brief Description	Current Evidence	2021/22 RAG Rating	2023 RAG Rating	Additional Recommended Actions	Target Completion	Priority	Status / Further Actions	Ref	New RAG Rating
		Responding to unforeseen developments				Review recent financial responses to unforeseen changes.		Completed		48	
External Financial Reporting											
Statutory accounts and other returns	P	The CFO has statutory responsibility for (1) producing the accounts and ensuring they are published on a timely basis (2) maintaining financial records (3) certification of the accounts and confirmation of a 'true and fair view'. (4) All other returns are completed in accordance with guidelines	The accounts are produced in line with the Accounts and Audit regulations and publication deadlines. The Annual Statement of Accounts includes the information and narrative which provides a link to the achievement of outcomes and performance in line with the Our North Tyneside Plan.	G	G	Review arrangements designed to ensure personal responsibilities of s151 officer are complied with		Completed	s151 is aware of responsibilities, Nominated deputy	49	G
						Review relationship with external auditor		Completed	Regular meetings with external audit at operational and strategic levels. Attend all audit committees	50	
	Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions		G	G	Review presentation of outturn and other annual financial data to organisation		Completed	Outturn is reviewed at SMTs, SLT, cabinet and audit committee before final publication.	51	G

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