Public Document Pack

North Tyneside Council

Audit Committee

15 July 2022

Wednesday, 27 July 2022 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.	
3.	**Declarations of Interest and Notifications 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 in relation to any registerable interests that have been granted to you in respect of any matters appearing on the agenda. You are also requested to complete the Declarations of Interests card available at the meeting and return to the Democratic Services Officer before leaving the meeting.	
4.	**Minutes** To confirm the minutes of the meeting held on 25 May 2022.	**5 - 8**
5.	**Annual Governance Statement 2021/22** To give consideration to a report which provides an update on the review of the Authority's system of internal controls.	**9 - 42**

Members of the public are entitled to attend this meeting and receive information about it. North Tyneside Council wants to make it easier for you to get hold of the information you need. We are able to provide our documents in alternative formats including Braille, audiotape, large print and alternative languages.

Circulation overleaf …

Members of the Audit Committee

Malcolm Wilkinson (Chair)
Councillor Gary Bell
Councillor Debbie Cox
Councillor Tommy Mulvenna
Councillor Mrs Linda Arkley OBE
Councillor Linda Bell
Councillor Lisa Ferasin
Councillor John O'Shea

This page is intentionally left blank

Audit Committee

Wednesday, 25 May 2022

Present: K Robinson (Chair)
M Wilkinson
Councillors Mrs L Arkley OBE, G Bell, L Bell, D Cox, L Ferasin and T Mulvenna

AC/1/22 Apologies for Absence

An apology for absence was submitted on behalf of Councillor J O'Shea.

AC/2/22 Appointment of Substitute Members

There were no Substitute Members reported.

AC/3/22 Declarations of Interest and Notifications of any Dispensations Granted

There were no Declarations of Interest or Dispensations reported.

AC/4/22 Minutes

Resolved that, subject to the removal of M Wilkinson from the list of Councillors present, the minutes of the meeting of the Committee held on 23 March 2022 be confirmed as a correct record and signed by the Chair.

AC/5/22 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.

It was explained at the 23 March 2022 meeting (minute AC38/21 refers) that the Authority had been working towards a deadline of the end of May 2022 to have a draft set of the accounts available. The deadline had changed to the end of June 2022 due to:

- a delay in the receipt of service lead debtors and creditors information due to the Easter break and delays in receiving information from schools;
- Covid-19 grant funded areas of the accounts had taken longer than anticipated to process due to the volume of transactions and the need to ensure that grant funding was applied correctly in accordance with the Accounting Code of Practice; and
- Delays in the receipt of information from central government.

Clarification was sought in relation to the measures in place to ensure that the revised deadline was met. It was explained that the process was being risk managed and regular updates were provided to the Director of Resources. It was also suggested that the lessons learned would be incorporated into the planning for the earlier closure date of the 2022/23 accounts.

Resolved that the work outlined in respect of the closure of the 2021/22 accounts be noted.

AC/6/22 2021/22 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 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 2021/22 satisfactory opinion on the overall adequacy and effectiveness of the Framework of Governance, Risk Management and Control be noted.

AC/7/22 Key Outcomes from Internal Audit Reports issued between November 2021 and May 2022

Consideration was given to a report which presented the key outcomes of internal audit reports issued between November 2021 and May 2022. The report highlighted the findings from the reports, detailed the areas of good practice which had been identified and set out the action which had been taken by management in response to the findings of each audit. It was also explained that internal audit had supported several special investigations and management requests over the period of the report.

Resolved that the key findings, the good practice identified, and the management action taken in response to Internal Audit Reports issued between November 2021 and May 2022 be noted.

AC/8/22 Exclusion Resolution

Resolved that under Section 100A (4) 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 Paragraphs 3 and 7 of Part 1 of Schedule 12A to the Act

AC/9/22 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 23 May 2022. 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.

It was suggested that it would be helpful to the Committee in monitoring the Authority's risks for the appropriate lead officers in charge of specific risks to provide the Committee with an overview of the management of the risk, Members considered each of the risks in turn and agreed that the risks associated with both Economic Downturn and Supply Chain should be presented at the next meeting and Health Inequalities at a future meeting.

Resolved that (1) the report be noted;
(2) the appropriate lead officers for the Economic Downturn corporate risk and the Supply Chain corporate risk be invited to attend the next meeting to provide an update on the management of the risk; and
(3) the appropriate lead officer in respect of the health inequalities corporate risk be invited to attend a future meeting of the committee

AC/10/22 Counter Fraud Annual Report 2021-22

Consideration was given to a report which provided an update on the Counter Fraud work undertaken between 1 April 2021 and 31 March 2022. The report also set out the future opportunities and a refresh of the Counter Fraud Blueprint to ensure that the resources were directed at the areas of greatest risk.

It was suggested that consideration be given to adopting a more proactive approach to publicising the Counter Fraud successes to increase public awareness and potentially generate more referrals to be followed up.

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

AC/11/22 Strategic Audit Plan 2021/22 - Final Monitoring Statement

Consideration was given to a report which set out the final monitoring statement in respect of the Strategic Audit Plan for 2021/22. 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. It was explained that a significant amount of internal audit resources had been applied to the Authority's response to the Coronavirus Pandemic, in particular in relation to Covid Business Grant Schemes and certification of the various Covid related grants.

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

AC/12/22 Chair's Announcement

The Chair announced that after eight and a half years he was stepping down as Chair of the Audit Committee and this was his last meeting of the Committee.

Members thanked Kevin for his service to the Committee and the Authority and wished him well for the future.

Title: Annual Governance Statement 2021/22

North Tyneside Council
Report to Audit Committee
Date: 27 July 2022

Report from Service:	Finance	
Report Author:	Janice Gillespie, Director of Resources	**(Tel: 0191 643 5701)**
Wards affected:	All	

PART 1

1.1 Purpose:

1.1.1 The Annual Governance Statement (AGS) explains how the Authority delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 6(1)(a) of the Accounts & Audit Regulations 2015 which require the Authority to publish an AGS.

1.1.2 The purpose of this report is to advise the Audit Committee of the outcome of the review of the Authority's system of internal control as presented in the AGS (Appendix A). The review will assist the Audit Committee in considering the effectiveness of the Authority's arrangements for the governance of its affairs, including arrangements for management of risks and systems for internal control.

1.2 Recommendation(s):

1.2.1 It is recommended that the:

(a) Audit Committee note the outcome of the review of the Authority's system of internal control;

(b) Audit Committee consider the draft AGS and approve that it accompanies the Statement of Accounts for 2021/22 and

(c) Audit Committee note the actions proposed in the AGS relating to any governance issues identified and make suggestions about including additional items if considered necessary.

1.3 Forward plan:

1.3.1 This report is included within the annual workplan for the Audit Committee.

1.4 Council plan and policy framework:

1.4.1 The AGS covers all the service responsibilities as identified within the Council Plan.

1.5 Information:

1.5.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires audited bodies to conduct a review at least once a year of the effectiveness of its internal controls and produce an AGS. Good governance is fundamental to the proper running of the Authority. It enables an authority to pursue its vision effectively as well as underpinning that vision with control and management of risk. The arrangements in place must be proportionate to the risks and are acknowledged as being the responsibility of each authority in its area of operation. The process of preparing the AGS should add value to the effectiveness of the corporate governance and internal control framework.

1.5.2 The AGS has been compiled using a governance framework produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). CIPFA originally published the framework 'Delivering Good Governance in Local Government' in association with SOLACE in 2007. CIPFA and SOLACE subsequently reviewed the framework to ensure that it remains fit for purpose and a revised edition was published in spring 2016. The framework builds on the existing one and details the principles that should underpin the governance of a local authority. The framework is based on seven core principles that feed into the AGS – a summary of these are shown in Section 3 of the AGS together with examples of the evidence supporting the principals in practice within the Authority. The AGS is attached as Appendix A.

1.5.3 The Chief Executive, Assistant Chief Executive, and each of the Directors of Service have been involved in populating the AGS with the evidence supporting how the principals are met within the Authority. The key documents/functions that have been reviewed as part of the compilation of the AGS together with an overview of the process are outlined in Appendix B. Section 5 of the AGS (Appendix A) outlines the outcome of the review of the effectiveness of internal control and identifies areas that have been highlighted as requiring continuous monitoring to ensure that they do not become significant governance issues in the future.

1.5.4 The risk management update, included in the agenda for this meeting, sets out the current corporate risks being managed and monitored, and for the purpose of completeness should be considered alongside this report. This process evidences an important part of the Authority's governance framework.

1.5.5 The AGS is a draft based on the information and evidence available as at the date of this report. To date, no issues have been raised by the external auditor during the audit of the 2021/2022 financial statements. The draft financial statements were published on the Authority's website on 30 June 2022, and public consultation commenced on 11 July 2022; as at the date of publication of this report, no comments or questions have been received. Due to the timing of the approval of the financial statements, if there are any matters which arise between the publication of this report and the date of the Audit Committee on 27 July 2022, then a further update will be provided to the Audit Committee for its consideration.

1.6 Decision options:

The options available are:

(a) To accept the recommendations made in section 1.2.1; or
(b) To reject the recommendations made within this report.

1.7 Reasons for recommended option:

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

1.8 Appendices:

Appendix A – Annual Governance Statement 2021/2022
Appendix B – Annual Governance Statement Framework

1.9 Contact officers:

Janice Gillespie – Director of Resources – Tel: 0191 643 5701
David Dunford – Senior Business Partner – Tel: 0191 643 7027
Iain Henderson – Finance Manager – Tel: 0191 643 5722

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) Annual Governance Statement 2021/22
(b) 'Delivering Good Governance in Local Government' 2016 Edition (CIPFA)
(c) 'Delivering Good Governance in Local Government: Guidance Notes' 2016 Edition (CIPFA)
(d) 'The Role of the Chief Finance Officer' 2016 Edition (CIPFA)

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 Annual Governance Statement is produced annually in accordance with regulation 6(1)(a) of the Accounts and Audit Regulations 2015.

2.3 Consultation / community engagement

The Chief Executive, Assistant Chief Executive and all Directors of Service have been consulted. All Members were provided the opportunity to attend a briefing during the summer on the draft Financial Statements. The draft financial statements were published on the Authority's website and have been available for public inspection from 30 June 2022 to provide residents with the opportunity to scrutinise and raise any questions. As at the date of publication of this report, no questions have been received.

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

The annual review of the system of internal control will cover all controls, including the arrangements in place for Risk Management within the Authority.

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.

Appendix A

North Tyneside Council

Annual Governance Statement

2021/22

27 July 2022

Contents

Section

2021/22 Annual Governance Statement

1.0 Scope of Responsibility

North Tyneside Council is responsible for ensuring that its business is conducted in accordance with the law and proper accounting standards. It must make sure that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. North Tyneside Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, North Tyneside Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

North Tyneside Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework “Delivering Good Governance in Local Government”. A copy of the Code can be found on our website or can be obtained from Legal Services. This Statement explains how North Tyneside Council has complied with the code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the publication the Annual Governance Statement (AGS).

2.0 The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled. It sets out the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

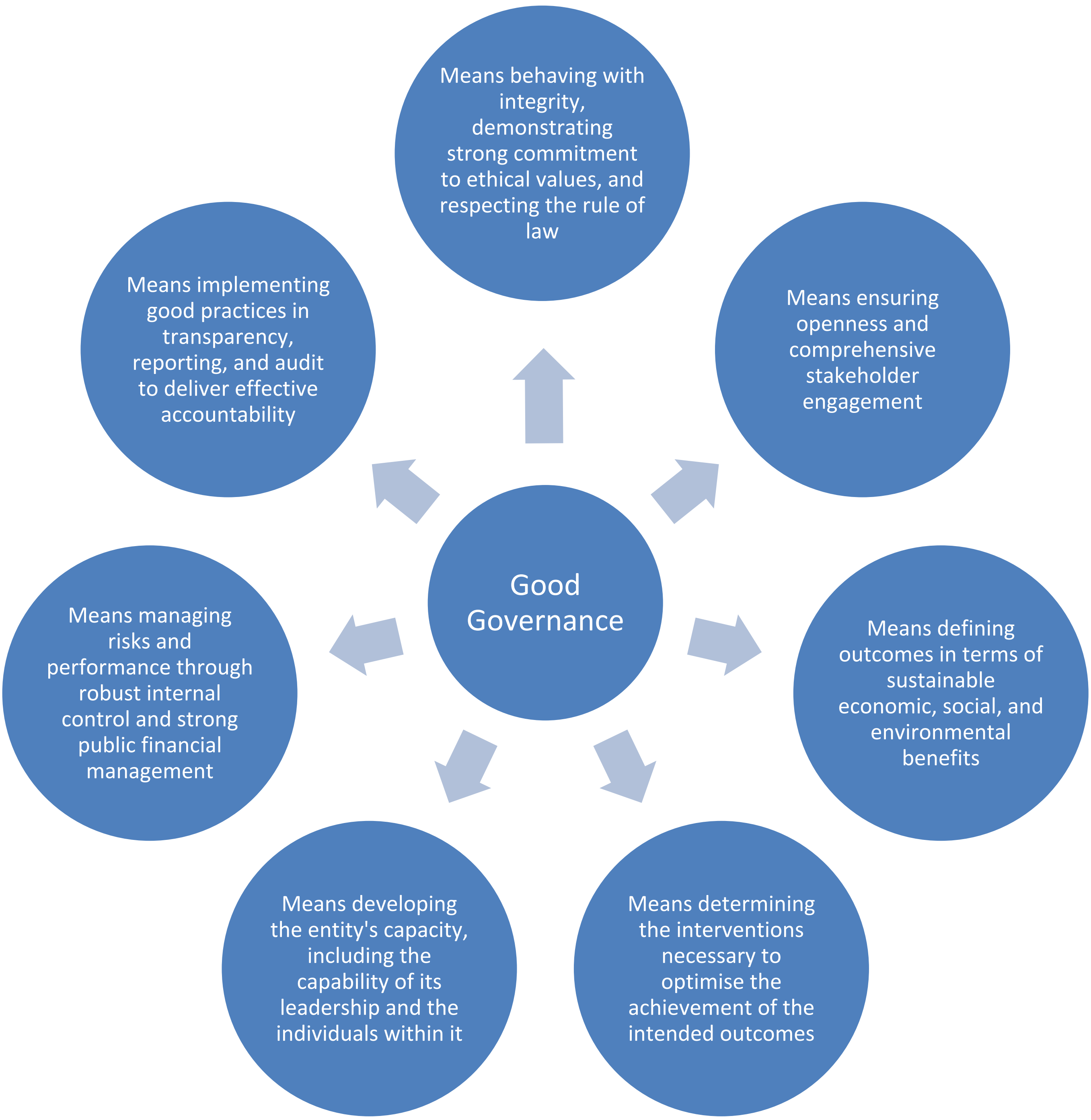
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of North Tyneside Council’s policies, aims and objectives. By evaluating the likelihood of those risks being realised and the impact should they be realised, it allows the Authority to manage them efficiently, effectively and economically.

An Annual Report is produced by the Chief Internal Auditor, part of which provides an opinion from Internal Audit on the overall adequacy and effectiveness of the Authority’s control environment. This Statement includes any control issues that the Chief Internal Auditor has deemed significant and should be included within the AGS. These are identified where appropriate, and referenced to the Annual Audit Report.

The governance framework has been in place at North Tyneside Council for the year ended 31 March 2022 and up to the date of approval of the Annual Financial Report.

3.0 The governance framework

The governance framework is based on the core principles of corporate governance included in the CIPFA/SOLACE Framework. These principles are underpinned by key features that need to be in place to allow an authority to demonstrate that they comply with these principles. The diagram below sets out the seven fundamental principles:



The key features that underpin each of the core principles, together with examples of how the Authority achieves them are outlined in the following diagrams.

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

SUPPORTING PRINCIPLE

Behaving with integrity

EXAMPLES OF HOW THIS IS ACHIEVED

Code of Conduct for Members & employees

Member Development Programme

Leadership Forum

Individual Performance Reviews

Declarations of interests made at meetings

Standards Committee

Register of interests (Members & staff)

SUPPORTING PRINCIPLE

Demonstrating strong commitment to ethical values

EXAMPLES OF HOW THIS IS ACHIEVED

Organisation value statement is in place

Appraisal processes takes account of values & ethical behaviour

Procurement policy

Protocols for partnership working

Regular monitoring of Health & Safety, Equality & Diversity

SUPPORTING PRINCIPLE

Respecting the rule of law

EXAMPLES OF HOW THIS IS ACHIEVED

The Constitution

Governance arrangements & Scheme of Delegations in place across the Authority

Job descriptions

Committee support

Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government

Statutory provisions

Monitoring Officer provisions

2. CORE PRINCIPLE

Ensuring openness and comprehensive stakeholder engagement

SUPPORTING PRINCIPLE

Openness

EXAMPLES OF HOW THIS IS ACHIEVED

Annual Financial Report

Freedom of Information Act publication scheme

Online Council Tax information

Authority website

Compliance with Transparency Code

Record of decision making and supporting materials

Report pro-formas

Record of professional advice in reaching decisions

Mayor's Listening Events

SUPPORTING PRINCIPLE

Engaging comprehensively with institutional stakeholders

EXAMPLES OF HOW THIS IS ACHIEVED

Engagement Strategy

Partnership framework

Partnership protocols

Record of public consultations

SUPPORTING PRINCIPLE

Engaging with individual citizens and service users effectively

EXAMPLES OF HOW THIS IS ACHIEVED

Community Conversations hosted by local Councillors

Wide programme of engagement on full range of services regularly reported to SLT and Cabinet Members

Mayor's Listening Events

Tenant & Leaseholder Involvement Strategy

Authority's website & use of social media

Joint Strategic Needs Assessment

3. CORE PRINCIPLE
Defining outcomes in terms of sustainable economic, social, and environmental benefit

SUPPORTING PRINCIPLE

Defining outcomes

EXAMPLES OF HOW THIS IS ACHIEVED

Our North Tyneside Plan 2020 - 2024

Efficiency Programme

Joint Strategic Needs Assessment

Health & Wellbeing Strategy

North Tyneside Strategic Partnership

Service Plans

Performance Management Framework

Community engagement and involvement

SUPPORTING PRINCIPLE

Sustainable economic, social and environmental benefits

EXAMPLES OF HOW THIS IS ACHIEVED

The Investment Plan

Capital Investment Strategy

Strategic Property Group & Investment Programme Board

Corporate Performance Management

External Audit review

Regular budget monitoring

Record of decision making and supporting materials

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

SUPPORTING PRINCIPLE
Determining interventions

EXAMPLES OF HOW THIS IS ACHIEVED

Budget monitoring to Cabinet & Finance Sub-Committee

Regular meetings between Cabinet Members and Senior Officers

Service & Corporate Performance Reports

Officer attendance, support and advice for the various Committees and Sub-Committees of the Authority

Evidence based policy making

SUPPORTING PRINCIPLE
Planning interventions

EXAMPLES OF HOW THIS IS ACHIEVED

All Council and Committee reports include a risk management section

Risks jointly owned by Senior Leadership Team and Cabinet. Progress on risk management is reported to Cabinet on a regular basis

Partnership framework

Communication strategy

Budget guidance and protocols

Corporate plans

SUPPORTING PRINCIPLE
Optimising achievement of intended outcomes

EXAMPLES OF HOW THIS IS ACHIEVED

Feedback surveys

Budgeting guidance and protocols

Financial strategy

Service plans

Corporate plans

5. CORE PRINCIPLE
Developing the entity's capacity, including the capability of its leadership and the individuals within it

SUPPORTING PRINCIPLE

Developing the entity's capacity

EXAMPLES OF HOW THIS IS ACHIEVED

Council Plan

Service Plans

Workforce plan

Organisational development plan

Member Development Programme

Shared Services Management Board

Protocols on Member/Officer Relations

SUPPORTING PRINCIPLE

Developing the capability of the entity's leadership and other individuals

EXAMPLES OF HOW THIS IS ACHIEVED

Learning & Development Framework

Member Development Programme

Leaders for the 21st Century Programme

Managers Development Programme

Releasing the Potential of the Workforce Programme

Leadership Forum

Appropriate training

Working with Members training

6. CORE PRINCIPLE
Managing risks and performance through robust internal control and strong public financial management

SUPPORTING PRINCIPLE

Managing risk

EXAMPLES OF HOW THIS IS ACHIEVED

Risk management procedures and protocol in place

Risk management is undertaken at strategic, corporate and operational level

Risks jointly owned by Senior Leadership Team and Cabinet. Progress on risk management is reported to Cabinet on a regular basis

Corporate whistle blowing policy in place

All Council and Committee reports include a risk management section

SUPPORTING PRINCIPLE

Managing performance

EXAMPLES OF HOW THIS IS ACHIEVED

Rigorous clearance process for Cabinet and Council reports

Calendar of dates for submitting, publishing and distributing timely reports

Publication of agendas and minutes of meetings

Agreement on the information that will be needed and timescales

Financial standards, guidance

Financial regulations and standing orders

SUPPORTING PRINCIPLE

Robust internal control

EXAMPLES OF HOW THIS IS ACHIEVED

Risk management strategy

Audit plan

Audit reports

Risk management strategy and policy in place

Annual Governance Statement

Audit Committee in place

Scheme of delegation is in place

6. CORE PRINCIPLE (continued)
Managing risks and performance through robust internal control and strong public financial management

SUPPORTING PRINCIPLE

Managing data

EXAMPLES OF HOW THIS IS ACHIEVED

Data management framework and procedures

Designated data protection officer

Data protection policies and procedures

Data quality procedures and reports

Data validation procedures

E-learning in place

Strategic Information Management Forum

Information Management Strategy

SUPPORTING PRINCIPLE

Strong public financial management

EXAMPLES OF HOW THIS IS ACHIEVED

Budget monitoring reports

Internal Audits

External Audits

Annual financial report

7. CORE PRINCIPLE
Implementing good practice in transparency, reporting, and audit to deliver effective accountability

SUPPORTING PRINCIPLE

Implementing good practice in transparency

EXAMPLES OF HOW THIS IS ACHIEVED

Consultation during budget process

Website

Annual report

Compliance with Transparency Code

SUPPORTING PRINCIPLE

Implementing good practices in reporting

EXAMPLES OF HOW THIS IS ACHIEVED

Annual financial statements which include key points raised by external scrutineers

Annual Governance Statement

Format follows best practice

SUPPORTING PRINCIPLE

Assurance and effective accountability

EXAMPLES OF HOW THIS IS ACHIEVED

Recommendations have informed positive improvement

Annual Governance Statement

Standards Committee

External Audit completion reports

Compliance with CIPFA's Statement on the Role of the Head of Internal Audit

4.0 Review of effectiveness

North Tyneside Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Executive, Director of Public Health and Directors of Service within the Authority who have responsibility for the development and maintenance of the governance environment.

Listed below are the processes that are applied in maintaining and reviewing the effectiveness of the governance framework on a continuing basis:

- **The Full Council** – The Full Council is responsible, within the scope of its responsibilities under law, for ensuring that the Authority's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports to Full Council document the financial, legal and operational implications of the decisions to be made. Reports are reviewed to ensure there are no governance issues identified or, where such an issue is identified, to ensure that it is appropriately addressed. The Elected Mayor, the Chief Executive and Chair of Council have signed this document;

- **The Council's Executive** – The Council's Executive comprising the Elected Mayor and Cabinet is responsible, within the scope of its responsibilities under the law, for ensuring that the Authority's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports to Cabinet document the financial, legal and operational implications of the decisions to be made. Reports are reviewed to ensure there are no governance issues identified or, where such an issue is identified, to ensure that it is appropriately addressed. The findings of the AGS are reported to, and discussed with, the Elected Mayor;

- **Head of Paid Service** – The Head of Paid Service is responsible for the corporate and overall strategic management of the Authority's staff in accordance with Section 4 of the Local Government and Housing Act 1989;

- **Chief Finance Officer** – The Chief Finance Officer (CFO) has statutory duties in relation to the financial administration and stewardship of the Authority arising from Section 151 of the Local Government Act 1972. The CFO has completed a governance statement which outlines the arrangements that are required to ensure that the CFO duties can be carried out effectively. The statement is based on "The Role of the Chief Finance Officer" published by CIPFA;

- **Monitoring Officer** – The Monitoring Officer has responsibility for promoting and maintaining high standards of conduct and reporting any actual or potential breaches of the law or maladministration to the Full Council and/or to the Cabinet as set out in Section 5(2) of the Local Government and Housing Act 1989;

- **The Senior Leadership Team** - The Senior Leadership Team acts as the organisation's overall 'management board', providing strategic direction to enable the business of the Authority to be undertaken. The Team provides ultimate assurance to the Cabinet and non-executive Members in relation to the governance arrangements in place. The AGS is reviewed by the Senior Leadership Team as part of the production of the Statement;

- **The Audit Committee** - The Audit Committee improves corporate governance by reviewing the stewardship of the Authority's resources. The Audit Committee enhances the profile of audit throughout the Authority and enables it to be strong and effective. The findings of the annual governance review are reported to the Audit Committee. The terms of reference of the Audit Committee state that they receive the information necessary to undertake an annual review of the effectiveness of the Authority's system of internal control, will agree the methodology for the preparation of the AGS and will monitor the action plan prepared to address the issues identified in the AGS;

- **Overview, Scrutiny & Policy Development** - The Overview, Scrutiny & Policy Development Committee is about improving services for the people of North Tyneside by influencing decision makers. This is achieved by: acting as a critical friend to the Elected Mayor and Cabinet, investigating issues of interest and concern to communities within North Tyneside, involving communities in its work and making recommendations to decision makers on how services can be improved. There are currently seven Overview, Scrutiny & Policy Development sub-committees which cover all Authority services:

    - Finance;
    - Adult Social Care, Health and Well Being;
    - Children, Education, and Skills;
    - Environment;
    - Economic Prosperity;
    - Housing; and
    - Culture & Leisure

- **Standards Committee** - The Standards Committee is responsible for the promotion and maintenance of high ethical standards within the Authority, helping to secure adherence to the Members' Code of Conduct, monitoring the operation of the Code within North Tyneside, the provision of training to members in relation to the Code and to requirements for disclosure of interests. The Committee also promotes and reviews the Whistleblowing Policy for Members and conducts hearings following investigation and determines complaints made against Councillors in respect of alleged breaches of the Code of Conduct (including following requests for review);

- **Health & Wellbeing Board** – The Health & Wellbeing Board is in place to ensure that there is an integrated approach to the provision of health and social care services in the area. The Board is responsible for: encouraging the commissioners of health and social care services to work in an integrated manner to improve the health and wellbeing of people in the area, including the making of joint arrangements; preparing a Joint Strategic Needs Assessment, Joint Health and Wellbeing Strategy and Pharmaceutical Needs Assessment; and encouraging the commissioners of health-related services, such as housing, to work closely with the Board and the commissioners of health and social care services. The Authority's Director of Public Health and statutory Director of Adult Social Services and Children's Services form part of the Adult Social Care, Health & Wellbeing Board;

- **Corporate Assurance Group** – The Corporate Assurance Group consists of the Chief Executive, statutory Director of Adult Social Services and Children's Services and other senior officers involved in Safeguarding. The Group not only provides adequate and regular assurance for the statutory functions for Adult and Children's Services, but enables a strategic discussion of trends, pressures, special measures for specific establishments/service areas or client groups. It also enables the performance, engagement and resource commitment of partners to be kept under review, as well as providing a regular link with the Safeguarding Board Chairs. A primary function of the Group is to provide the evidence by which the Chief Executive, Elected Mayor and Cabinet Members fulfil their statutory responsibilities to adults and children within the borough – in both a retrospective scrutiny of performance and a forward view of pressures and challenges facing the services – which will inform corporate decisions on resources and capacity;

- **Internal Audit** – Internal Audit plays a key role in the assessment of the control environment. Although part of the Authority's overall control framework, Internal Audit is not a substitute for effective internal control. The Chief Internal Auditor provides an annual summary of the results and conclusions of the year's work, this report includes an opinion on areas included within the AGS;

- **Risk Management Groups** – Risk Management is undertaken at operational, strategic and corporate level and is also a main element of managing our key projects and partnerships. The Authority's Senior Leadership Team takes an active part in ensuring that strategic risks are identified and managed taking into consideration the Authority's priorities. Those strategic risks that are exceptional in nature are managed at corporate level and are jointly owned by the relevant member of the Senior Leadership Team and Cabinet Member. All risks are reviewed on a regular basis by the relevant risk management group and governing body to ensure that they are being managed effectively, with progress reported to Senior Management, relevant Board, Senior Leadership Team, Cabinet, and the Audit Committee;

- **External Audit** - Officers meet regularly with the External Audit team, who also attend key Council meetings. Action plans are formulated to address any formal recommendations raised by external inspectors. The views of our external auditors are expressed through the Annual Audit Letter and the Audit Completion Report; and

- **Partnerships** - a monthly Operational Partnership Board (OPB) is attended by key officers within the Council and the Partner. The Cabinet Member for Finance and Resources (for Equans) and the Cabinet Members for Housing, Environment & Transport and Community Safety & Engagement (for Capita) also attend the relevant meeting. The OPB is the main interface between North Tyneside Council and Equans/Capita. It provides a forum for the day-to-day management of the Partnership and is responsible for ensuring that performance targets are met, that the payment and performance mechanism operates correctly, that a high-performance relationship and culture is developed and that problems or issues and contract variations are resolved. The OPB reviews performance and budget reports from the relevant Partner and any risks or issues escalated to it by Equans/Capita or the Commercial Services Team. The OPB escalates risks and issues to the Strategic

Partnership Board, which in turn escalates risks and issues to Cabinet as appropriate.

- **CIPFA Financial Management Code** - 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. 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 leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

All of the above work has been used in compiling this Statement and arriving at an assessment of the internal control arrangements in place within the Authority.

5.0 Overall assessment of Governance Arrangements in place

Any system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the Authority's objectives have been mitigated.

The annual report produced by the Chief Internal Auditor has been reviewed and there are no significant governance issues that were identified. See "Annual Governance Statement 2021/22" section of the Internal Audit Service report "2021/22 Opinion on the Framework of Governance, Risk Management and Control".

As a result of reviewing the evidence outlined, the Senior Leadership Team has taken the view that as a whole, the governance arrangements in operation during 2021/22 within the Authority were adequate.

5.1 Outlook

As a result of reviewing the evidence outlined in sections 3 and 4, together with the Authority's assurance statement, some issues were identified that will need to be monitored during 2022/23. These issues relate to the changing nature of the Authority and local government as a whole. If the Authority failed to address these challenges properly it may result in future governance issues. Outlined below is a summary of these key challenges:

Review of 2021/22 AGS Action Plan – July 2022 Update

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in October 2021 Audit Committee Report
Housing Revenue Account (HRA) – there is a risk that the Authority will be unable to protect its housing asset and services to tenants as a result of reduced income to the HRA.	Government policy on Welfare Reform has resulted in a number of direct challenges to rent collection, for example the Spare Room Subsidy and the Benefit Cap. Further Welfare Reform changes, including the roll out of Universal Credit that commenced in May 2018. The rent increase is likely to be affected due inflation rates currently being so low. This will impact on to the government formula of CPI + 1% calculation resulting in reduced resources within the HRA Business Plan Restructure of the Neighbourhood service has taken place, bringing in more resource to mitigate the impact of Welfare Reform and full UC role out.	• Any impact from changes in Government legislation is reflected in the HRA plan and approved by Cabinet as part of the annual review of the HRA. • Revised 30-year Capital Investment Plan is in place. • The Authority has representation on the MHCLG (Ministry for Housing, Communities & Local Government) and the CIPFA HRA working groups. Specific issues can be raised through these forums and the Authority can also comment and influence changes on HRA regulations. • The Financial Inclusion Strategy sets out how the Authority and its partners will support its residents to better manage their finances and maximise their income. • Self-service/agile working, through the implementation of self service and agile working overall costs should be reduced. • The Government announced during 2018 that it will be removing restrictions on the HRA borrowing cap, and that authorities will purely operate under the same rules that apply to the General Fund in accordance with the Prudential Code i.e. affordability being the key issue. • The direct delivery of the repairs, maintenance and construction service brings with it, financial benefits creating greater financial flexibility to balance the HRA. • A watching brief will be kept on the implications of any further Government proposed changes as they arise, and appropriate representations will be made to Government. • The HRA Business Plan will be adapted as a result of low inflation rates that will impact on the rent increase resulting in lower level of income to support the original plan.

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in October 2021 Audit Committee Report
Implementation of Universal Credit Full Service – there is a risk on resident's finances both in them receiving the payment and their ability to manage their finances on a monthly basis. Risks also exist around the HRA if rent arrears increase as a result.	The impact of the Universal Credit (UC) roll out over 2019/20. The full service was implemented on 2 May 2018 by Job Centres in North Tyneside. This brings families with children into scope. The potential impact on resident's finances and the delay in receiving initial payment is a concern, although Government have provided some additional support measures with 2 weeks additional Housing Benefit and promotion of advanced payments. Resident's ability to make and maintain claims online and their ability to manage finances on a monthly basis is also a challenge. The impact on the HRA, as claimants receive their Housing element of UC directly and have to make payment to the authority (currently Housing Benefit paid direct to Local Authority) is a challenge to maintain rent collection levels.	• Partnership working to support the claimants of UC with Community and Voluntary Sector and Job Centre Plus. • Referral mechanisms established to support residents with ICT Skills to claim and update UC claims as well as managing budgets. • Promotion of Direct Debit. Also use of alternative payment arrangements where appropriate to support vulnerable residents. • Expanding the UC Support Team to ensure that arrears balances are closely monitored and controlled. • Introduced Employability Officers x3 to support claimants back into employment. • Introduced analytical software to target support to the most vulnerable UC claimants. • An officer is in place to manage the electronic real-time notifications that are received from the Department for Work and Pensions in relation to new claims and payments. • There has been an increase in UC claim numbers throughout Covid-19 but well-established support arrangements are in place to offer support to new claimants.
Efficiency Savings Programme There is a risk that if the programme is not successfully implemented the Authority may be unable to deliver improved services and meet the increased demand on Council services within reducing resources.	Reductions in central government funding combined with increasing demand levels for the Authority's services has required the Authority to develop new ways of working. The Authority is aiming to deliver high quality services with fewer resources at its disposal. The challenge that reducing resources places on the Medium Term Financial Plan make savings a key part of the strategic financial planning for the Authority to ensure service delivery is not affected.	• Governance framework – there are monthly updates via Senior Leadership Team (SLT) and the Leadership Forum. In addition, as part of the Financial Management Function quarterly Budget & Performance Sessions are held with Cabinet Members. This ensures that there is visibility and accountability. • Regular updates are reported to Lead Member Briefings. This informs Cabinet Members of progress and of any issues. • A refreshed Joint Strategic Needs Assessment (JSNA) is in place which provides a new approach to needs assessment to provide an improved

Potential Governance Issue	**Factors Driving the Governance Issue**	**Update to Controls Identified in October 2021 Audit Committee Report**
There is a risk that budget monitoring does not fully align with the efficiency programme.		foundation for the Efficiency Statement. • The Risk Register highlights and reports key risks attached to the strategic aims of the Efficiency Savings Programme. The Efficiency Savings Programme Board receive this report enabling informed decisions to be made. • The Authority continues to use the governance structure in place for budget setting and budget monitoring to regularly review any potential impact of Covid-19 on the ability to deliver the Efficiency Savings Programme.
Impact of the development of the Integrated Care System (ICS) across North East and North Cumbria and the Integrated Care Partnerships ICPs) (which have replaced the former Sustainability and Transformation Plans) –there are concerns about the extent to which the Authority has been a true partner in its development. The concern centres on engagement and involvement of local authorities and understanding the financial implications of the plans upon the ability of the Authority to deliver services to	The purpose of the ICS and ICPs in the NHS is to ensure that health and care services are based upon the needs of local populations in order to support the successful implementation of the NHS 5 Year Forward View (5YFV) and the NHS Long Term Plan. The ICS and ICPs are intended to bring together key partners across Clinical Commissioning Groups (CCGs), Foundation Trusts, local authorities and other health and care service providers to improve health outcomes and to better manage operational challenges in the NHS to achieve sustainability. The ICS has identified a number of priority areas of work including prevention, optimising health services, digital transformation, workforce transformation and mental health.	• Following previous controls identified, including the letter from North Tyneside Council to NHS England and monitoring by the Director of Health, Education, Care and Safeguarding and the Chair of the Health and Wellbeing Board, a Health Scrutiny Committee has been established jointly across local authorities. • The Chair of the Health and Wellbeing Board and senior council officers have received updates and a number of presentations from chief officers within the NHS on the progress of the ICS, ICP and the Long-Term Plan and the implications at the meetings of the North Tyneside Health and Wellbeing Board. • The Directors of Health, Education, Safeguarding and Care and of Public Health are involved in the ICS work streams relating to prevention, mental health and child health. • A watching brief will be kept on the implications of the Government's Green Paper on Care and Support for Older People and the Green Paper on Prevention. Once they are published considerations will need to be made to any changes coming as a result.

Potential Governance Issue	**Factors Driving the Governance Issue**	**Update to Controls Identified in October 2021 Audit Committee Report**
residents, such as, adult social care, children's services and public health.		
Business Rates - There are a number of risks with new Government proposals to move to a 75% or 100% retention policy.	There are on-going discussions and moves by Central Government to implement 100% Business Rate Retention for Local Authorities. This initiative was delayed in the previous parliament with a one-year settlement removing the 75% pilot and returning the Authority to 49% retention for 2020/2021. Increased retention would potentially give local authorities greater ability to plan for the long term, more financial independence and an increased incentive to generate growth as a greater % of business rates will be retained. However, a lack of business growth or the shutting of a business will have a negative impact on the Authority's revenues. The Authority will also have to bear an increased % of business rates appeals; this was previously 50%. The current business rates system has a safety net in place for those local authorities that see a reduction in business rate income by more than 7.5%. It is anticipated that this will stay in place, but this hasn't been confirmed. The Covid-19 pandemic has had a significant impact on the global economy and there is a risk that businesses will not survive. In addition, Covid-19 has seen	• The Authority, along with its North of Tyne partners, entered a 75% retention pool for 2019/20. This was to act as a trial for the impact a switch in national policy might have on North Tyneside, but it was announced in the recent Spending Round that the 75% pilots will not continue into 2020/21, meaning NTC will return to 49% retention. • A Task & Finish Group, Business Rates Retention, has been set-up to influence central government direction on the proposed Business Rates Retention system. This has involved the establishment by the Local Government Association (LGA) and MHCLG of an officer-level steering group and 3 working groups. The working groups meet regularly and cover service responsibilities, needs & redistribution, system design, accounting & accountability and business interests. • Presentations have been received from MHCLG both to the region and jointly to the Local Government Association. • The Authority considers and responds to consultations issued on the proposed changes to business rates. • Weekly monitoring of the Valuation Office appeals data is carried out to gain an understanding of the Authority's position. • MHCLG continue to consult on business rate retention as it links in with Governments Fair Funding Review and devolution of further responsibilities. • Proposals to change risk on appeals, Central Government bearing cost, with top slice to each authority's funding.

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in October 2021 Audit Committee Report
	businesses adapt to new ways of working with increased levels of homeworking. There is a risk that demand for office space reduces. Both factors present a significant risk to the resources available to the Authority.	• Valuation Office Agency have introduced new appeals process from 1 April 2017 called check, challenge, appeal which introduces additional processes to reduce the number of appeals made. Large reduction in number of appeals has been seen in first year of scheme. The Authority has made prudent judgements on potential impact of appeals on the collection fund accounts and monitor this on a monthly basis. • Along with the new valuation list being delayed until April 2023, the Government's fundamental review of the whole of the Business Rates system is currently ongoing. This will add to the uncertainty currently surrounding financial planning.
Information Governance – there is a risk in relation to information governance that unless there are robust policies and systems in place and implemented there is a possibility that sensitive data may be lost. If the Authority fails to have robust policies in place there is a risk that the Data Protection Act could be breached leading to fines and compensation claims.	Some information held by the Authority is extremely sensitive in nature which requires robust policies, guidance and systems to be in place to ensure that it is as secure as possible. Privacy and confidentiality are the cornerstone of data protection so it is essential that staff are fully aware of the procedures that they need to follow when dealing with sensitive information. In May 2018 Data Protection legislation changed setting out new requirements for organisations. The new legislation placed greater emphasis on accountability and gave citizens more control over what organisations could do with their personal data.	• E-learning in respect of information sharing and information governance awareness training. It is mandatory for all staff and Members handling information to undertake regular e-learning. • Information Governance and Security Group. This is an assurance group which consists of the Deputy Chief Executive, Data Protection officer, Chief Information Officer, ICT security and other relevant officers. Their role is to help to ensure that the Authority's information governance, IT systems, and processes are fit for purpose. The Group enables Senior Managers to ensure that consistency is applied to the approach to information governance across the Authority. • The Information Governance Framework. This ensures that information, particularly personal and sensitive information, is effectively managed with accountability structures, governance processes, documented policies and procedures, staff training and appropriate resources.

Potential Governance Issue	**Factors Driving the Governance Issue**	**Update to Controls Identified in October 2021 Audit Committee Report**
		• Data Protection Officer – providing a corporate approach working with day to day managers of the information governance processes and procedures, ensuring a training plan is in place and implemented. • The Authority's Senior Information Risk Owner sits at SLT level, overseeing Information Governance operations. • Work continues to embed data protection legislation across the Authority. Policies, procedures, Privacy Notices, guidance documents and training are reviewed regularly. • Implementation of ICT Tooling which will include SharePoint will introduce a Records Management System which will include robust document retention and disposal systems. • As part of the review of the ICT Strategy, a governance board has been established recognising the links between ICT and Information Governance. Its membership includes the SIRO, relevant Cabinet Members and Directors of service. It will help ensure that ICT enables us to take a confident and robust approach to information governance and security.
Partnerships – There is a risk that partner organisations governance arrangements and service plans do not align with the Authority's.	The Authority needs to continue to manage and review governance arrangements that are in place in respect of all partnerships to ensure required services are continued to be delivered against agreed service plans whilst demonstrating value for money. In addition, the Authority needs to ensure that boundaries and responsibilities remain clear and are robustly managed, recognising that operations and staffing in both partner	• The Governance structure that is in place ensures that the governance to manage partnerships is in place, e.g. Strategic Partnering Boards, Operational Partnering Boards, Senior Client Groups and a Commercial Group. • A performance payment mechanism ensures that the correct payments are made in relation to the partners. • Alignment of the Efficiency Statement with Equans strategic plans will ensure all parties are aware of how the business partnership is working towards developing the Authority's priorities and Equans business plan.

Potential Governance Issue	**Factors Driving the Governance Issue**	**Update to Controls Identified in October 2021 Audit Committee Report**
	organisations and the Authority change over time.	• Equans and Capita continue to work with the Authority to deliver the 'Our North Tyneside Plan' along with Efficiency Statement objectives. The aim is to ensure that partnership delivery plans are in line with policy objectives. This is reflected in their annual service plans. • Development and monitoring of the Annual Service Plan for both partnerships continues and performance against these plans are reported through OPB and SPB. • The Schedule 9 Benchmarking Value for Money review of both the Capita and Equans contracts has been undertaken. The benchmarking exercise demonstrated that our Partners are contributing to the Authority's Best Value performance plan and support the Authority in satisfying its duty of Best Value. • A Partnership Review was undertaken within the Equans Partnership. These reviews ensure that the priorities of the Partners are aligned. • In year 12 of the Partnerships a final benchmarking exercise will be undertaken, this will focus on the wider market and ensuring that the services are fit to return to the Authority.
Devolution – There is a risk that the Authority may not be able to maximise the opportunities presented by securing a devolution deal for North of the Tyne (NOT).	The North of Tyne authorities have established a North of Tyne Mayoral Combined Authority following a Devolution deal from Central Government. This required the previous arrangements with the North East Combined Authority (NECA) to change. The Authority will need to be mindful of any on-going governance issues the new Combined Authority may bring, specifically around their impact on North Tyneside Council.	• The North of Tyne Combined Authority is now in existence, with its first elected Mayor in office. • The Elected Mayor and Deputy Mayor are members of the North of Tyne Cabinet. • The North Tyneside Officer Working Group continues to meet to ensure information is shared and all parties are involved to maximise the potential benefits for North Tyneside. • Chief Officers within North Tyneside Council are currently occupying critical roles in the new Combined Authority.

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in October 2021 Audit Committee Report
Workforce (including Recruitment and Retention) & Succession Planning – There is a risk that our workforce planning may not meet the needs of the Authority especially with regards to recruitment, remuneration and retention within some of our services especially Social Care and Public Health, and succession planning more generally across all areas.	There is a risk that the Authority fails to align its workforce, in terms of skills and experience, in order to deliver the right priorities, leaving the Authority unable to deliver the Our North Tyneside Plan.	• Workforce planning will ensure that service areas have the tools to align the workforce requirement to the delivery of service. • Organisational Development Plans are in place and reviewed by SLT annually to ensure that the programmes we are running align themselves to the Authority's priorities. • Recruitment sign off for vacancies is made by the Head of Resources ensuring that there is a business need to undertake a recruitment exercise and that those vacancies are controlled. • Sign off and monitoring process for voluntary redundancy and enhanced redundancy requests are made by the Head of Resources to make sure that the right decisions are made and challenged appropriately, ensuring a consistent approach. • The apprenticeship strategy supports the expansion of entry routes into the organisation, particularly for young people and our hardest to reach group of residents.
Finance and Resources – There is a risk that due to significant historic reduction in local authority core funding and the ongoing uncertainty of funding beyond 2020/21; compounded with patchwork funding for social care and the introduction of new funding formulas for schools, the Authority may not be able to make appropriate plans	The exact trajectory of future funding to local Government in general remains uncertain. The spending review for 2020/21 was announced as a one-year review with the Government's intention to carry out a full spending review for the three years beyond 2020/21. An outcome of the current Covid-19 response is that the Government have advised that the spending review, fair funding review and the move to 75% business rate retention will be paused for a further year. This brings further uncertainty from a financial planning perspective. Additional funding for social care for 2020/21 was announced and	• Flexibility within the savings plans and approach to managing the in-year budget. Flexibility will allow us to reconfigure if the assumptions that have been made prove to be incorrect. It should be noted that due to the outbreak of Covid-19 the 2020/21 saving targets were not achieved. • Bi-monthly budget reporting to Cabinet. Publicly reporting to Cabinet on each project as part of the Financial Plan ensures challenge on the financial benefits of the Creating a Brighter Future programme. Any inflationary impact will be considered as part of the monitoring report. Budget reports are also taken to Finance Sub-Committee. • Reporting to the Overview & Scrutiny Committee as required. Ensures

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in October 2021 Audit Committee Report
to ensure its financial sustainability.	the Adult Social Care precept proposed for 2021. The expectation that Adult Social Care pressures are funded through Council Tax increases continues to leave the burden with residents and gives no indication of the long-term plans for funding social care. The Adult Social Care green paper is still awaited. Demand for services for vulnerable adults and children continue to grow. Services have continued to reshape and respond to the challenge of reducing resources however there are increasing numbers of children at risk and we are well versed on the impact of an ageing population. Our schools continue to face financial challenges not least from unfunded legislative requirements, rising High Needs and the impact of the shift to the national funding formula. The authority carries the risk associated with a small number of high value deficits, with an indication the number of schools in deficit may grow. The borough continues to grow and has seen strong housing growth in recent years. This brings with it, additional demand for services across the borough. Responding to increased waste collection, the impending changes to recycling and waste management from central government and contracting arrangements will bring additional/new cost pressures, the funding of which is uncertain. Future resource forecasts have been provided within the current Financial Plan however the fundamental uncertainty beyond	checks and challenge for each project on performance and non-financial benefits of the savings programme. Monthly progress reports are now submitted to Overview & Scrutiny Committee. • Investment Programme Board monitors and manages the Investment Plan receiving reports on exceptions. Outcomes are reported to Cabinet, Finance Sub-Committee and relevant scrutiny sub-committees as part of the budget monitoring process. Our local Prudential Code provides clear parameters on affordability. • We work closely with national, regional and sub-regional financial networks to help ensure we are informed and aware and contribute to the debate regarding any national developments. • Key financial officers meet on a regular basis to discuss strategic financial issues. This group will be the key group to deliver the finance workstream during recovery from Covid-19. • Contribute to ongoing Government consultation on matters affecting local government finance e.g. 75% business rate retention, Fair Funding Review and school funding. Being involved in the consultation process enables any issues or concerns specific to NTC to be highlighted before final decisions are made. However, this has been suspended due to Covid-19. • Covid-19 continues to have an ongoing impact on the resources of the Authority as recovery continues; a regular update held with Finance Officers includes discussion of the current financial pressures to understand the scale of impact and consider potential solutions.

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in October 2021 Audit Committee Report
	2022/23, and the potential impact from Brexit adds to the risk of developing a financial plan and ensuring financial sustainability of the authority. The impact of Covid-19 has financial repercussions for 2022/23 and beyond adding further uncertainty to the ability to ensure financial sustainability of the Authority through financial planning.	
Supply Chain There is a risk that the Authority's service delivery relies on an extensive supply chain and, if it became disrupted or elements ceased to operate, the Authority's service delivery could be impacted.	If the Authority does not undertake the necessary checks to ensure that our key suppliers are financially sound, the Authority's critical services could be disrupted if one or more of our suppliers were to face financial difficulty or cease to operate. The Authority is also facing risks to supply chain from the impact of Covid, EU transition and the Russian / Ukraine conflict.	• Ensure that we know which organisations are critical to maintaining business continuity and are included in our continuity planning, in particular regarding reduced opportunities to purchase. We are working with providers to establish available stock enabling us to place long term orders i.e. 3 months rather than monthly. • Horizon scanning will flag up early signs of organisations facing financial problems. It will provide the opportunity to plan. This could for example include the identification of alternative delivery. • This also includes market analysis to understand where any difficulties may be faced in obtaining key supplies. • We have established new governance and lead officer arrangements regarding our contractual and commercial measures. • A robust suite of contract training has been carried out with Contract Mangers.
Rising Energy and Other Costs There is a risk that due to the volatile market conditions and global increase in energy costs there may be significant financial	Due to the unprecedented rise in costs the Authority will face significant financial pressures both directly i.e. increased energy costs for the Authority and indirectly i.e. increased costs in supplies and services. The increase in costs will also have significant impact on local	• We will work with North of Tyne Combined Authority to identify areas of support needed to achieve local targets and opportunities to accelerate the infrastructure projects included in the Government's 10 Point Plan and agree an appropriate lobbying approach. This work will include consideration of a domestic

Potential Governance Issue	**Factors Driving the Governance Issue**	**Update to Controls Identified in October 2021 Audit Committee Report**
pressure placed on the Authority, businesses, and residents. The increase in energy costs, combined with supply chain risk factors including the Ukraine crisis and EU exit, have led to significant inflationary pressures in all areas of the economy	businesses which could result in job losses and closures. Rising energy costs will also have an impact on residents specifically those who are already facing financial difficulties and those in ill health.	retrofit programme across the North of Tyne area. • Support for residents will include work towards providing financial support for residents in light of the rising costs e.g. £150 Council Tax energy rebate; the 2022-23 budget includes the continuation of the Local Council Tax Support Scheme hardship payment of up to £150. • The net-zero plan will identify a range of energy efficiency, generation and low carbon heat projects. Although some projects could come with increased running costs, such as using air source heat pumps to replace gas boilers in Council buildings, there will be project that save on consumption and cost and can generate electricity locally.

Appendix A

6.0 Signatures

We, the undersigned, propose to ensure the areas identified above are monitored during the coming year in order that the governance arrangements within the Authority remain effective. These will be reviewed throughout the year.

Signed:

Elected Mayor

Date: 27/07/2022

Chief Executive

Date: 27/07/2022

Chair of Council

Date: 27/07/2022

I confirm that the Audit Committee (at its meeting on 27 July 2022) was satisfied on the basis of the information available to it, that the Annual Governance Statement 2021/22, which is required, under the Regulations governing the audit of local government accounts, has been prepared and approved after due and careful enquiry.

Chair of the Audit Committee

Date: 27/07/2022

Annual Governance Statement (AGS) Framework

Evidence is gathered from a variety of sources including:

The Governance Framework – examination of key documents/functions

Council and Service Policies

Business Plans and Risk Registers

Supporting evidence and assurances are reviewed – this comes from:

Internal Audit – periodic and annual reports

Financial Management – financial plans, statutory returns, external audit

Members Assurance – scrutiny functions, Standards Committee

Risk Management – risk management strategy

Assurance Statement – completed annually

Chief Finance Officer's Statement – completed annually

Council and Cabinet Meetings

Draft AGS compiled together with action plan to address any identified governance issues

Draft AGS and action plan reviewed by Senior Leadership Team and Chief Executive

Draft AGS presented to Audit Committee for review and approval

AGS signed by Elected Mayor, Chief Executive, Chair of Council and Chair of Audit Committee

AGS included within the Annual Financial Report

This page is intentionally left blank

North Tyneside Council
Report to Audit Committee
Date: 27 July 2022

Title: Draft Annual Statement of Accounts 2021/22

Report from Service:	Finance	
Report Author:	Janice Gillespie, 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 2021/22 accounts.

1.2 Recommendation(s):

1.2.1 It is recommended that the Audit Committee:

(a) note the publication of the draft set of accounts in advance of the 31st July 2022 deadline; and
(b) note that the External Audit commenced on 4 July 2022.

1.3 Council plan and policy framework:

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

1.4 Information: Update on the preparation of the 2021/22 Annual Statement of Accounts

1.4.1 The Department for Levelling Up, Housing & Communities (DLUHC) put in place revised regulations that came into force on 31 March 2021. The Accounts and Audit (Amendment) regulations 2021 extended the statutory audit deadlines for 2020/21 and for 2021/22 for all local authorities. The publication date for audited accounts has moved from 31 July to 30 November 2022 for all local authority bodies.

1.4.2 This represents a substantial change to the regulations as before the audited set of accounts was required to be approved and subsequently published by no later than 31 July. To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June has been removed. Instead, local authorities must commence the public inspection period on or before the first working day of August 2022. This means that a set of draft accounts must be published by 31 July 2022 at the latest.

1.4.3 A draft set of 2021/22 accounts have been produced and were published on the Authority's website on 30 June 2022. 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 2021/22 accounts on 4 July 2022 and this will run through to September with the aim of having a signed off set of accounts published by the end of the month.

1.5 Decision options:

The options available are:

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

1.6 Reasons for recommended option:

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

1.7 Appendices:

2021/22 – Draft Annual Statement of Accounts

1.8 Contact officers:

Janice Gillespie – Director of Resources - Tel: 643 5701
Claire Emmerson – Senior Manager, Financial Strategy & Planning – Tel 643 8109
Peter Weir – Principal Accountant – Tel 643 8066

1.9 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 July 2022 in accordance with the Accounts and Audit (Amendment) Regulations 2021

2.3 Consultation/community engagement

Consultation will take place with the 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.

This page is intentionally left blank

Draft – Subject to Audit

North Tyneside Council

ANNUAL FINANCIAL REPORT 2021/22

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 for North Tyneside Council is to ensure that the Authority's financial affairs are properly administered, and its financial position remains stable and robust. This is essential to ensure that the Authority is able to provide quality services to all the residents of North Tyneside and to continue to take forward the development and regeneration of the Borough. Given the events of 2021/22, this role is even more vital and has been significantly more challenging.

The 2021/22 financial year was in many ways challenging, following the prolonged impact of the Covid-19 pandemic. The pandemic was unprecedented both in terms of magnitude and the sheer breadth of the disruption to everyday life in the Borough. Whilst COVID-19 has not disappeared, some sense of normality is returning, and although it would have seemed unlikely a year ago, new issues are emerging and overtaking the pandemic both in terms of the media attention, public consciousness, and areas of immediate concern for North Tyneside residents, such as the current 'cost of living crisis' which has seen the cost of energy, fuel and food rise far in excess of rises in wage levels.

The impact of both the challenges and opportunities, on the Authority and its financial position are described in more detail throughout Statement of Accounts. However, it is important to highlight the work that the Authority has undertaken during 2021/22, and in continuing to do so into 2022/23, to administer grants to support specific initiatives and individuals together with a range of Business Rate Relief and grant support to businesses. At the end of 2021/22, the Government provided over £14m of grant support to enable the Authority to issue the £150 Council Tax Energy Rebate to residents, to help alleviate the impact of the rising energy costs, in the early months of 2022/23. At the time of writing, more than 76% of all such payments have been issued.

The Authority distributed £42.753m in COVID-19 grant funding throughout the Borough by 31 March 2022, of which £18.170m related to support to businesses, £9.277m supported our residents, £5.666m supported our care homes, £2.637m supported schools and a further £7.003m supported wider council services.

The Authority has continued to work successfully with the voluntary sector and provided help and support to those vulnerable residents who had to shield. It introduced a wide range of initiatives to keep citizens safe as well as coordinating the testing and vaccination programmes across the Borough.

The Statement of Accounts give an overview of the Authority's finances for 2021/22, a financial year that we have seen has been unprecedented. The Authority continued to provide business as usual activities as well as COVID specific actions the financial aspects of which are reflected in the accounts. However, despite the continued disruption, I am pleased to report that we have maintained our financial position, which demonstrates once again the excellent standard of financial management and stewardship of the Authority's resources and will help to safeguard the authority against the continuing effects of the COVID-19 pandemic.

The Authority aims 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 2021/22;
- 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 deadline for the preparation of the 2020/21 Accounts was extended due to the pandemic and it has again been revised for 2021/22. Recognising the multi-year impact of COVID, the deadline for the 2021/22 financial year has also been changed. The former Ministry of Housing, Communities and Local Government (MHCLG) introduced the Accounts and Audit (Amendment) Regulations 2021, which changed the statutory audit deadlines for all local authorities. Therefore, the draft 2021/22 Accounts for authorities like North Tyneside, must be issued by 31 July 2022 and the publication deadline for audited accounts has moved from 31 July to 30 November 2022.

The requirement for the public inspection period to include the first 10 working days of June has also been removed. Instead, the Authority must commence the public inspection period for its Statement of Accounts on or before the first working day of August 2022.
The Accounts have been submitted to the External Auditor on 4 July 2022 in accordance with internal timelines, and significantly ahead of the revised statutory deadline. The Authority will continue to follow best practice principles and submit the 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 accounts is planned for the Audit Committee on 27 July 2022.

The Finance Team have risen to many challenges over the last 12 months, and I am proud to say that despite the impact of COVID the Team continues to provide a financial management service for the Authority 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. Given the continued uncertainty arising from the COVID-19 pandemic and the short-term nature of Government funding, it is more important than ever that the Authority has a thorough understanding of its financial outlook and are planning effectively for the future.

The Authority produces, on an annual basis, a Medium-Term Financial Strategy (MTFS) which helps to bring together all known factors affecting the Authority’s financial position and its financial sustainability. The MTFS 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 Corporate 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.

Work to revise the MTFS took place through most of 2021/22. The updated MTFS, along with the balanced 2022/23 budget were presented for approval at the Full Council meeting on 17 February 2022. The report advised Members of the key financial challenges and issues which will be faced by the Authority over the forecast period and set out the Mayor and Cabinets budget proposals for 2022/23 together with updated budget gap estimates for the period 2023/24 to 2025/26. Forecasting over the Medium-Term was significantly challenging for the Authority due to the current and ongoing impact of COVID. The Authority has produced a 4-year MTFP and this will be reviewed to include all known financial estimates. It is anticipated that the Authority will once again be able to provide estimates over the next 4 years leading to 2026/27. This will have to include:

- how COVID will influence spending and income patterns in the future;
- the impact of inflation across all Services; and
- the impact of the anticipated Comprehensive Spending Review and the potentially significant changes to the Local Government funding regime, including Adult Social Care funding and the Business Rates system.

The Finance Team has worked to accelerated final accounts deadlines for many years, consistently delivering the Authority's Statement of Accounts to a high standard, as acknowledged by our External Auditor in previous years. This is only possible because of the hard work and dedication of the Finance staff. This year has been especially challenging, colleagues have worked from home for the majority of the year as a result of the continuing restrictions imposed by Central Government in response to the levels of COVID-19 experienced within North Tyneside.

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 at 31 March 2022.

Janice Gillespie
Director of Resources
Date: 30 June 2022

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 2021/22; 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 2021 to 31 March 2022. 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 will be reviewed by the Audit Committee on 27 July 2022. 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 2022 together with details of the non-financial performance of the Authority during 2021/22. 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 2021/22;
- Non-Financial Performance of the Authority 2021/22;
- Significant Issues for 2022/23 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 100,048 homes. Of these, 63,543 are owner occupied; 20,953 are social rent (including council and housing association) and 15,552 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 develop, comprising of traditional manufacturing and engineering industries as well as a mix of exciting new sectors including digital, health & 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 5,345 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[1]. Unemployment stands at 5.6% as of December 2021.

Population

North Tyneside has a population of 208,871[2] and the population is projected to grow by 5% overall by 2030. The profile of the population is expected to change; with more people aged over 65 and fewer children.

Working Age Groups	Female	Male	Total Population
0-15 (Children)	18,136	19,523	37,659
16-64 (Working Age Population)	66,004	62,559	128,563
65+ (Retired)	23,642	19,007	42,649
Total	**107,782**	**101,089**	**208,871**

North Tyneside has a relatively small black, Asian and other ethnic minority community population, which accounts for 3.4% of the overall population. A further 1.5% 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. Tynemouth has also been named as one of the best places to live in Britain[3]. The reasons are linked to the quality of the local schools, the environment, low levels of crime and employment opportunities.

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

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 council runs things and feel the council 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. Six 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 are the areas of focus. Road and pavement repairs are by far 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.

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 in 2021/22</u>

North Tyneside has 20 wards, and the Authority consists of 60 Councillors and an Elected Mayor. In 2021/22 the political make-up of the Authority was:

- Labour Party - 50 Councillors plus a Labour Elected Mayor
- Conservative Party - 9 Councillors
- Independent - 1 Councillor

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 2021/22, including the setting of the 2021/22 budget has been undertaken by either the Overview and Scrutiny Committee or the Budget Study Group.

Management Structure

Leading the implementation of the Council Plan Priorities is the organisational structure of the Council headed by the SLT, led by the Chief Executive, Paul Hanson.

During 2021/22 the Senior Leadership team comprised the Chief Executive, Director of Public Health and 7 Directors of Service. The Director of Resources attends SLT not only as a senior officer of the Authority but in her 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 2021/22

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 2021/22 was approved by full Council at its meeting of 18 February 2021. The net General Fund revenue budget was set at £150.154 including Efficiency Programme savings of £4.537m (£1.180m new to 2021/22 and £3.357m of prior year savings requiring a permanent solution in 2021/22). The following table summarises the financial position of the Authority as at 31 March 2022. Accounting adjustments relate mainly to capital accounting entries which are adjusted to enable a clearer understanding of each service's final position.

Table 1 – Financial Position of Authority for year ended 31 March 2022

Service	Budget £000s	Final Outturn £000s	Variance £000s	Accounting Adjustments £000s	Adjusted Variance £000s
Chief Executive Office	(76)	(188)	(112)	0	112
Commissioning & Asset Management	8,349	7,439	(910)	2,201	3,111
Corporate Strategy	1,130	1,364	234	(378)	(612)
Environment, Housing & Leisure	44,659	41,076	(3,583)	3,021	6,604
Health, Education, Care & Safeguarding	75,293	78,554	3,261	0	(3,261)
Law & Governance	345	1,238	893	0	(893)
Regeneration & Economic Development	1,578	1,899	321	36	(285)
Resources	3,481	4,758	1,277	6	(1,271)
Central Items	(4,786)	9,785	14,571	(4,886)	(19,457)
Sub Total Services	**129,973**	**145,925**	**15,952**	**0**	**(15,952)**
Support Services	20,181	20,181	0	0	0
Transfers to/(from) specific reserves	0	(15,952)	(15,952)	0	15,952
Total Net Expenditure	**150,154**	**150,154**	**0**	**0**	**0**

	Budget £000s	Final Outturn £000s	Variance £000s
Funded By:			
Council Tax Receipts	(104,330)	(104,330)	0
Business Rates	(33,954)	(33,954)	0
Revenue Support Grant	(11,443)	(11,443)	0
Transfer from Collection Fund	(427)	(427)	0
Total Funding	**(150,154)**	**(150,154)**	**0**
Decrease in Balances	0	322	322
Balances brought forward	(10,720)	(10,720)	0
Balances carried forward	**(10,720)**	**(10,398)**	**322**

The decrease in balances above relates to school balances of £0.322m.

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 was taken to Cabinet on 27 June 2022.

Housing Revenue Account (HRA)

The overall position on the HRA improved marginally between January and March, with a £0.061m improvement in in-year balances increasing the underspend position to £0.442m under budget.

After taking into account the improved position on brought forward balances of £0.047m, the overall position on the HRA to be carried forward was £0.489m under budget. All areas of the budget were affected to a greater or lesser extent as the service continued to strive to return to normal working following the pandemic, whilst facing increased costs due to material shortages exacerbated by the start of the war in Ukraine.

Rent and Service charge income projections overall were better than budget by £0.233m during the year. The majority of this is due to additional rental income £0.221m.

Rent and Service charge income projections overall were £0.051m below budget during the year. The main reason for the variation was a higher than expected level of Right to Buy (RTB) sales during the year, which saw dwelling rent come in £0.129m under budget.

Management costs were £0.855m under budget, and this again was a significant improvement from January forecasts. There were a wide number of reasons as to why this occurred. Full details of the HRA position are set out in the Outturn Report which was taken to Cabinet on 27 June 2022.

Capital Expenditure

The initial 2021/22 Investment Plan Budget was £68.611m (£42.249m General Fund and £26.362m 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 £78.469m (£49.423m General Fund and £29.146m Housing). The table below summarises these changes.

	£000s
Investment Plan approved by Council 18 Feb 2021	68.611
Reprogramming from 2020/21	18.398
Reprogramming to 2022/23 and future years	(28.907)
Other variations (net)	20.367
Revised Investment Plan	**78.469**

Actual capital expenditure in 2021/22 totalled £63.045m (£53.830m in 2020/21), comprising General Fund expenditure of £36.287m and £26.758m on Housing schemes.

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

	Revised Capital Budget 2021/22 £000s	Actual Capital Expenditure 2021/22 £000s	Variation from budget over/(under) £000s
General Fund	49.423	36.287	(13.136)
Housing	29.046	26.758	(2.288)
Total	**78.469**	**63.045**	**(15.424)**

Main projects completed during 2021/22

- Public Sector Decarbonisation Scheme
- Wallsend Customer First Centre
- Northern Promenade
- Various works to housing stock
- Disabled Facilities Investment
- Local Transport Plan

Projects Underway

- Ambition for North Tyneside
- Green Homes Local Authority Delivery
- Howard Street Cultural Quarter
- Building new HRA affordable homes
- Transforming Cities Tranche 2

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 2021/22 at £1,175.000m (£1,230.000m 2020/21) and its Operational Boundary for external debt at £635.000m (£670.000m 2020/21). All transactions were carried out within the Authorised Limit boundaries during 2021/22. As shown in the Balance Sheet, the total liabilities for borrowing, finance lease balances (including Private Finance Initiative (PFI)) and other liabilities are £505.797m (£530.206m 2020/21).

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 32). The net expenditure of £168.068m (£144.917m 2020/21) is an increase of £23.151m 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 a decrease in income of £29.153m from £218.759m in 2020/21 to £189.606m in 2021/22. This mainly relates to grants in lieu of business rates which were made available from central government for COVID-19 costs in 2020/21.

The Group position shows North Tyneside Trading Company net expenditure of (£0.361m) compared to (£0.090m) in 2020/21 (page 33). In the main the variation of (£0.271m) relates to property rentals.

Balance Sheet

The Balance Sheet is set out on pages 36 to 37. Overall, the Authority has net assets of £225.511m which is an increase of £131.324m from the 2020/21 figure of £94.187m. The following paragraphs provide additional detail in relation to this increase.

Long term assets have increased by £20.733m to £1.166.690m. The increase relates to Property, Plant and Equipment.

Current Assets are £143.245m in 2021/22 compared to £124.737m in 2020/21. In the main the increase of £18.508m relates to short term investments £2.500m and an increase in cash and cash equivalents of £14.738m. Current liabilities have increased by (£16.056) to (£114.022m) in 2021/22 due to a decrease in short term borrowing and an increase in short term creditors.

Long Term Liabilities have reduced by £108.139m to (£970.402m) in 2021/22. In the main this is due to a decrease in the Pension Liability of £99.910m together with a decrease in long term borrowing of £5.000m and finance leases of £4.589m.

Overall Useable Reserves have seen a decrease of £16.365m and stand at (£138.958), (Note 31 provides more details on these reserves), and Unuseable Reserves have increased by (£147.689m) (Note 33 provides more details on these reserves).

Non-Financial Performance of the Authority

The Our North Tyneside Plan 2021-25 (Council Plan) was refreshed last year following the Mayoral Elections on 6th 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 23rd September 2021.

As with all areas across the country, the COVID-19 Pandemic has understandably had an adverse impact on a range of different performance measures including the number of jobs available, new business start-ups, homelessness presentations and acceptances, waste and recycling collection, tourism and visitor levels to libraries and sport and leisure centres. Over time performance in these areas will improve as the borough recovers from the impact of the pandemic and the social restrictions placed on activity to control community transmission.

The priorities and objectives in the refreshed Our North Tyneside Plan builds on the work carried out over the last 8 years and addresses the key challenges to build a better North Tyneside.

The refreshed Our North Tyneside Plan 2021-25 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 under the themes and objectives:-

<u>A thriving North Tyneside</u>

- We will regenerate the high streets of North Shields and Wallsend, and in addition to the Master Plan for North Shields, we will bring forward Master Plans for Wallsend and Whitley Bay town centre areas. We will also bring investment and improvements to the North West area of the borough and ensure that regeneration delivers ambition, opportunity and benefits for all of our residents.

The Authority has been working closely with a range of partners to unlock local potential and opportunity through the delivery of projects in the three town centres.

- **North Shields**: work is underway on public realm improvements in Northumberland Square and on Howard Street, and to repair and extend the Protection Jetty at the Fish Quay. During 2022/23 work is expected to begin on the construction of the North Shields Transport Hub, a new civic square, a walkway between the town centre and Fish Quay and new family housing (on the site of the former Unicorn House). In 2022/23, the Authority will act to support development of the Tyne Brand site and 11/12 Northumberland Square for housing and seek to support the development of a cultural quarter for the town with improvements to The Exchange and private sector investment in 97 Howard Street and 131 Bedford Street.

- **Whitley Bay:** work is underway to regenerate the Northern Promenade and, subject to funding, install a permanent, segregated cycleway at the coast. A master plan will also be produced for the town centre.

- **Wallsend:** work is underway to develop employment opportunities at the Swan Hunter Site and refurbish residential properties in Charlotte Street to create family housing. A master plan will also be produced for the town centre.

A master plan is also expected to be developed in 2022/23 for the settlements in the North West of the borough.

- We will bring more good quality jobs to North Tyneside – by helping local businesses to sustain and grow, making it attractive for new businesses to set up or relocate in the borough.

  The number of jobs in North Tyneside dropped to 89,000 jobs in 2020, from 94,000 in 2019. Previously the number of jobs in the borough had shown an increase each year since 2011. This is largely attributable to the impact of the COVID-19 pandemic on the economy. The number of small business start-ups decreased in 2020/21 from 298 in April-December 2020 to 198 between April-December 2021. 92% new businesses have survived for one year after being started.

- We will invest in adult education and to support apprenticeships to make sure people have the right skills for the job.

  Ensuring that young people in North Tyneside have the right high level skills to progress and succeed in the jobs market is key to the success of the local economy. 86.6% of young people post Key Stage 5 (A level) are in work, education or training, which is significantly better than the North-East and England performance.

  In terms of skills gaps, there has been a significant improvement in the skills shortage vacancies in North Tyneside, which reduced to 12% of all job vacancies.

  The number of intermediate (level 1) and advanced (level 2) apprenticeships have decreased from last year, in part due to national changes. There has been an increase in the number of higher (level 3) apprenticeship starts.

- We will keep our libraries and leisure centres open as part of a vibrant range of cultural and sporting activities to support the health and wellbeing of our residents.

  During 2020/21, libraries and leisure centres were impacted significantly by COVID-19 restrictions and were not fully operational during that period, which impacted on the number of visits and satisfaction with facilities. Libraries have received a third of the number of visits that they received during the same period in 2019/20. Sport and Leisure have received two thirds of usual number of visits during 2021/22 compared to the same period in 2019/20.

- We will continue to be the destination of choice for visitors through the promotion of North Tyneside's award-winning parks, beaches, festivals and seasonal activities.

  The number of recorded day visits and overnight stays to North Tyneside reduced to 3.23 million in 2020, compared to 7.13 million in 2019. The COVID-19 pandemic and social restrictions to manage community transmission impacted on visitor activity including restaurant bookings, hotel bookings, visitor car parking, visitor attraction numbers, events attendance, which are used to calculate tourist activity.

  During 2021/22 King Edwards Bay, Tynemouth Longsands and Whitley Bay beaches have retained their Blue Flag international quality mark status by Keep Britain Tidy as well as their Seaside Awards recognising the finest beaches across the UK. Half of the Blue Flag awards given to North East beaches were presented in respect of North Tyneside beaches. Six of the warden managed parks in North Tyneside have retained their Green Flag Awards, Benton Quarry Park, Killingworth Lakeside Park, Northumberland Park, Marden Quarry Park, Wallsend Parks, and the Rising Sun Country Park.

  Resident satisfaction with beaches and parks and green spaces remains high.

- We will reduce the number of derelict properties across the borough.

  The number of long-term vacant dwellings in North Tyneside has decreased significantly to 1,189 dwellings, which is the lowest level in the last four years.

- We will review how the council purchases and contracts for goods and services to maximise value for money, social value and environmental sustainability.

  The social value requirements included in the Authority's procurement and commissioning processes contribute to how the organisation maximises environmental sustainability and additional social benefits. A dashboard is being developed to track how delivery against these requirements contribute to the delivery of the Our North Tyneside Plan priorities. The dashboard will be reported on annually to Cabinet.

A secure North Tyneside

- Council wardens will work in partnership with Northumbria Police to prevent and tackle all forms of antisocial behaviour.

The Community and Public Spaces Protection Team work with Northumbria Police on a regular basis on number of operations ranging from Operation Coastwatch to tackle anti-social behaviour issues along the coast, Operation Vita to engage young people in distraction activities, and operations to tackle nuisance neighbours. Northumbria Police have co-located with the Authority at Wallsend Customer Service Centre to share intelligence and insight.

The proportion of residents who feel safe outside in their local area during the day remains high at 92%, however, the perception of residents who feel safe outside in their local area after dark is continuing to decrease year on year despite the reduction in the number of incidents reported.

- We will invest an additional £2m per year on fixing our roads and pavements.

The proportion of principal and non-principal roads where maintenance should be considered surveyed under the Department for Transport Road Conditions in England (RCE) has shown a decrease year on year. Only 2% of principal roads and 2% of non-principal roads managed by the Authority should be considered for maintenance. On an annual basis, the Authority reviews the current state of the infrastructure on the highway network as part of the Highway Asset Management Plan.

In 2021, the Highway Asset Management Plan assessed the majority of the road asset as good, with 59% assessed as good, however 34% of the network requires some form of maintenance. 8% of the borough's roads are in a condition where structural resurfacing should be considered, which has increased slightly from 5% last year. Residents' satisfaction with road and pavement maintenance is consistently lower when compared to other Authority services and is identified as most in need of improvement.

- We will maintain the Council Tax support scheme that cuts bills for thousands of low-income households across North Tyneside.

In the 2022-2026 Financial Planning and Budget Process Proposals it was agreed to extend the Council Tax Support Scheme, allowing applicants to backdate claims up to 26 weeks, rather than 4 weeks. The Hardship Support Scheme for working age claimants with payments of £150 was also extended.

- We will tackle health and socio-economic inequalities across the borough including through our Poverty Intervention Fund to tackle food poverty.

The Authority is seeking to address health and socio-economic inequalities through a number of initiatives, including projects which specifically address food poverty. These include:

- the Holiday Activities and Food Programme which provides holiday experiences for children and young people on free school meals, by providing food, nutritional education, physical activities and enriching activities during the easter, summer and Christmas holidays. This has resulted in participants having an improved understanding of healthy food and eating more healthily during the school holidays and in parents feeling more connected to their communities.
- Using the Household Support Fund to:

- provide free school meal vouchers during school holidays until Easter 2022
- offer 120 places on free cooking courses during February half term and throughout March, as part of which participants will receive a free slow cooker.
- create a uniform support scheme which will continue to benefit families throughout 2022

- Using the Poverty Intervention Fund to:
  - support every school in North Tyneside to take part in a Poverty Proofing the School Day audit carried out by Children North East which involves engaging with every student to understand what poverty looks like from a young person's perspective and using this insight to develop an action plan.
  - finance the introduction of The Bread-and-Butter Thing (TBBT) in North Tyneside. This food pantry will establish its first hub in March 2022, enabling its clients to access three bags of food each week for £7.50.

- We will provide 5,000 affordable homes.

Building on the success of the Affordable Homes Programme, a new 2-phased programme to meet the 5,000 affordable homes target was approved by Cabinet in February 2022. This includes a 10-year delivery plan for the Authority's Housing Revenue Account that will deliver at least 350 new council homes and utilise new technologies to reduce carbon emissions and support the Authorities response to the climate emergency in North Tyneside. The programme will also include opportunities to increase delivery by pursuing windfall opportunities for the Authority, exploring new delivery models and seeking to unlock to the potential of brownfield sites in the borough.

Delivery of the Affordable Homes Programme is on track to meet the ambitious 5,000 affordable homes target. 1,801 affordable homes have been completed to date, at the end of quarter 3, with 266 new affordable homes expected to be delivered during 2021/22, including 12 new council homes at the former Cedars resource site in the Collingwood Ward and the regeneration of Charlotte Street, Wallsend that saw the Authority purchase 11 problematic, long-term derelict properties into 7 new affordable homes. The affordable homes target for 2022/23 is 275 and will include the completion of the innovative HUSK scheme[4] in Falmouth Road, North Shields that will see a disused garage site converted into 9 new Authority owned bungalows.

A family-friendly North Tyneside

- We will support local schools, making sure all children have access to a high-quality education with opportunities to catch up where needed after the pandemic.

63% pupils achieved Basics (A* to C/9 to 4) in English and Maths at Key Stage 4, which is slightly lower the England performance, 64.6%.

Over 94.5% of primary schools in North Tyneside are rated as good or outstanding by OFSTED, higher than the national performance. Three quarters of secondary schools are rated

[4] HUSK is a type of modular construction using old garage sites to provide modern bungalows. https://www.husk-uk.com/

as good or outstanding, which is in line with the national performance.

- We will provide outstanding children's social care services, events and facilities so North Tyneside is a great place for family life.

The number of children subject to a child protection plan in year increased to 239 in 2020/21 from 183 during 2019/20. The number of contacts to Children's Safeguarding Services decreased to 9,338 in 2020/21. The number of contacts has decreased year on year for the last 4 years. 8.3% of children in care have experienced 3 or more placements, which shows improving performance since 2019.

- We will ensure all children are ready for school and that schools have an inclusive approach so that all of our children and young people have the best start in life.

41% of North Tyneside pupils with an education, health and care plan (EHCP) are educated in Special Schools, which is decreasing year on year. This compares to 54% North East pupils and 36% across England.

The gap between disadvantaged pupils (classed as those who have entitlement to free school meals) and non-disadvantaged pupils (nationally) reaching the Expected Level in Reading, Writing and Maths at Key Stage 2 in North Tyneside increased to -19% in North Tyneside, compared to -17.3% in the North East and -19.5% in England. In January 2021, Cabinet agreed an Education Strategy "Ambition for Education in North Tyneside 2020-24" to build on the work of the North of Tyne Education Challenge and reduce the progress gaps between disadvantaged students and their peers, which are forecasted to have increased significantly as a result of the COVID-19 pandemic.

72.1% North Tyneside pupils reached a Good Level of Development at Foundation Stage (ages 3-7 years), compared to 71.9% England and 71.8% North East performance.

The gap between disadvantaged (free school meals) pupils and their peers at reading the expected level (Good Level of Development at foundation stage) increased during 2019 to 21.5% compared to 18.2% England and 16.9% North East.

The Progress 8 (ages 11-16 years) gap between disadvantaged pupils and their peers in North Tyneside is 0.91% higher than to the England gap of 0.58%.

<u>A caring North Tyneside</u>

- We will provide great care to all who need it, with extra support available all the way through to the end of the pandemic.

  During 2020/21, 82.5% people who received a short-term service during the year subsequently received either no ongoing support or support of a lower level.

- We will work with the care provision sector to improve the working conditions of care workers.

  The Authority:
  - has used funding from the NHS and the National Recruitment and Retention Fund to provide funding to care providers across the whole adult social care sector to bring for forward

the National Living Wage increase that staff are due in April 2022 to December 2021.
- is working with the sector to put in place an enhanced local media and communications plan for recruitment and retention of staff, this is running alongside and complimenting the national recruitment campaign.
- is further developing the North Tyneside Social Care Academy to identify work ready candidates and link them into available jobs in the sector.

- People will be cared for, protected and supported if they become vulnerable, including if they become homeless.

There has been an increase in the number of residents presenting as homeless, 1,774 so far during 2021/22 compared to 1,475 during 2020/21. There has been an increase in residents being accepted as priority homeless, in particular rough sleepers placed in temporary accommodation as part of the governments “Everyone In” programme during the COVID-19 pandemic. 93 residents have been accepted as priority homeless during 2021/22 to date, compared to 57 during the same period 2020/21.

- We will support local community groups, carers and young carers and the essential work they do.

The Authority continues to work with VODA as the North Tyneside Infrastructure Organisation for Voluntary, Community and Social Enterprise (VCSE) sector organisations in North Tyneside. Recent cross sector initiatives include:

- the soft launch of Living Well North Tyneside - an online directory of local services, support and event, which ensures all groups can have a digital presence and residents can find out what is happening across the borough.
- the launch of a new £400,000 grant fund for VCSE sector organisations working in North Tyneside, created in partnership with North Tyneside Clinical Commissioning Group (CCG). This seeks to develop initiatives that will support the Equally Well strategy.
- the introduction of the “Volunteero” app to help match volunteers to the needs of local communities
- a leadership programme for VCSE sector CEOs
- training on how to support North Tyneside residents who have experienced loss or bereavement.

Work continues to link capacity and needs within the business and VCSE sectors via the Sector Connector project and to increase digital skills within the VCSE sector and with beneficiaries. Initiatives about to begin include:
- the opening of the Spirit of North Tyneside wing at Wallsend Customer First Centre as a physical base for VODA. This will also act as an incubator hub for VCSE sector organisations
- the launch of the community hub network bringing together groups that look after a community centre to see if there are ways of sharing expertise and making the best possible use of resources
- an engagement exercise that will work with the VCSE sector and their beneficiaries to identify actions to help to realise the vision set out in the Equally Well Strategy.

- We will work to reduce inequality, eliminate discrimination and ensure the social rights of the people of North Tyneside are key to council decision making.

This priority aligns with the overarching aim of the Authority's Equality and Diversity Policy, which is to ensure 'North Tyneside becomes a place where people feel safe, and no one experiences discrimination or disadvantage because of their characteristics, background or personal circumstances'. This aim is underpinned by commitments including to:

- proactively embed equality and diversity considerations in everything we do and challenge others to do the same
- not tolerate discrimination, harassment and victimisation on any grounds, and take action against it
- create an environment where people are confident to be themselves
- take account of, and respond to, the needs of residents and customers
- undertake Equality Impact Assessments (EIA's) to inform decision making
- strive to make our workforce more representative of the borough's population

These commitments are being delivered through the Authority's Embedding Equality Programme. Since it launched in September 2021, the programme has introduced initiatives including: work with the Mayor's Task Force to develop an anti-Hate Crime Policy and review reporting arrangements, a review of the Authority's Equality Impact Assessment process to include socio-economic impacts, a rolling programme to update workforce policies and procedures, completion of accessibility audits on 32 Authority buildings with funding identified to make improvements, and installation of signs on doorways to accessible toilets highlighting 'Not all disabilities are visible'. An Accessible Information Policy to ensure Authority information is accessible to all customers has been developed and implementation has begun; this includes a review and action taken to improve the accessibility of council websites. To complement the access British Sign Language (BSL) users have to the Authority's contact centre, live video interpretation will be available in our Customer First Centres and Leisure Centres from March 2022.

<u>A green North Tyneside</u>

- We will keep increasing the amount of waste that can be recycled and introduce food waste collections and deposit return schemes.

  The recycling rate in North Tyneside remains consistent at just over 39% of household waste sent for reuse, recycling and composting. The proportion of waste sent to landfill is expected to be below 10% during 2021/22. Waste management during the COVID-19 pandemic has been challenging as the level of waste collected by the Authority during the period increased significantly as residents spent a lot more time at home and there was significantly less waste being generated by businesses and restaurants. The amount of waste collected from households and operations is decreasing as restrictions are lifted and businesses are operating normally.

- Council environmental hit squads will crack down on littering.

  The number of fixed penalty notices issued has increased compared to the previous year. There have been 105 fixed penalty notices issued between April 2021 and January 2022, compared to 72 the previous year. More than half of fixed penalty notices issued are in relation to litter and fly tipping offences.

- We will secure funding to help low-income households to install low-carbon heating.

  £4.3m 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 over 500 homes with low-household incomes. To date measures have been installed in 130 homes so far.

- We will increase opportunities for safe walking and cycling, including providing a segregated cycleway at the coast.

  72.1% of adults in North Tyneside walk or cycle at least once a week, which is showing an upward trend. 13.1% of adults in North Tyneside cycle at least once a week.

- We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030.

  Carbon emissions in Authority operations have decreased by 52% against the baseline year in 2010/11 ahead of the target set in July 2019 when full Council declared a Climate Emergency to reduce the carbon footprint of the Authority and the Borough by 50% by 2023 and become carbon neutral by 2050. The target in the Our North Tyneside Plan 2021-2025 then became more challenging to become carbon net zero in North Tyneside by 2030, 20 years ahead of the national target. Across the borough, CO_2 emissions per capita have decreased. The largest CO_2 emissions decreases have been in business and domestic electricity.

The Authority is developing a number of carbon net-zero plans that specifically address the main sources of carbon dioxide emissions that make up the Authority and Borough carbon footprint, such as an Authority buildings net-zero plan, fleet net-zero plan, street lighting net-zero plan and housing net-zero plan. These will be supported with net-zero plans for key functions such as supply chain and procurement, organisational culture and carbon offsetting.

It is important to understand that the Authority's carbon footprint is less than 2% of the Borough's carbon footprint. Working with the North Tyneside Strategic Partnership, the Authority will form a Green North Tyneside Board that will bring together other public sector organisations, large producers of carbon dioxide emissions in the Borough and key stakeholders to address the climate emergency collectively.

Significant issues relating to 2021/22 and beyond

The end of the financial year 2019/20 saw the beginning of the Covid-19 Pandemic and the impact has continued throughout 2020/21 and 2021/22. Cabinet and all Members have been kept up to date in terms of the response and approach to recovery the Authority has implemented throughout the various stages of the pandemic and what that meant for essential services being maintained for the most vulnerable residents of the Borough. The Authority has been required to provide a sustained and varied response to the pandemic, with all services impacted one way or another. There have been periods when restrictions meant a range of services had to be suspended or limited, such as the leisure and culture offer and as a result there has been a significant financial impact on the Authority arising from additional costs and lost income in 2021/22. There has been sustained support to the Social Care Sector for both Adults and Children's. The Authority was responsible for acting as agent for several grants to support the businesses in the Borough in 2020/21 and this has continued throughout 2021/22.

There have been a range of financial interventions introduced by the Government, these are set out in section 5. The Authority received its share of the Government's Local Support Grant of £5.576m this together with £1.476m carry forward from 2020/21 award led to £7.052m being available to support council services in 2021/22. Of this, £5.668m was allocated to support revenue activities with the remaining £1.384m being carried forward to support the identified on-going impact of COVID-19 into 2022/23.

Cabinet is aware that Local Authorities were also compensated for losses incurred against their sales, fees, and charges budgets for Quarter 1 only (the full year impact supported in 2020/21). North Tyneside Council received £1.335m from this grant to support services and this was fully allocated. This represented 71.25% of the fees lost in quarter 1, the balance being borne by the Authority. Sales, fees and charges losses continued throughout the year and the balance is included within the £5.668m outlined above. One of the key areas impacted was Sport & Leisure. In 2020/21, income levels dropped to 14% of the pre-pandemic total. 2021/22 income levels improved but were still only 67% of pre-pandemic totals. Early projections for 2022/23 are that the service will back to around 85% of pre-pandemic income levels.

As mentioned previously the Authority received grants to support the businesses in the Borough. £12.773m was received in 2021/22 supplemented by £11.661m of funds brought forward from 2020/21. £18.240m was paid across to businesses. Remaining balances of £6.262m will be returned to Government and for the £0.002m relating to pavement licences will be spent in early 2022/23.

£4.258m of additional funding was received to support our residents, including direct financial support for our most vulnerable but also to support the Authority to put in place measures to keep residents safe whilst they continued to enjoy our coastline, town centres and the many attractions throughout the Borough, when restrictions allowed. In addition, a balance of £6.908m was brought forward from 2020/21. Of this funding, £9.277m was spent during 2022/22, with £1.889m carried forward to 2022/23. Of the funding carried forward, the majority of it relates to Contain Outbreak Management and the Authority has a range of proposals to spend this funding to help contain outbreaks as the country continues to recover from the pandemic.

£5.418m was provided by government to help support the Care Home market in 2021/22 and this was supplemented by £0.544m brought forward from 2020/21. £5.666m was allocated in 2021/22, leaving £0.296m to be carried into 2022/23. The Authority also received £2.572m to support its schools in 2021/22, supplemented by £0.309m brought forward from 2020/21. £2.637m was allocated with the remaining £0.244m anticipated to be allocated in early 2022/23.

It has been highlighted previously by the Chief Finance Officer that the Authority has a relatively low level of reserves. The level of uncertainty with regard to the levels of funding for Local Government finance beyond 2021/22 alongside the uncertain long term implications of how the Borough and indeed the country will continue to live alongside the impacts of COVID-19 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, 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 CPI rate in April 2021 was 1.5% by March 2022 this had risen to 7% and the rate at April 2022 was as high as 9%, so an 8.5% increase in just one calendar year. The impact on the cost of and access to materials is further impacted by the on-going conflict in Ukraine.

The Health, Education, Care and Safeguarding (HECS) services continue to experience significant demand-led pressures as earlier diagnosis combined with cases become more complex increase costs. These pressures are likely to be further impacted by legislative changes through central government such as the Fair Cost of Care exercise which is under way and will potentially lead to fee increases within the homecare and residential care markets. The HECS service also has challenges around recruitment and retention. It has become increasingly challenging to recruit staff into roles within the HECS service and to retain the employment of staff long-term within the profession.

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.

Such deficits have come under increasing scrutiny from the Department for Education (DfE) and during 2021, the Authority was required to submit a draft DSG Management Plan to the Education, Skills and Funding Agency (ESFA) as its DSG deficit was more than 1% of the total value of the DSG as at March 2021. As a consequence, since then, the Authority's DSG deficit has remained under review.

Liaising with the DfE during 2021/22 the Authority has been working to firm up plans to reduce the DSG deficit and this work is now being overseen by the Strategic Education and Inclusion Board. The Authority submitted a draft DSG Management plan to the ESFA in August 2021 which outlined the main areas of priority that focus on reducing the deficit on the High Needs block of the DSG. As of 2022/23 the Authority has been invited to be part of the ESFAs Safety Valve Intervention programme from September 2022. The Authority has had early discussions with representatives from the ESFA and as plans are firmed up over the coming months the ESFA will continue to challenge and support the Authority through to the Safety Valve process commencing in September 2022.

For 2022/23 £150m of revenue funding is available to support the cumulative deficit position of those authorities who are part of the Safety Valve programme, however, the ESFA have been clear that access to this funding will only be agreed once a robust DSG Management Plan is in place. The current cumulative deficit position on the High Needs block of the DSG at the end of the 2021/22 financial year is £13.512m. This is an increase of £4.792m since March 2021.

A key risk for the Authority is that the statutory override to ring-fence DSG deficits from councils' wider financial position in their statutory accounts is due to come end after the accounts for the financial year 2022/23. At which point authorities will need to demonstrate their ability to cover DSG deficits from their available reserves. Due to the level of the deficit on the High Needs block of the DSG it is imperative that the Authority's DSG Management Plan meets the ESFA's requirements to ensure the historic deficit can be supported by funding that is available.

There are a number of current key risks which will impact on future HRA Business Planning, most of which are linked to the current economic climate and high rates of inflation. Inflation continues to trend towards 10% and next year's rent increase will be based on the September 2022 Consumer Prices Index (CPI) rate of inflation. It is unclear at this stage if the rate was around 10% if there would be Government intervention to restrict the size of any rent increase.

The cost of the goods and materials needed to maintain the housing stock, and to meet Cabinet's aspirations to build new homes is rising significantly. Should resources raised through rent increases not match the rising costs, then the Authority will face more difficult choices around what can and cannot be delivered, certainly in the short to medium term.

The potential impact of the cost-of-living crisis our most vulnerable residents 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.

One other key factor in terms of HRA Business Planning are the number of homes that our managed and the impact of Right to Buy (RTB). Cabinet will know that Government significantly increased the discount rates attached to RTB back in 2012 to incentivize more sales, but this appeared to have steadied at between 100-120 sales per annum over the last three years. However, 2021-22 saw the largest number of sales since the changes were introduced at 167, and if this trend was to continue it would eat into the key resource base and put further pressure on our ability to tackle tenant waiting lists. This would also make it more important to add to the stock, but as set out above in a much more difficult cost environment.

Inflation and interest rate risk remain a key component of the capital investment plan and treasury management. In the Bank of England MPC May report central projection, CPI inflation is expected to rise further over the remainder of the year, to just over 9% in 2022 Q2 and averaging slightly over 10% at its peak in 2022 Q4 before forecasting inflation to track back to the 2% target on the short to medium term. The Bank of England as part of their monetary policy have been increasing interest rates to manage the continued rise in inflation, with interest rates forecast to rise further. However, the rise in interest rates will only partially manage inflation due to the underlying inflation being driven by international energy price increases driven by the conflict in Ukraine and Russia. The above risks are impacting the capital investment plan from the perspective of increasing costs in relation raw material and labour costs. This is also exacerbated by increasing interest rates which will have a bearing on the cost of borrowing for the Authority going forward.

The Strategic Reserve (£14.426m) represents 4.16% of the General Fund 2021/22 gross Budget and 9.61% of the 2021/22 net Budget, with the General Fund balances (£7.000m) added, these represent 6.17% of the 2021/22 gross Budget and 14.27% of the 2021/22 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.

The other general fund earmarked reserves total £56.800m, which is a decrease of £10.313m from the 2020/21 position of £64.378m. Of this decrease £9.441m relates to COVID-19 grants where £9.875m (£19.298m in 2020/21) is still being held with specific conditions that have to met when spending those grants, and some of which we act as agent for the government on. These Covid-19 balances are projected to be returned to Central Government or spent over the early part of 2022/23.

The net movement in HRA reserves and balances is an increase of £0.076m. The HRA reserves have increased by £1.577m to £21.302m in 2021/22 and the HRA balances have decreased by £1.501m to a total of £3.501m. Within the HRA reserve total, £13.118m relates to PFI reserves.

School Balances show a decrease of £0.322m, but as stated previously this is a significant improvement of £9.391m against the planned deficit balance position of £5.993m to leave a surplus of £3.398m. As at 31 March 2022, the DSG account is showing a net deficit balance of £12.851m. This compares to a deficit balance of £7.932m in 2020/21. Whilst the Authority does have some plans to recover this deficit position, there remains uncertainty as to how this is to be resolved, adding further risk for the Authority in the short to medium term.

In these unpresented times the importance of robust financial management across the Authority remains paramount. A range of tighter spending controls have been put in place to ensure no non-essential spend is incurred during 2022/23.

Annual Governance Statement

The Annual Governance Statement 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.

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 32. The group position is presented separately on page 33.

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 34 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 36 to 37

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 38.

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 160.

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 169.

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

Janice Gillespie
Director of Resources
Date: 30 June 2022

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

This page is left intentionally blank.

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 2021/22 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 2022, 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 2022.

Signed:

Janice Gillespie, Director of Resources
Date: 30 June 2022

3.2 Comprehensive Income and Expenditure Statement for the year ended 31 March 2022

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.

Council position:

2020/21				2021/22		
Gross Exp £000s	**Gross Inc £000s**	**Net Exp £000s**		**Gross Exp £000s**	**Gross Inc £000s**	**Net Exp £000s**
124	(297)	(173)	Chief Executive Office	38	(164)	(126)
193,223	(178,839)	14,384	Commissioning & Asset Management	219,519	(183,992)	35,527
2,276	(1,293)	983	Corporate Strategy	4,894	(2,700)	2,194
78,506	(32,327)	46,179	Environment, Housing & Leisure	80,391	(32,604)	47,787
178,967	(103,622)	75,345	Health, Education, Care & Safeguarding	187,948	(107,007)	80,941
43,462	(70,298)	(26,836)	Housing Revenue Account	37,528	(71,312)	(33,784)
1,601	(862)	739	Law & Governance	3,043	(1,237)	1,806
6,066	(757)	5,309	Regeneration & Economic Development	2,742	(537)	2,205
64,295	(60,610)	3,685	Resources	60,644	(52,659)	7,985
76,769	(51,467)	25,302	Central Costs (including Support Services)	55,616	(32,083)	23,533
645,289	**(500,372)**	**144,917**	**Cost of Services**	**652,363**	**(484,295)**	**168,068**
12,022	0	12,022	Other Operating Expenditure (Note 10)	12,690	0	12,690
33,357	(586)	32,771	Financing and Investment Income and Expenditure (Note 11)	33,574	(706)	32,868
0	(218,759)	(218,759)	Taxation and Non-Specific Grant Income (Note 12)	0	(189,606)	(189,606)
690,668	**(719,717)**	**(29,049)**	**Deficit/(Surplus) on Provision of Services**	**698,627**	**(674,607)**	**24,020**
		(1,887)	Surplus on Revaluation of Non-Current Assets (Note 33a)			(13,007)
		66,240	Remeasurement of the net defined benefit liability (Note 33d)			(139,310)
		(558)	(Surplus)/Deficit on Financial Instruments measured at fair value through OCI&E (Note 33h)			(3,027)
		63,795	**Other Comprehensive Income and Expenditure (OCI&E)**			**(155,344)**
		34,746	**Total Comprehensive Income and Expenditure**			**(131,324)**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2022

Group position:

2020/21				2021/22		
Gross Exp £000s	Gross Inc £000s	Net Exp £000s		Gross Exp £000s	Gross Inc £000s	Net Exp £000s
124	(297)	(173)	Chief Executive Office	38	(164)	(126)
193,223	(178,839)	14,384	Commissioning & Asset Management	219,519	(183,992)	35,527
2,276	(1,293)	983	Corporate Strategy	4,894	(2,700)	2,194
78,506	(32,327)	46,179	Environment, Housing & Leisure	80,391	(32,604)	47,787
178,967	(103,622)	75,345	Health, Education, Care & Safeguarding	187,948	(107,007)	80,941
43,462	(70,298)	(26,836)	Housing Revenue Account	37,528	(71,312)	(33,784)
1,601	(810)	791	Law & Governance	3,043	(1,196)	1,847
6,066	(757)	5,309	Regeneration & Economic Development	2,742	(537)	2,205
64,295	(60,563)	3,732	Resources	60,644	(52,588)	8,056
76,769	(51,064)	25,705	Central Costs (including Support Services)	55,616	(31,869)	23,747
2,208	(2,298)	(90)	North Tyneside Trading Company (NTTC)	6,724	(7,085)	(361)
647,497	**(502,168)**	**145,329**	**Cost of Services**	**659,087**	**(491,054)**	**168,033**
12,022	0	12,022	Other Operating Expenditure (Note 10)	12,690	0	12,690
33,357	(586)	32,771	Financing and Investment Income and Expenditure (Note 11)	33,574	(706)	32,868
0	(218,759)	(218,759)	Taxation and Non-Specific Grant Income (Note 12)	0	(189,606)	(189,606)
692,876	**(721,513)**	**(28,637)**	**Deficit/(Surplus) on Provision of Services**	**705,351**	**(681,366)**	**23,985**
		(1,887)	Surplus on Revaluation of Non-Current Assets (Note 33a)			(13,007)
		66,240	Remeasurement of the net defined benefit liability (Note 33d)			(139,310)
		(558)	Deficit/(Surplus) on Financial Instruments measured at fair value through OCI&E (Note 33h)			(3,027)
		63,795	**Other Comprehensive Income and Expenditure (OCI&E)**			**(155,344)**
		35,158	**Total Comprehensive Income and Expenditure**			**(131,359)**

3.3 Movement in Reserves Statement for the year ended 31 March 2022 – 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 NTCC £000s	Total Group Useable Reserves £000s	Council Unuseable Reserves Note 33 £000s	Total Group Reserves £000s
Balance at 31 March 2021	**(90,711)**	**(24,727)**	**(10,851)**	**(9,102)**	**(19,932)**	**(155,323)**	**(141)**	**(155,464)**	**61,136**	**(94,328)**
Movement in Reserves during 2021/22										
Total Comprehensive Income & Expenditure	43,129	(19,109)	0	0	0	24,020	(35)	23,985	(155,344)	(131,359)
Adjustments between accounting basis & funding basis under regulations (Note 3)	(27,177)	19,033	(2,316)	875	1,930	(7,655)	0	(7,655)	7,655	0
Decrease/(Increase) in 2021/22	15,952	(76)	(2,316)	875	1,930	16,365	(35)	16,330	(147,689)	(131,359)
Balance at 31 March 2022	**(74,759)**	**(24,803)**	**(13,167)**	**(8,227)**	**(18,002)**	**(138,958)**	**(176)**	**(139,134)**	**(86,553)**	**(225,687)**

	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 NTCC £000s	Total Group Useable Reserves £000s	Council Unuseable Reserves Note 33 £000s	Total Group Reserves £000s
Balance 31 March 2020	**(55,011)**	**(26,906)**	**(10,085)**	**(3,832)**	**(5,816)**	**(101,650)**	**(553)**	**(102,203)**	**(27,283)**	**(129,486)**
<u>Movement in Reserves during 2020/21</u>										
Total Comprehensive Income & Expenditure	(16,545)	(12,504)	0	0	0	(29,049)	412	(28,637)	63,795	35,158
Adjustments between accounting basis & funding basis under regulations (Note 3)	(19,155)	14,683	(766)	(5,270)	(14,116)	(24,624)	0	(24,624)	24,624	0
Decrease/(Increase) in 2020/21	(35,700)	2,179	(766)	(5,270)	(14,116)	(53,673)	412	(53,261)	88,419	35,158
Balance at 31 March 2021	**(90,711)**	**(24,727)**	**(10,851)**	**(9,102)**	**(19,932)**	**(155,323)**	**(141)**	**(155,464)**	**61,136**	**(94,328)**

3.4 Balance Sheet as at 31 March 2022

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 2021 £000s	**Council 31 March 2021 £000s**		**Notes**	**Group 31 March 2022 £000s**	**Council 31 March 2022 £000s**
1,119,772	1,112,884	Property, Plant & Equipment	19	1,143,670	1,135,422
2,307	2,307	Heritage Assets		2,356	2,356
1,288	1,288	Investment Property		1,311	1,311
3,703	3,703	Intangible Assets		3,160	3,160
7,830	16,905	Long Term Investments	23 & 38	10,856	21,364
3,745	8,870	Long Term Debtors		3,077	3,077
1,138,645	**1,145,957**	**Long Term Assets**		**1,164,430**	**1,166,690**
17,836	17,836	Short Term Investments		20,336	20,336
1,270	1,270	Assets Held for Sale	20	335	335
8,349	1,188	Inventories	42	2,319	1,300
80,781	80,717	Short Term Debtors	24	82,887	82,810
24,523	23,726	Cash & Cash Equivalents	25	40,155	38,464
132,759	**124,737**	**Current Assets**		**146,032**	**143,245**
(23,097)	(23,097)	Short Term Borrowing	26	(7,993)	(7,993)
(61,570)	(61,001)	Short Term Creditors	27	(91,793)	(91,442)
(4,590)	(4,590)	Finance Lease & PFI Creditors	18	(4,874)	(4,874)
(9,089)	(9,089)	Provisions	28	(9,527)	(9,527)
(189)	(189)	Other Short-Term Liabilities		(186)	(186)
(98,535)	**(97,966)**	**Current Liabilities**		**(114,373)**	**(114,022)**

Balance Sheet as at 31 March 2022

Group 31 March 2021 £000s	Council 31 March 2021 £000s		Notes	Group 31 March 2022 £000s	Council 31 March 2022 £000s
(105,076)	(105,076)	Finance Lease & PFI Creditors	18	(100,487)	(100,487)
(3,816)	(3,816)	Provisions	28	(3,698)	(3,698)
(397,443)	(397,443)	Long Term Borrowing	29	(392,443)	(392,443)
(2,179)	(2,179)	Other Long-Term Liabilities		(2,087)	(2,087)
(2,003)	(2,003)	Other Long-Term Creditors	30	(1,884)	(1,884)
(557,920)	(557,920)	Pension Liability	9	(458,010)	(458,010)
(10,104)	(10,104)	Capital Grants Receipts in Advance	13	(11,793)	(11,793)
(1,078,541)	**(1,078,541)**	**Long Term Liabilities**		**(970,402)**	**(970,402)**
94,328	**94,187**	**Net Assets**		**225,687**	**225,511**
		Financed By:			
(155,323)	(155,323)	Useable Reserves	31	(138,958)	(138,958)
(141)	0	Useable Reserves of Group Entity	31	(176)	0
61,136	61,136	Unuseable Reserves	33	(86,553)	(86,553)
(94,328)	**(94,187)**	**Total Reserves**		**(225,687)**	**(225,511)**

I certify that the Statement of Accounts for the year ended 31 March 2022, required by the Accounts and Audit Regulations 2015 are set out in pages 32 to 38 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 2022.

Signed:

Janice Gillespie
Director of Resources
Date: 30 June 2022

3.5 Cash Flow Statement for year ended 31 March 2022

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 2020/21 £000s	Council 2020/21 £000s		Notes	Group 2021/22 £000s	Council 2021/22 £000s
28,637	29,049	Net (deficit)/surplus on the provision of services		(23,985)	(24,020)
80,976	80,037	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	39	123,588	117,677
(39,486)	(39,486)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	39	(36,757)	(36,757)
70,127	**69,600**	**Net cash flows from operating activities**		**62,846**	**56,900**
(25,906)	(25,703)	Net Cash flow from Investing Activities	40	(21,347)	(17,320)
(57,001)	(57,020)	Net Cash flow from Financing Activities	41	(25,867)	(24,842)
(12,780)	**(13,123)**	**Net increase/(decrease) in cash and cash equivalents**		**15,632**	**14,738**
37,303	36,849	Cash and cash equivalents at the beginning of the reporting period	25	24,523	23,726
24,523	**23,726**	**Cash and cash equivalents at the end of the reporting period**		**40,155**	**38,464**

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.

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 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22 (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 £1,000

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.

<u>The Authority as Lessee</u>

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).

<u>The Authority as Lessor</u>

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

<u>Benefits Payable during Employment</u>
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.

Termination Benefits

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.

Post-Employment Benefits (Retirement Benefits)

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 acting as the Authority's internal Chartered Surveyors.

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. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. 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.

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 2021/22.

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); and
- 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.

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

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

<u>Academy Schools</u>
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 2021/22 has introduced changes in accounting policy which will be required from 1 April 2022 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 2022/23 Code where disclosures are required in the 2021/22 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

• Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes four changed standards:

• IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.

• IAS 37 (Onerous contracts) – clarifies the intention of the standard.

• IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material.

• IAS 41 (Agriculture) – one of a small number of IFRS that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having 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.

	Useable Reserves					
2021/22	**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
• 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	**(36,582)**	**(19,587)**	**0**	**0**	**(11,952)**	**68,121**

2021/22	Useable Reserves: General Fund Balances £000s	Useable Reserves: Housing Revenue Account £000s	Useable Reserves: Capital Receipts Reserve £000s	Useable Reserves: Major Repairs Reserve £000s	Useable Reserves: 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)**

	Useable Reserves					
2021/22	**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	**(27,177)**	**19,033**	**(2,316)**	**875**	**1,930**	**7,655**

2020/21	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)	(22,640)	(3,550)	0	0	0	26,190
• 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)	(15,720)	0	0	0	0	15,720
• Holiday Pay (transferred to the Accumulated Absences Reserve) – Note 33(g)	2,155	82	0	0	0	(2,237)
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(5,289)	(18,028)	0	0	(18,587)	41,904
Total Adjustments to Revenue Resources	**(41,461)**	**(21,496)**	**0**	**0**	**(18,587)**	**81,544**

2020/21	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	3,229	5,637	(8,866)	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	12,372	0	(12,372)	0	0
Statutory/Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account) – Note 33(b)	18,982	6,042	2,849	0	0	(27,873)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) – Note 33(b)	1,969	12,128	0	0	0	(14,097)
Total Adjustments between Revenue and Capital Resources	**22,306**	**36,179**	**(4,143)**	**(12,372)**	**0**	**(41,970)**

2020/21	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	3,377	0	0	(3,377)
Use of the Major Repairs Reserve to finance capital expenditure – Note 49	0	0	0	7,102	0	(7,102)
Application of capital grants to finance capital expenditure – Note 33(b)	0	0	0	0	4,471	(4,471)
Total Adjustments to Capital Resources	**0**	**0**	**3,377**	**7,102**	**4,471**	**(14,950)**
TOTAL ADJUSTMENTS	**(19,155)**	**14,683**	**(766)**	**(5,270)**	**(14,116)**	**24,624**

Page 113

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.

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, Housing & Leisure	27,973	19,814	47,787
Health, Education, Care & Safeguarding	69,653	11,288	80,941
Housing Revenue Account	(5,742)	(28,042)	(33,784)
Law & Governance	1,331	475	1,806
Regeneration & Economic Development	1,669	536	2,205
Resources	5,729	2,256	7,985
Central Costs (including 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)
Deficit on Provision of Service	**15,877**	**8,143**	**24,020**

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

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.

2021/22	Adjs for Capital Purposes £000s	Pension Adjs £000s	Other Adjs £000s	Total Adjs £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, Housing & Leisure	15,086	4,857	(129)	19,814
Health, Education, Care & Safeguarding	1,975	9,401	(88)	11,288
Housing Revenue Account	(32,195)	4,222	(69)	(28,042)
Law & Governance	0	494	(19)	475
Regeneration & Economic Development	269	264	3	536
Resources	1,321	969	(34)	2,256
Central Costs (including 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**

2020/21	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	(216)	43	(173)
Commissioning & Asset Management	2,596	11,788	14,384
Corporate Strategy	713	270	983
Environment, Housing & Leisure	26,295	19,884	46,179
Health, Education, Care & Safeguarding	69,342	6,003	75,345
Housing Revenue Account	(11,164)	(15,672)	(26,836)
Law & Governance	396	343	739
Regeneration & Economic Development	1,274	4,035	5,309
Resources	795	2,890	3,685
Central Costs (Includes support services)	62,865	(37,563)	25,302
Net Cost of Services	**152,896**	**(7,979)**	**144,917**
Other Income & Expenditure	(186,415)	12,449	(173,966)
(Surplus)/Deficit on Provision of Service	**(33,519)**	**4,470**	**(29,049)**

Opening General Fund & HRA Balance	(14,969)
Deficit on General Fund & HRA Balance in Year	(33,521)
Transfers to Earmarked Reserves	32,768
Closing General Fund and HRA Balance	**(15,722)**

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

2020/21	Adjustments for Capital Purposes £000s	Pension Adjustments £000s	Other Adjustments £000s	Total Adjustments £000s
Chief Executive Office	0	39	4	43
Commissioning & Asset Management	7,750	6,121	(2,083)	11,788
Corporate Strategy	0	242	28	270
Environment, Housing & Leisure	17,381	2,693	(190)	19,884
Health, Education, Care & Safeguarding	937	5,064	2	6,003
Housing Revenue Account	(17,949)	2,359	(82)	(15,672)
Law & Governance	0	304	39	343
Regeneration & Economic Development	3,904	125	6	4,035
Resources	2,387	463	40	2,890
Central Costs (includes support services)	(35,859)	(1,671)	(33)	(37,563)
Net Cost of Services	**(21,449)**	**15,739**	**(2,269)**	**(7,979)**
Other Operating Expenditure	7,539	0	1,874	9,413
Financing & Investment Income & Expenditure	0	10,450	0	10,450
Taxation & Non-Specific Grant Income	(23,134)	0	15,720	(7,414)
Difference between General Fund and HRA (surplus)/deficit and Comprehensive Income & Expenditure Statement (surplus)/deficit	**(37,044)**	**26,189**	**15,325**	**4,470**

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:

2020/21 £000s		2021/22 £000s
(139)	Chief Executive Office	(7)
(6,808)	Commissioning & Asset Management	(7,228)
(167)	Corporate Strategy	(150)
(11,860)	Environment, Housing & Leisure	(16,957)
(16,986)	Health, Education, Care & Safeguarding	(17,996)
(63,782)	Housing Revenue Account	(62,850)
(396)	Law & Governance	(662)
(125)	Regeneration and Economic Development	(103)
(1,679)	Resources	(2,212)
(1,326)	Central Costs (including support services)	(1,446)
(103,268)	**Total - Authority**	**(109,611)**
(252)	North Tyneside Trading Company	(327)
(103,520)	**Total - Group**	**(109,938)**

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.

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 Provision of Services	**168,068**	**(144,048)**	**24,020**

Page 123

2020/21

	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges	(136,752)	0	(136,752)
Government Grants & Contributions	(342,620)	(50,017)	(392,637)
Support Services & Recharges	(20,999)	0	(20,999)
Interest and Investment Income	0	(310)	(310)
Income in relation to Investment Properties	0	(276)	(276)
Income from Council Tax/ Business Rates	0	(168,742)	(168,742)
Total Income	**(500,371)**	**(219,345)**	**(719,716)**
Employee Expenses	238,045	10,450	248,495
Other Service Expenses	337,757	0	337,757
Support Services Recharges	22,978	0	22,978
Depreciation, amortisation, impairment and other capital charges	46,508	0	46,508
Interest Payments	0	22,907	22,907
Precepts & Levies	0	11,475	11,475
Payments to Housing Capital Receipts Pool	0	1,874	1,874
Gain on Disposal of Fixed Assets	0	(1,327)	(1,327)
Total Operating Expenses	**645,288**	**45,379**	**690,667**
Surplus on the Provision of Services	**144,917**	**(173,966)**	**(29,049)**

6 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in pages 41 to 59, 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 2022, 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 £1,235.995m as at 31 March 2022. A 1% change in asset valuation would equate to a £12.360m 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 £0.328m movement. See Note 19 for more details on PPE including an assessment of the impact of COVID-19 on valuations.
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 91 for details of sensitivity analysis of the estimations.

Provisions	The Authority has made a number of provisions, in line with the Code, totalling £13.225m. 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 2021/22 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 2022. 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 2022. A provision of £3.345m 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 2021/22 were £3.454m (£3.471m in 2020/21).

Undischarged operating lease rentals at 31 March 2022 amounted to £73.002m (£76.215m in 2020/21), comprising the following elements:

31 March 2021 £000s		31 March 2022 £000s
3,478	Due Year 1	3,474
14,047	Due Years 2-5	14,329
58,690	Due after Year 5	55,199
76,215	**Total**	**73,002**

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 2021/22 as being operating leases and the total rental income was £2.666m (£2.916m in 2020/21). The future minimum lease payments expected to be received are:

31 March 2021 £000s		31 March 2022 £000s
2,836	Due Year 1	2,387
3,207	Due Years 2-5	3,099
23,937	Due after Year 5	24,068
29,980	**Total**	**29,554**

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 2021/22, the Authority paid £15.185m (£15.138m 2020/21) to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay (23.68% 2020/21). The contributions due to be paid in the next financial year are estimated to be £15.162m. 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 2022 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	2020/21 £000s				2021/22 £000s			
	TWPF		TPS*	Total	TWPF		TPS*	Total
	Funded	Unfunded			Funded	Unfunded		
Comprehensive Income & Expenditure Statement								
<u>Cost of Services</u>								
Current Service Costs	38,250	0	0	38,250	53,590	0	0	53,590
Past Service Costs	0	0	0	0	280	0	0	280
<u>Financing and Investment Income and Expenditure</u>								
Net Interest Expense	8,920	490	1,040	10,450	9,980	450	930	11,360
Total post-employment benefit charged to the Deficit/(Surplus) on the Provision of Services	47,170	490	1,040	48,700	63,850	450	930	65,230
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)	(194,260)	0	0	(194,260)	(18,930)	0	0	(18,930)
Actuarial (gains)/losses arising on changes in demographic assumptions	0	0	0	0	(15,720)	(200)	(450)	(16,370)
Actuarial losses/(gains) arising on changes in financial assumptions	271,250	1,570	4,160	276,980	(102,790)	(450)	(4,930)	(108,170)
Actuarial (gains)/losses due to liability experience	(15,490)	(310)	(680)	(16,480)	4,780	(1,270)	650	4,160
Total post-employment benefit charged to the Other Comprehensive Income & Expenditure	61,500	1,260	3,480	66,240	(132,660)	(1,920)	(4,730)	(139,310)

*This is an unfunded scheme as detailed on page 82.

Pension Revenue Summary	2020/21 £000s				2021/22 £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	(47,170)	(490)	(1,040)	(48,700)	(63,850)	(450)	(930)	(65,230)
Actual amount charged against the Cost of Services for pensions in the year								
Employer's contributions payable to the scheme	20,580	0	0	20,580	21,400	1,670	2,760	25,830
Retirement benefits payable to pensioners	0	1,750	180	1,930	(39,800)	(1,670)	(2,760)	(44,230)

*This is an unfunded scheme as detailed on page 82.

Page 132

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:

	2020/21 £000s				2021/22 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Present value of the defined benefit obligation	(1,615,450)	(22,280)	(49,450)	(1,687,180)	(1,556,210)	(19,140)	(42,890)	(1,618,240)
Fair Value of plan assets	1,129,260	0	0	1,129,260	1,160,230	0	0	1,160,230
Net liability arising from defined benefit obligation	(486,190)	(22,280)	(49,450)	(557,920)	(395,980)	(19,140)	(42,890)	(458,010)

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

	2020/21 £000s				2021/22 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Opening fair value of scheme assets	924,470	0	0	924,470	1,129,260	0	0	1,129,260
Interest Income	21,150	0	0	21,150	23,600	0	0	23,600
Remeasurement gain/ (loss):								
• The return on plan assets, excluding the amount included in the net interest expense	194,260	0	0	194,260	18,930	0	0	18,930
Contributions from employer	20,580	1,750	180	22,510	21,400	1,670	2,760	25,830
Contributions from employees into the scheme	6,590	0	0	6,590	6,840	0	0	6,840
Benefits paid	(37,790)	(1,750)	(180)	(39,720)	(39,800)	(1,670)	(2,760)	(44,230)
Closing fair value of scheme assets	1,129,26	0	0	1,129,260	1,160,230	0	0	1,160,230

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

Active members	40%
Deferred Pensioners	18%
Pensioners	42%

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

	2020/21				2021/22			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded £000s	Unfunded £000s	£000s	£000s	Funded £000s	Unfunded £000s	£000s	£000s
Opening balance at 1 April	(1,322,570)	(22,280)	(45,110)	(1,389,960)	(1,615,450)	(22,280)	(49,450)	(1,687,180)
Current Service Cost	(38,250)	0	0	(38,250)	(53,590)	0	0	(53,590)
Interest Cost	(30,070)	(490)	(1,040)	(31,600)	(33,580)	(450)	(930)	(34,960)
Contributions by participants	(6,590)	0	0	(6,590)	(6,840)	0	0	(6,840)
Remeasurement (gains) and losses:								
• Actuarial (gains)/losses arising from changes in experience assumptions	15,490	310	680	16,480	(4,780)	1,270	(650)	(4,160)
• Actuarial (gains)/losses arising from changes in demographic assumptions	0	0	0	0	15,720	200	450	16,370
• Actuarial (gains)/losses arising from changes in financial assumptions	(271,250)	(1,570)	(4,160)	(276,980)	102,790	450	4,930	108,170
Past Service Cost	0	0	0	0	(280)	0	0	(280)
Net Benefits paid	37,790	1,750	180	39,720	39,800	1,670	2,760	44,230
Closing balance at 31 March	**(1,615,450)**	**(22,280)**	**(49,450)**	**(1,687,180)**	**(1,556,210)**	**(19,140)**	**(42,890)**	**(1,618,240)**

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 2021 %	Asset Split 31 March 2022 %		
	Total	Quoted	Unquoted	Total
Equities	55.5	47.8	9.2	57.0
Property	7.9	0.0	8.4	8.4
Government Bonds	2.2	2.0	0.0	2.0
Corporate Bonds	19.8	18.8	0.0	18.8
Cash	4.0	1.8	0.0	1.8
Other*	10.6	4.8	7.2	12.0
Total Assets	100.0	75.2	24.8	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 2019, whilst the latest actuarial valuation of the discretionary benefits took place as at 31 March 2019. 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	
	2020/21	2021/22	2020/21	2021/22
Mortality assumptions				
Future lifetime from age 65 (currently 65)				
• Men	21.9	21.8	21.9	21.8
• Women	25.1	25.0	25.1	25.0
Future lifetime from age 65 (currently 45)				
• Men	23.6	23.5	n/a	n/a
• Women	26.9	26.7	n/a	n/a

	TWPF Funded		TPS/TWPF Unfunded	
	2020/21	2021/22	2020/21	2021/22
Rate of Inflation (CPI)	2.7%	3.0%	2.7%	3.0%
Pensions accounts revaluation rate	2.7%	3.0%	n/a	n/a
Rate of increase in salaries	4.2%	4.5%	n/a	n/a
Rate of increase in pensions	2.7%	3.0%	2.7%	3.0%
Rate for discounting scheme liabilities	2.1%	2.7%	2.1%	2.7%

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)	(52,910)	54,670
Rate of increase in salaries (increase/decrease by 0.1%)	4,670	(4,670)
Rate of increase in pensions (increase/decrease by 0.1%)	26,460	(26,460)
Rate for discounting scheme liabilities (increase/decrease by 0.1%)	(31,120)	31,120

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 (57.0% 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 (8.4%). 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 2019.

The Authority anticipates paying £22.080m in contributions to the scheme in respect of the LGPS in 2022/23 for the accounting period to 31 March 2023, £1.720m in respect of unfunded benefits and also £2.850m for enhanced teachers' benefits. The weighted average duration of the defined benefit obligation for the LGPS scheme members is 20.1 years 2021/22 (20.1 years 2020/21).

10 Other Operating Expenditure

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

2020/21 £000s		2021/22 £000s
11,475	Levies	11,533
1,874	Payments to the Government Housing Capital Receipts Pool	1,874
(1,327)	Gains on the disposal of non-current assets	(717)
12,022	**Total**	**12,690**

11 Financing and Investment Income and Expenditure

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

2020/21 £000s		2021/22 £000s
22,907	Interest payable and similar charges	22,214
10,450	Net Interest Expense Pensions	11,360
(310)	Interest receivable and similar income	(606)
(276)	Income & expenditure in relation to Investment Properties and changes in their fair value	(100)
32,771	**Total**	**32,868**
0	Intra-group transactions to be excluded	0
32,771		**32,868**

12 Taxation and Non-Specific Grant Income

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

2020/21 £000s		2021/22 £000s
(99,807)	Council Tax Income	(106,098)
(13,949)	Retained Business Rates	(24,154)
(20,505)	Business Rates Top Up	(20,505)
(34,481)	Grants in lieu of Business Rates	0
(26,772)	Non-Ringfenced Government Grants	(18,446)
(23,245)	Capital Grants, Contributions & Donated Assets	(20,403)
(218,759)	**Total**	**(189,606)**

13 Grants and Contributions Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

2020/21 £000s		2021/22 £000s
	Non-Ringfenced Government Grants	
(11,380)	Revenue Support Grant	(11,443)
(9,547)	COVID-19 Local Authority Support Grant	(5,576)
(5,757)	COVID-19 Income Compensation for Lost Sales, Fees and Charges	(1,335)
(88)	Other Non-Ringfenced Government Grants (individually under £1.000m)	(92)
(26,772)		(18,446)
	Capital Grants and Receipts in Advance	
(2,881)	Department for Education	(4,033)
(420)	North East Local Enterprise Partnership (NELEP) – Local Growth Fund	(2,533)
(5,032)	Local Transport Plan	(4,051)
0	English Heritage	(1,234)
(578)	Environment Agency	(30)
(6,479)	Department for Business, energy & Industrial Strategy	(2,491)
0	Transforming Cities Fund	(1,766)
0	Brownfield Housing Fund	(1,063)
(4,884)	Section 106 Contributions	(1,613)
(2,971)	Other Grants and Contributions (individually under £1.000m)	(1,589)
(23,245)		(20,403)

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 2021 £000s		31 March 2022 £000s
	Capital Grants, Contributions and Donations in advance	
(10,056)	Section 106 Agreements	(11,745)
(48)	Other Grants & Contributions (individually under £1.000m)	(48)
(10,104)	**Total**	**(11,793)**

31 March 2021 £000s		31 March 2022 £000s
	Revenue Grants & Contributions Receipt in Advance	
(300)	Other Grants & Contributions (individually under £1.000m)	(217)
(300)	**Total**	**(217)**

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement within the Cost of Services in 2021/22.

2020/21 £000s		2021/22 £000s
	Credited to Services	
(149,419)	Dedicated Schools Grant	(156,941)
(27,547)	Mandatory Rent Allowances Benefit	(24,481)
(22,198)	Rent Rebates Benefit	(20,352)
(13,372)	Private Finance Initiative	(13,372)
(12,493)	Public Health Grant	(12,616)
(9,688)	Continuing Health Care Contributions	(9,430)
(9,219)	Pupil Premium Grant	(9,224)
(7,062)	Post 16 Education Grant	(7,202)
(9,297)	Improved Better Care Fund Grant	(9,297)
(3,681)	New Homes Bonus	(2,266)
(1,326)	Section 31 Children's Grant	(755)
(4,856)	Teachers' Pension Grant	(695)
(2,155)	Department for Education	(1,990)
(20,960)	Small Business Rate Relief Grant	(7,998)
(3,401)	Contributions	(4,185)
(1,129)	Physical Education (PE) & Sport	(1,086)
(1,127)	Assessed & Supported Year in Employment	(442)
(6,207)	Adult Social Care Support Grant	(7,681)
(742)	Housing Benefit Administration Grant	(577)

2020/21 £000s		2021/22 £000s
	Credited to Services	
(1,573)	Teachers Pay Grant	(246)
(1,331)	Adoption Reform Grant	(1,539)
(746)	Tackling Troubled Families Grant	(754)
0	COVID-19 Workplace Capacity Grant	(1,987)
(2,024)	COVID-19 Hardship Fund	0
0	COVID-19 Rapid Testing – Care Homes	(1,418)
(1,232)	COVID-19 Schools Catch-up Premium	(1,760)
(4,412)	COVID-19 Infection Control Grant	(2,299)
0	COVID-19 Recovery Premium Schools Grant	(1,061)
0	Household Support Grant	(1,610)
(2,042)	COVID-19 Test and Trace Service Support Grant	(1,271)
(6,082)	COVID-19 Additional Restrictions Grant	(1,447)
(5,953)	COVID-19 Contain Outbreak Management Fund	(1,439)
(11,346)	Other Grants & Contributions (Individually Under £1.000m)	(14,821)
(342,620)	**Total**	(322,242)

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 £160,000. There are no Senior Officers whose salary is £160,000 or more per year.

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

2020/21				2021/22		
APT&C	**LEA Teachers**	**Total**	**Remuneration Band**	**APT&C**	**LEA Teachers**	**Total**
49	17	**66**	£50,000 - £54,999	60	13	**73**
26	6	**32**	£55,000 - £59,999	31	6	**37**
31	2	**33**	£60,000 - £64,999	13	5	**18**
5	5	**10**	£65,000 - £69,999	18	0	**18**
2	5	**7**	£70,000 - £74,999	7	8	**15**
3	3	**6**	£75,000 - £79,999	5	4	**9**
1	0	**1**	£80,000 - £84,999	0	1	**1**
1	0	**1**	£85,000 - £89,999	2	0	**2**
2	0	**2**	£90,000 - £94,999	2	0	**2**
0	1	**1**	£95,000 - £99,999	0	0	**0**
0	1	**1**	£100,000 - £104,999	1	2	**3**
0	0	**0**	£105,000 - £109,999	0	0	**0**
0	0	**0**	£110,000 - £114,999	0	0	**0**
1	0	**1**	£115,000 - £119,999	0	0	**0**
0	0	**0**	£130,000 - £134,999	0	0	**0**
121	**40**	**161**	**Total**	**139**	**39**	**178**

Page 145

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.

<u>Key</u>
APT&C – Administrative, Professional, Technical & Clerical
LEA – Local Education Authority

Table 2

This table sets out the remuneration disclosures for Senior Officers.

2021/22

Post Holder Information (2020/21)	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**

2020/21

Post Holder Information (2020/21)	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)	158,122	0	0	0	158,122	31,308	**189,430**
Director of Health, Education, Care and Safeguarding	109,284	0	0	0	109,284	21,638	**130,922**
Director of Environment, Housing and Leisure	109,284	0	0	0	109,284	21,638	**130,922**
Director of Law & Governance	96,048	0	0	0	96,048	19,017	**115,065**
Director of Commissioning & Asset Management	96,048	0	0	0	96,048	19,017	**115,065**
Director of Resources	96,048	0	0	0	96,048	19,017	**115,065**
Director of Regeneration & Economic Development	92,100	0	0	0	92,100	18,236	**110,336**
Director of Corporate Strategy & Customer Services	92,100	0	0	0	92,100	18,236	**110,336**
Director of Public Health	92,100	0	0	0	92,100	13,244	**105,344**
Total	**941,134**	0	0	0	**941,134**	**181,351**	**1,122,485**

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	
£	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	1	6	9	12	10	18	74	129
£20,001 - £40,000	0	1	2	1	2	2	52	60
£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	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	1	0	1	0	108
Total	**1**	**7**	**11**	**14**	**12**	**21**	**126**	**297**

There is a provision for redundancy payments included within the Comprehensive Income and Expenditure Statement of £0.018m (£0.018m 2020/21). These figures have been included in the table above. There is also a reserve for redundancy payments of £1.524m (£1.634m 2020/21) (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:

2020/21 £000s		2021/22 £000s
624	Basic Allowances	637
173	Special Responsibility Allowances	177
1	Expenses	1
798	**Total**	**815**

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 2021/22, 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 £9.137m to voluntary and other statutory bodies in which a number of Members had declared an interest (£8.703m in 2020/21). 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.

3 Members of the Council declared an interest in relation to Percy Hedley School, 2021/22 payments totalled £2.490m (2020/21 £1.297m). At the 31 March 2022 the Authority raised a creditor for £0.603m for good/services.

1 Members of the Council declared an interest in relation to North Tyneside Carers' Centre, 2021/22 payments of £0.302m (2020/21 £0.241m). No creditors or debtors were raised at the year-end.

1 Member of the Council declared an interest in relation to North Tyneside Citizens Advice Bureau, 2021/22 payments totalled £0.000m (2020/21 £0.324m). No creditors or debtors were raised at the year-end.

Officers – no related party transactions were declared in 2021/22, (no related party transactions in 2020/21).

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 2021/22 the Authority paid a transport levy of £11.129m (£11.075m in 2020/21).

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 2021/22 the Authority incurred the following fees relating to external audit:

2020/21 £000s		2021/22 £000s
163	Fees payable to the appointed auditor under the Local Audit and Accountability Act 2014	125
70	2019/20 additional fee	0
11	Fees payable for the certification of grant claims and returns	6
13	Fees payable for the certification of Housing Benefit grant claims and returns	0
0	Additional Fee Work, COVID-19 work	38
257	Total Authority fees payable	**169**
18	Fees payable to external audit with regard to audit services for North Tyneside Trading Company Group	19
14	2019/20 additional fee	0
289	Total Group costs	**188**

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

2021/22 was the nineteenth 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

2021/22 was the eighteenth 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

2021/22 was the ninth 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)

2021/22 was the fifteenth 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)
2021/22 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.

<ins>Property, Plant and Equipment</ins>
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.

<ins>Payments</ins>
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 2022 (excluding any estimation of inflation and availability/performance deductions) are on the following page:

2020/21 Total £000s		Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	2021/22 Total £000s
18,070	Payable in one year	5,403	4,874	7,436	17,713
73,134	Payable within 2-5 yrs	22,470	22,122	27,100	71,692
88,342	Payable within 6-10 yrs	27,035	30,754	25,802	83,591
72,045	Payable within 11-15 yrs	22,488	27,924	16,073	66,485
55,284	Payable within 16-20 yrs	19,868	28,282	6,447	54,597
10,762	Payable within 21-25 yrs	0	0	0	0
317,637	**Total**	**97,264**	**113,956**	**82,858**	**294,078**

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:

2020/21 £000s		2021/22 £000s
113,889	Balance outstanding at start of year	109,666
(4,321)	Payments made during the year	(4,591)
98	Additional liabilities incurred in the year	286
109,666	**Balance outstanding at year-end**	**105,361**

The £4.591m 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 2021/22 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

2021/22	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £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**	**248,250**	**8,420**	**3,806**	**17,901**	**1,217,610**	**150,295**
Additions	25,601	4,408	2,956	6,795	19	1,138	13,701	54,618	491
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,425	(11,008)	0	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	0	(2,145)	0	(20,254)	1,332
Derecognition - Disposals	(7,940)	0	0	0	0	(868)	0	(8,808)	0
Derecognition - Other	0	0	(683)	(2,348)	0	0	0	(3,031)	(2)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(265)	0	(265)	0
Other movements in Cost or Valuation	3,514	11,781	727	1,208	0	118	(17,349)	(1)	0
At 31 March 2022	**675,219**	**246,293**	**34,393**	**253,905**	**8,439**	**3,493**	**14,253**	**1,235,995**	**153,138**

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £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)**	**(70,442)**	**(732)**	**(92)**	**0**	**(104,726)**	**(15,368)**
Depreciation charge	(14,129)	(7,169)	(4,263)	(7,202)	(14)	(1)	0	(32,778)	0
Depreciation written out to the Revaluation Reserve	424	15,780	0	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	0	17,376	2,006
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	546	0	0	0	110	0	656	0
Impairment (losses)/ reversals recognised in the (Surplus)/Deficit on the Provision of Services	0	(569)	0	0	0	(28)	0	(597)	(9)
Derecognition – Disposals	241	0	0	0	0	0	0	241	0
Derecognition - Other	0	0	683	2,348	0	0	0	3,031	2
Other movements in Depreciation & Impairment	(6)	27	0	0	0	(21)	0	0	0
At 31 March 2022	**0**	**(4,802)**	**(19,717)**	**(75,296)**	**(746)**	**(12)**	**0**	**(100,573)**	**(9,919)**
Net Book Value									
At 31 March 2022	675,219	241,491	14,676	178,609	7,693	3,481	14,253	1,135,422	143,219
At 31 March 2021	652,932	237,585	15,256	177,808	7,688	3,714	17,901	1,112,884	134,927

2020/21	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £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 2020	**652,638**	**256,245**	**29,394**	**241,884**	**8,420**	**3,413**	**9,161**	**1,201,155**	**149,221**
Additions	16,351	3,667	2,576	7,239	0	708	10,602	41,143	1,328
Revaluation increases/(decreases) recognised in the Revaluation Reserve	274	(2,664)	0	0	0	(32)	0	(2,422)	639
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(10,968)	(4,084)	0	0	0	(325)	0	(15,377)	(867)
Derecognition - Disposals	(5.399)	0	0	0	0	0	0	(5,399)	0
Derecognition - Other	0	0	(577)	(913)	0	0	0	(1,490)	(26)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	36	1,744	0	40	0	42	(1,862)	0	0
At 31 March 2021	**652,932**	**254,908**	**31,393**	**248,250**	**8,420**	**3,806**	**17,901**	**1,217,610**	**150,295**

2020/21	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £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 2020	**0**	**(13,843)**	**(12,822)**	**(63,619)**	**(718)**	**(68)**	**0**	**(91,070)**	**(13,715)**
Depreciation charge	(14,128)	(7,257)	(3,892)	(7,736)	(14)	0	0	(33,027)	(4,110)
Depreciation written out to the Revaluation Reserve	471	3,540	0	0	0	38	0	4,049	1,077
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	13,494	722	0	0	0	0	0	14,216	1,354
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	248	0	0	0	12	0	260	0
Impairment (losses)/ reversals recognised in the (Surplus)/Deficit on the Provision of Services	0	(786)	0	0	0	(21)	0	(807)	0
Derecognition – Disposals	163	0	0	0	0	0	0	163	0
Derecognition - Other	0	0	577	913	0	0	0	1,490	26
Other movements in Depreciation & Impairment	0	53	0	0	0	(53)	0	0	0
At 31 March 2021	**0**	**(17,323)**	**(16,137)**	**(70,442)**	**(732)**	**(92)**	**0**	**(104,726)**	**(15,368)**
Net Book Value									
At 31 March 2021	652,932	237,585	15,256	177,808	7,688	3,714	17,901	1,112,884	134,927
At 31 March 2020	652,638	242,402	16,572	178,265	7,702	3,345	9,161	1,110,085	135,506

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 49).

	Council Dwellings £000s	Other Land & Buildings £000s	Surplus Assets £000s	Total £000s
Valued at current value as at:				
2018/19	0	5,327	0	5,327
2019/20	0	24,792	536	25,328
2020/21	0	10,773	0	10,773
2021/22	675,219	205,401	2,957	883,577
Gross Book Value	**675,219**	**246,293**	**3,493**	**925,005**

Split of Council Dwellings

Sheltered Housing Accommodation	72,236
Housing with Multiple Occupants	1,836
Homeless Units	867
General Housing Stock	600,280
Total	**675,219**

(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 2022	1,439,213
Social Housing Adjustment	(763,993)
Net Book Value after Adjustment for Social Housing	**675,220**

Note 45 provides more details of the housing stock.

Property, Plant and Equipment (PPE) Valuations

The Authority's valuers have noted the following in their valuation report:

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th of March 2020, has and continues to impact many aspects of daily life and the global economy - with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement, and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

For the avoidance of doubt this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

Property, Plant and Equipment – Group Position

2020/21	Total Property, Plant and Equipment £000s	**2021/22**	Total Property, Plant and Equipment £000s
Net Book Value			
Authority - Total Property, Plant and Equipment	1,112,884		1,135,422
North Tyneside Trading Company (NTTC)	6,888		8,248
At 31 March 2021	**1,119,772**	**At 31 March 2022**	**1,143,670**

The 2021/22 NTTC values consists of property £8.225m and land £0.023m (2020/21 property £6.865m, land £0.023m).

20 Assets Held for Sale

31 March 2021 £000s		31 March 2022 £000s
3,571	Balance at 1 April	**1,270**
0	Assets newly classified as Held for Sale	265
(2,301)	Assets Sold	(1,200)
1,270	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 2021 Fair Value £000s	31 March 2022 Fair Value £000s
Level 3	Measurement technique uses significant unobservable inputs to determine the fair value measurements.	1,270	335

21 Summary of Capital Expenditure and Sources of Finance

2020/21 £000s		2021/22 £000s
638,964	**Opening Capital Financing Requirement**	**623,372**
	Capital Investment	
41,143	Property, Plant & Equipment	54,618
1,508	Share Capital	1,433
408	Intangible Assets	444
1,125	Capital Loans	0
5	Heritage Assets	50
10,445	Revenue Expenditure Funded from Capital Under Statute	6,783
54,634		**63,328**
	Sources of Finance	
(3,377)	Capital Receipts	(1,813)
(2,849)	Capital Receipts Set Aside	(4,483)
(16,814)	Government Grants and Other Contributions	(28,704)
(7,103)	Major Repairs Reserve	(13,231)
(14,096)	Direct Revenue Contributions	(12,505)
(25,987)	Minimum Revenue Provision	(19,218)
(70,226)		**(79,954)**
623,372	**Closing Capital Financing Requirement**	**606,746**
	Explanation of Movements in Year	
(3,104)	(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(3,103)
(8,856)	(Decrease)/Increase in underlying need to borrow (unsupported by Government financial assistance)	(10,051)
(3,632)	Movement in Assets acquired under PFI or similar Contracts	(3,472)
(15,592)	**(Decrease)/ Increase in Capital Financing Requirement**	**(16,626)**

22 Capital Commitments

Council approved the General Fund Investment Plan and the Housing Investment Plan for 2022-2027 on 17 February 2022. The current contractually committed schemes contained within the approved Plan comprise of:

31 March 2021 £000s		31 March 2022 £000s
1,162	Central Services	2,840
10	Children's & Education Services	3
95	Leisure Services	99
5,384	Environment & Regulatory Services	4,949
998	Highways & Transport	517
946	Housing Services	2,746
95	Planning	318
8,690		**11,472**

Page 163

Major schemes within the above totals include:

	£000s
Street Lighting PFI	4,949
HRA Housing Services	2,216
Local Transport Plan & Highways	240

23 Long Term Investments

31 March 2021 £000s		31 March 2022 £000s
7,830	£1 Ordinary shares in Newcastle Airport Local Authority Holding Company Ltd	10,856
9,075	£1 Ordinary shares in North Tyneside Trading Company	10,508
0	Kier North Tyneside Limited – 200 £1 "A" ordinary shares	0
16,905	**Long Term Investments - Authority**	**21,364**
(9,075)	Intra group investments excluded	**(10,508)**
7,830	**Long Term Investments - Group**	**10,856**

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 £10.856m (£7.830m in 2020/21). The shares are not held for trading outside of the LA7.

The valuation of the holding is reviewed each year to consider whether any events have occurred which would materially impair the valuation. The spread of Covid-19 across the world towards the end of 2019/20 led to a sudden decline in air travel prompting the value of the shareholding to be impaired. 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 of was received for the year ended 31 December 2021 (£0.000 was received for the year ended 31 December 2020).

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 loss before tax of £31.306m and a loss after tax of £32.755m for the year ended 31 December 2021. In the previous year, the Group made a loss before tax of £34.025m and a loss after tax of £31.835m.

Significant Observable Inputs – Level 3

The fair value for Newcastle Airport is based on a combination of the discounted cash flow of income method together with the guideline public company method of the market approach to valuations and other observable and unobservable factors. The last full valuation took place at 31st March 2019.

To factor in the impact of COVID-19 a weighted average of forecast earnings before interest, depreciation and tax (EBIDTA) has been derived and compared against existing EBIDTA prior to the pandemic in order to generate a downward revaluation in the share value. To ensure reasonableness this percentage has been compared against the movement in shareholdings in other world airports where the shares are actively traded.

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 2021/22 (£0.000m in 2020/21) 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 (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 48 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, the final three sales remaining sold subject to contract at 31 March 2022.

• 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 2021/22, 1,443,000 £1 ordinary shares were purchased in NTTC by the Authority which in turn purchased £1,433,000 of equity in North Tyneside Trading Company (Development) Limited. In addition, £5,125,000 of loan funding was provided to Aurora Properties (Sale) Limited by the Authority. This funding was used as a payment for the purchase of properties, land and construction works on site.

A dividend of £0.000m was received for the year ended 31 March 2022 (£0.000m was received for the year ended 31 March 2021).

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 2022 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 2022, but which should be repaid within one year. The figures below are net of impairment allowances set aside.

31 March 2021 £000s		31 March 2022 £000s
10,500	Central Government Bodies	17,468
4,379	Other Local Authorities	6,129
5,324	NHS Bodies	6,904
60,514	Other Entities and Individuals	52,309
80,717	**Total Authority Debtors**	82,810
64	Debtors – North Tyneside Trading Company	77
0	Intra-group debtors to be excluded	0
80,781	**Total Group Debtors**	**82,887**

This year the Authority set aside a sum of £23.807m (£23.228m 2020/21) to cover bad and doubtful debts. Of this £6.814m (£7.505m 2020/21) relates to the General Fund, £5.085m (£4.744m 2020/21) relates to the Housing Revenue Account and £11.908m (£10.979m 2020/21) relates to the Collection Fund.

25 Cash and Cash Equivalents

31 March 2021 £000s		31 March 2022 £000s
79	Cash held by the Authority	69
15,590	Schools Cash at Bank	16,234
(20,993)	Bank Current Accounts	(14,860)
29,050	Short term deposits	37,021
23,726	**Total Authority Cash and Cash Equivalents**	**38,464**
797	Cash & Cash Equivalents – North Tyneside Trading Company	1,691
24,523	**Total Group Cash and Cash Equivalents**	**40,155**

26 Short Term Borrowing

31 March 2021 £000s		31 March 2022 £000s
(2,820)	Public Works Loans Board (PWLB)	(7,834)
(20,120)	Market Loans (including other local authorities)	0
(157)	Lender's Option Borrower's Option (LOBO)	(159)
(23,097)	**Total**	**(7,993)**

27 Short Term Creditors

The table below shows an analysis of the Authority's creditors as at the 31 March 2022.

31 March 2021 £000s		31 March 2022 £000s
(19,414)	Central Government Bodies	(40,659)
(950)	Other Local Authorities	(1,025)
(2,455)	NHS Bodies	(2,064)
(38,182)	Other Entities and Individuals	(47,694)
(61,001)	**Total Authority Creditors**	**(91,442)**
(569)	Creditors – North Tyneside Trading Company	(351)
0	Intra group creditors to exclude	0
(61,570)	**Total Group Creditors**	**(91,793)**

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 2020	**(4,015)**	**(6,080)**	**(10,095)**
Additional provisions made	0	(4,525)	(4,525)
Amounts written off	0	0	0
Amounts used	199	1,516	1,715
Balance at 31 March 2021	**(3,816)**	**(9,089)**	**(12,905)**

	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)**

(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 £3.345m.

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 2022 is a principal of £392.443m. The following table analyses the debt by lender and maturity:

31 March 2021 £000s		31 March 2022 £000s
	(a) by lender category	
(377,443)	Public Works Loan Board (PWLB)	(372,443)
0	Market Loans (including other local authorities)	0
(20,000)	Lender's Option Borrower's Option (LOBO) – Commerzbank	(20,000)
(397,443)		**(392,443)**
	(b) by maturity	
(5,000)	Maturing between 1 and 2 years	(14,000)
(34,000)	Maturing between 2 and 5 years	(23,575)
(43,475)	Maturing between 5 and 10 years	(44,900)
(314,968)	Maturing more than 10 years	(309,968)
(397,443)		**(392,443)**

30 Long Term Creditors

The table below shows an analysis of the Authority's creditors as at 31 March 2022.

31 March 2021 £000s		31 March 2022 £000s
(25)	Central Government Bodies	(25)
(1,978)	Other Entities and Individuals	(1,859)
(2,003)	**Total**	**(1,884)**

31 Useable Reserves

31 March 2021 £000s		31 March 2022 £000s
(90,711)	General Fund Balances and Reserves (See Note 32)	(74,759)
(24,727)	Housing Revenue Account Balance and Reserves (See Note 32)	(24,803)
(10,851)	Capital Receipts Reserve	(13,167)
(9,102)	Major Repairs Reserve	(8,227)
(19,932)	Capital Grants Unapplied	(18,002)
(155,323)	**Total Authority Useable Reserves**	**(138,958)**
(9,216)	Useable Reserves – North Tyneside Trading Company	(10,684)
9,075	Intra group transactions	10,508
(155,464)	**Total Group Useable Reserves**	**(139,134)**

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 160 to 161.

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 165 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

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	(1,384)	(1,384)
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 CFC PFI Reserve	(775)	56	(714)	(1,433)
Dedicated Schools Grant	7,932	12,851	(7,932)	12,851
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)	(1,578)
Business Rates; NoTCA Growth	(1,841)	0	0	(1,841)
S31 Business Rates Relief	(13,635)	13,635	0	0
Education 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 Reserve	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)	51,916	(36,286)	(64,361)
Total General Fund Balances & Reserves	**(90,711)**	**52,238**	**(36,286)**	**(74,759)**

	Balance 1 April 2021 £000s	Transfers out 2021/22 £000s	Transfers in 2021/22 £000s	Balance 31 March 2022 £000s
HRA Balances & Reserves				
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)**	**53,977**	**(38,101)**	**(99,562)**

Page 176

2020/21	Balance 1 April 2020 £000s	Transfers out 2020/21 £000s	Transfers in 2020/21 £000s	Balance 31 March 2021 £000s
General Fund Balances				
School Balances	(165)	0	(3,555)	(3,720)
General Fund	(7,000)	0	0	(7,000)
Total General Fund Balances	(7,165)	0	(3,555)	(10,720)
General Fund Reserves				
Strategic Reserve	(15,489)	985	0	(14,504)
Insurance Reserve	(7,989)	900	(1,612)	(8,701)
COVID-19 Local Authority Support Grant	(6,089)	6,089	(1,685)	(1,685)
Support Change Fund Programme	(3,691)	20	(1,000)	(4,671)
Street Lights PFI Reserve	(2,780)	1,103	(1,357)	(3,034)
Redundancy & Remuneration Reserve	(1,660)	25	0	(1,635)
Schools PFI Lifecycle costs (capital)	(2,232)	705	(705)	(2,232)
Education PFI Reserve	(1,065)	172	(557)	(1,450)
Dudley & Shiremoor Joint Service Centres	(1,262)	180	(238)	(1,320)
Whitley Bay Customer First Centre PFI	(778)	132	(129)	(775)
Dedicated Schools Grant	3,262	(3,262)	7,932	7,932
Public Health Grant	(596)	596	(1,059)	(1,059)
Education Funding Agency	(759)	759	(1,448)	(1,448)
Business Rates Support Top Up	0	0	(3,307)	(3,307)
Local Restriction Support Grant	0	0	(4,661)	(4,661)
Additional Restrictions Grant	0	0	(2,738)	(2,738)
Contain Outbreak Management	0	0	(5,302)	(5,302)
Business Rates; NoTCA Growth	0	0	(1,841)	(1,841)
S31 Business Rates Relief	0	0	(13,635)	(13,635)
Educational Change Reserve	0	0	(1,094)	(1,094)
General Fund Reserves (individually under £1.000m)	(4,724)	527	(2,057)	(6,254)
Other Grants (individually under £1.000m)	(1,994)	252	(4,835)	(6,577)
Total General Fund Reserves	(47,846)	9,183	(41,328)	(79,991)
Total General Fund Balances & Reserves	**(55,011)**	**9,183**	**(44,883)**	**(90,711)**

	Balance 1 April 2020 £000s	Transfers out 2020/21 £000s	Transfers in 2020/21 £000s	Balance 31 March 2021 £000s
<u>HRA Balances & Reserves</u>				
HRA Balances	(7,804)	2,802	0	(5,002)
North Tyneside Living PFI Reserve	(11,590)	127	(927)	(12,390)
New Build Council Housing	(1,442)	1,204	0	(238)
Housing PFI Lifecycle Costs	(4,451)	0	(719)	(5,170)
HRA Reserves (individually under £1.000m)	(1,619)	51	(359)	(1,927)
Total HRA Balances & Reserves	(26,906)	4,184	(2,005)	(24,727)
Total Balances & Reserves	**(81,917)**	**13,367**	**(46,888)**	**(115,438)**

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.
Local Restriction Support Grant	COVID-19 grant to support businesses during the pandemic.
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.

*** Note re DSG (Dedicated Schools Grant) Reserve**

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.

Such deficits have come under increasing scrutiny from the Department for Education (DfE) and during 2021, the Authority was required to submit a draft DSG Management Plan to the Education, Skills and Funding Agency (ESFA) as its DSG deficit was more than 1% of the total value of the DSG as at March 2021. As a consequence, since then, the Authority's DSG deficit has remained under review.

Liaising with the DfE during 2021/22 the Authority has been working to firm up plans to reduce the DSG deficit and this work is now being overseen by the Strategic Education and Inclusion Board. The Authority submitted a draft DSG Management plan to the ESFA in August 2021 which outlined the main areas of priority that focus on reducing the deficit on the High Needs block of the DSG. As of 2022/23 the Authority has been invited to be part of the ESFAs Safety Valve Intervention programme from September 2022. The Authority has had early discussions with representatives from the ESFA and as plans are firmed up over the coming months the ESFA will continue to challenge and support the Authority through to the Safety Valve process commencing in September 2022.

For 2022/23 £150m of revenue funding is available to support the cumulative deficit position of those authorities who are part of the Safety Valve programme, however, the ESFA have been clear that access to this funding will only be agreed once a robust DSG Management Plan is in place. The current cumulative deficit position on the High Needs block of the DSG at the end of the 2021/22 financial year is £13.512m. This is an increase of £4.792m since March 2021.

A key risk for the Authority is that the statutory override to ring-fence DSG deficits from councils' wider financial position in their statutory accounts is due to come end after the accounts for the financial year 2022/23. At which point authorities will need to demonstrate their ability to cover DSG deficits from their available reserves. Due to the level of the deficit on the High Needs block of the DSG it is imperative that the Authority's DSG Management Plan meets the ESFA's requirements to ensure the historic deficit can be supported by funding that is available.

33 Unuseable Reserves

31 March 2021 £000s		31 March 2022 £000s
(150,074)	Revaluation Reserve	(159,111)
(362,249)	Capital Adjustment Account	(387,742)
1,168	Financial Instruments Adjustment Account	1,135
557,920	Pensions Reserve	458,010
(963)	Deferred Capital Receipts Reserve	(410)
15,701	Collection Fund Adjustment Account	3,788
7,228	Accumulated Absences Account	8,399
(7,595)	Financial Instruments Revaluation Reserve	(10,622)
61,136	**Total Unuseable Reserves**	**(86,553)**

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.

2020/21 £000s		2021/22 £000s	
(152,155)	**Balance at 1 April**		**(150,074)**
(8,426)	Upward revaluation of assets	(26,378)	
6,539	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	13,371	
(1,887)	Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Services		(13,007)
3,813	Difference between fair value depreciation and historical cost depreciation	3,681	
155	Accumulated gains on assets sold or scrapped	289	
3,968	Amount written off to the Capital Adjustment Account		3,970
(150,074)	**Balance at 31 March**		**(159,111)**

Page 182

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.

2020/21 £000s		2021/22 £000s	
	Balance at 1 April		**(362,249)**
(343,062)	Reversal of items relating to capital expenditure debited or credited to the CIES		
38,069	Charges for depreciation & impairment of non-current assets	34,852	
(3,073)	Revaluation losses/(gains) on Property, Plant & Equipment	1,400	
906	Amortisation of intangible assets	987	
10,445	Revenue expenditure funded from capital under statute	6,783	
(7,796)	Revenue expenditure funded from capital under statute (Grant Funded)	(6,322)	
7,537	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	9,767	
46,088			47,467
(3,968)	Adjusting amounts written out of the Revaluation Reserve		(3,970)
42,120	**Net written out amount of the cost of non-current assets consumed in the year**		**43,497**
	Capital financing applied in the year:		
(3,377)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,813)	
(7,102)	Use of the Major Repairs Reserve to finance new capital expenditure	(13,232)	
(4,547)	Capital grants & contributions credited to the CIES that have been applied to capital financing	(8,500)	
(4,471)	Application of grants to capital financing from the Capital Grants Unapplied Account	(13,882)	
(27,873)	Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(19,035)	
(14,097)	Capital expenditure charged against the General Fund & HRA balances	(12,505)	(68,967)
160	Movements in the market value of investment Property debited or credited to the CIES		(23)
(362,249)	**Balance at 31 March**		**(387,742)**

Page 184

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.

2020/21 £000s		2021/22 £000s	£000s
1,201	**Balance at 1 April**		1,168
(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)
1,168	**Balance at 31 March**		**1,135**

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.

2020/21 £000s		2021/22 £000s
465,490	**Balance at 1 April**	557,920
66,240	Remeasurement of the net defined benefit liability	(139,310)
48,700	Reversal of net charges made to the surplus/deficit for the Provision of Services for post-employment benefits	65,230
(22,510)	Employer's pensions contributions and direct payments to pensioners payable in the year included in the Provision of Services	(25,830)
557,920	**Balance at 31 March**	**458,010**

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.

2020/21 £000s		2021/22 £000s
(1,166)	**Balance at 1 April**	(963)
203	Transfer to the Capital Receipts Reserve upon receipt of cash	553
(963)	**Balance at 31 March**	**(410)**

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.

2020/21 £000s		2021/22 £000s
(19)	**Balance at 1 April**	15,701
15,720	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	(11,913)
15,701	**Balance at 31 March**	**3,788**

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.

2020/21		2021/22	
£000s		£000s	£000s
9,465	**Balance at 1 April**		7,228
(2,480)	Adjustment to the accrual required	1,485	
243	Adjustment to the debtor in respect of leave & flexi taken in advance	(314)	
(2,237)	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		1,171
7,228	**Balance at 31 March**		**8,399**

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.

2020/21 £000s		2021/22 £000s
(7,037)	**Balance at 1 April**	**(7,595)**
0	Transfer from Available for Sale Reserve	0
(558)	Gain on revaluation of Financial Instrument	(3,027)
(7,595)	**Balance at 31 March**	**(10,622)**

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 is still considering the response to the ruling and the actions that need to be put in place.

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 2021	**(14,474)**	**10,754**	**(3,720)**
Net overspend/(underspend) during year	(756)	1,078	322
Balance at 31 March 2022	**(15,230)**	**11,832**	**(3,398)**

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

36 Deployment of Dedicated Schools Grant

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 2021/22 are as follows:

	Central Expenditure £000s	Individual Schools budget £000s	Total £000s
Final DSG for 2021/22 before Academy recoupment			(179,344)
High Needs direct funding deduction			0
Academy figure recouped for 2021/22			22,283
Total DSG after Academy recoupment for 2021/22			(157,061)
Brought forward from 2020/21 as agreed with the Department for Education			0
Agreed initial budgeted distribution in 2021/22	(6,722)	(150,339)	(157,061)
In year adjustments	(5)	125	120
Final budgeted distribution for 2021/22	(6,727)	(150,214)	(156,941)
Less actual central expenditure	7,809	0	7,809
Less actual ISB deployed to schools	0	154,050	154,050
In Year Carry forward to 2022/23	**1,082**	**3,836**	**4,918**
DSG reserve at the end of 2020/21			7,933
Addition to DSG reserve at the end of 2021/21			4,918
Total of DSG reserve at the end of 2021/22			**12,851**
Net DSG position at the end of 2021/22			**12,851**

Further details on the Dedicated Schools Grant can be found in Note 32 to the accounts.

Page 190

37 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 2021/22, 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.

COVID-19 Section 75 Agreement

On 19 March 2020, the Government issued new guidance around COVID-19 Hospital Discharge Service Requirements. The Government agreed to fully fund the cost of new or extended out-of-hospital health and social care packages for people discharged from hospital or who otherwise would be admitted into it for a limited time to enable quick and safe discharge and to reduce pressure on acute services. This arrangement continued into 2021/22 with post discharge services funded for up to six weeks between 1 April 2021 and 30 June 2021 and up to four weeks in the period 1 July 2021 to 31 March 2022.

The Government required that this additional support to CCGs and local authorities should be pooled using existing statutory mechanisms. Within North Tyneside a separate s75 agreement has been established, the Authority is the host partner and lead commissioner.

The contribution to the fund will be based on the monthly expenditure submissions to NHS England & Improvement and completed by the CCG and the Authority.

The level of the Authority's contribution to the Pooled Fund over the Emergency Discharge Services Period is not quantified but is notionally comprised of the level of expenditure the Authority would ordinarily have expected to fund during this period. Only the cost of new care packages and increases to existing care packages have been charged into the fund.

For the period from 1 April to 31 March 2022 the CCG's contribution was £2.9808m. The Authority's contribution was nil.

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.

2020/21 £000s		2021/22 £000s	2021/22 £000s
	Contributions		
1,869	North Tyneside Council (Non-Pooled)	1,869	
9,297	North Tyneside Council (Pooled)	9,297	
17,421	North Tyneside Clinical Commissioning Group (Pooled)	18,291	
28,587	**Total Contributions**		**29,457**
	Spend		
1,200	North Tyneside Council spend in year (Non-Pooled)	1,380	
669	North Tyneside Council – grant carry forward (Non-Pooled)	489	1,869
20,394	North Tyneside Council spend in year (Pooled)	20,948	
6,324	North Tyneside Clinical Commissioning Group spend in year (Pooled)	6,640	27,588
28,587	**Total Spend**		**29,457**

38 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 2021/22.

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 £23.807m 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 2021 £000s	**31 March 2022 £000s**	**31 March 2021 £000s**	**31 March 2022 £000s**
Financial Assets at Amortised Cost				
Short Term Investments	0	0	17,836	20,000
Debtors	80	2,227	37,731	30,910
Cash & Cash Equivalents	0	0	23,726	38,464
	80	2,227	79,293	89,374
Financial Assets – Fair Value through other Comprehensive Income				
Investments (Level 3)	16,905	21,364	0	0
Total Financial Assets	**16,985**	**23,591**	**79,293**	**89,374**
Financial Liabilities at Amortised Cost				
Loans principal	397,443	392,443	23,097	7,993
Loans accrued interest	0	0	3,097	2,993
Creditors	0	0	43,606	69,629
	397,443	392,443	69,800	80,615
Other Long-Term Liabilities				
PFI Schemes	105,075	100,659	4,591	4,874
Total Financial Liabilities	**502,518**	**493,102**	**74,391**	**85,489**

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:

	2021/22			
	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	(14,421)	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)**

	2020/21			
	Financial Liabilities	**Financial assets**		**Total**
	Measured at amortised cost £000s	**Loans and Receivables £000s**	**Fair value through OCI&E £000s**	**£000s**
Interest on loans	(14,839)	0	0	(14,839)
Interest on PFI Schemes	(7,988)	0	0	(7,988)
Total Interest Payable	(22,827)	0	0	(22,827)
Interest Income	0	251	0	251
Net (loss)/gain for the year	0	0	(558)	(558)
Dividend Received	0	0	0	0
Net (loss)/gain for the year	**(22,827)**	**251**	**(558)**	**(23,134)**

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 2021			31 March 2022	
Carrying Amount £000s	**Fair Value £000s**		**Carrying Amount £000s**	**Fair Value £000s**
		Financial Assets at amortised cost		
17,836	17,836	Short Term Investments	20,000	20,000
37,811	37,811	Debtors	33,137	33,137
23,726	23,726	Cash and Cash Equivalents	38,464	38,464
79,373	79,373		91,601	91,601
		Financial Assets – Fair Value through other comprehensive income		
0	0	Cash and Cash Equivalents	0	0
0	0	Debtors	0	0
16,905	16,905	Investments*	21,364	21,364
		Financial Assets – Fair value through profit and loss		
0	0	Cash and Cash Equivalents	0	0
0	0	Debtors	0	0
16,905	16,905		21,364	21,364
96,278	**96,278**	**Total Financial Assets**	**112,965**	**112,965**
		Borrowings		
380,263	481,743	PWLB**	380,277	442,504
20,157	35,789	LOBO	20,159	31,938
20,120	20,094	Market Loans	0	0
420,540	537,626		400,436	474,442

31 March 2021 Carrying Amount £000s	31 March 2021 Fair Value £000s		31 March 2022 Carrying Amount £000s	31 March 2022 Fair Value £000s
43,606	43,606	**Creditors**	69,629	69,629
		Other Long-Term Liabilities		
		Service Concession and Finance lease liabilities		
109,667	161,734	PFI Schemes	105,443	159,910
573,813	**742,966**	**Total Financial Liabilities**	**575,508**	**703,981**

* 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 2022 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 2022 is £10.856m (2020/21 £7.830m). 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 2022 is £10.508 (2020/21 £9.075m).

**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 2019.

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 2021 £000s	**Liabilities outstanding**	**31 March 2022 £000s**
380,263	Public Works Loans Board	380,277
20,157	LOBO	20,159
20,120	Market Loans	0
43,606	Creditors	69,629
109,666	PFI liabilities	105,360
573,812		**575,425**
67,856	Less than 1 year	85,719
10,761	Between 1 and 2 years	19,403
57,915	Between 2 and 5 years	46,045
73,440	Between 5 and 10 years	71,934
363,840	More than 10 years	352,324
573,812		**575,425**

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 2021/22.

According to this investment strategy, as at 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2021 £000s		31 March 2022 £000s
(58)	Change in fair value of fixed rate investments	(204)
33,541	Increase in fair value of fixed rate borrowing liabilities (which does not have an impact on the Comprehensive Income and Expenditure Statement)	66,876

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 £10.508m 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 £6.814m (£7.505m 2020/21).

39 Notes to the Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

Group 2020/21 £000s	Council 2020/21 £000s		Group 2021/22 £000s	Council 2021/22 £000s
109	109	Interest Received	502	502
(22,789)	(22,789)	Interest Paid	(22,318)	(22,318)

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

Group 2020/21 £000s	Council 2020/21 £000s		Group 2021/22 £000s	Council 2021/22 £000s
33,027	33,027	Depreciation & Impairment	32,780	32,780
1,969	1,969	Revaluations	3,469	3,469
906	906	Amortisation of intangible assets	987	987
11,446	11,148	Increase/(Decrease) in Creditors	27,901	28,119
(2,832)	(3,725)	(Increase)/Decrease in Debtors	2,956	2,969
(236)	16	(Increase)/Decrease in Inventories	6,030	(112)
26,190	26,190	Movement in the Pension Liability	39,400	39,400
7,536	7,536	Carrying amount of non-current assets sold	9,768	9,768
2,970	2,970	Other non-cash items charged to the surplus/deficit on the provision of services	297	297
80,976	**80,037**		**123,588**	**117,677**

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

Group 2020/21 £000s	Council 2020/21 £000s		Group 2021/22 £000s	Council 2021/22 £000s
(8,667)	(8,667)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,934)	(9,934)
(30,819)	(30,819)	Any other items for which the cash effects are investing or financing cash flows	(26,823)	(26,823)
(39,486)	**(39,486)**		**(36,757)**	**(36,757)**

Page 202

40 Notes to the Cash Flow – Investing Activities

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

Group 2020/21 £000s	Council 2020/21 £000s		Group 2021/22 £000s	Council 2021/22 £000s
(42,163)	(42,163)	Purchase of Property, Plant & Equipment, investment property and intangible assets	(52,731)	(52,731)
(19,243)	(19,243)	Purchase of short-and long- term investments	(2,500)	(3,597)
(1,596)	(1,393)	Other payments for investing activities	49	(5,283)
8,670	8,670	Proceeds from the sale of Property, Plant & Equipment investment property and intangible assets	9,937	9,937
28,426	28,426	Other receipts from Investing Activities	23,898	34,354
(25,906)	**(25,703)**	**Net Cash Flows from Investing Activities**	**(21,347)**	**(17,320)**

41 Notes to the Cash Flow – Financing Activities

Group 2020/21 £000s	Council 2020/21 £000s		Group 2021/22 £000s	Council 2021/22 £000s
15,000	15,000	Cash receipts of short- and long-term borrowing	5,000	5,000
(64,564)	(64,564)	Repayment of short- and long-term borrowing	(25,092)	(25,092)
(4,320)	(4,320)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(4,591)	(4,591)
(3,117)	(3,136)	Other payments for financing activities	(1,184)	(159)
(57,001)	**(57,020)**	**Net Cash Flows from Financing Activities**	**(25,867)**	**(24,842)**

42 Inventories

31 March 2021 £000s		31 March 2022 £000s
329	HRA Stock – Construction Contract	365
859	General Fund Stock (libraries, catering)	935
1,188	Authority Total	**1,300**
7,161	North Tyneside Trading Company (NTTC) Inventories *	1,019
8,349	**Group Total**	**2,319**

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

43 Basis of Preparation Note

Going Concern

The Authority's financial statements for 2021/22 have been prepared on a going concern basis. 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. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. In accordance with the CIPFA Code of Local Government Accounting (2021/22) the Authority is required to prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. The accounts are prepared on the assumption that the Authority will continue in operational existence for the foreseeable future and at least up to the end of March 2024.

The Authority continues to face unprecedented challenges, including the continuing impact of COVID-19, in delivering essential services whilst resources are constrained. In addition, new issues are emerging and overtaking the pandemic both in terms of media attention, public consciousness, and areas of immediate concern directly for the Authority and for North Tyneside residents is the level of inflation not seen for some decades that is driving the current 'cost of living crisis'

The Authority is continuing to work with the Government to monitor the level of additional cost pressures and reduced income levels arising from COVID-19 in 2022/23. The legacy impact of the pandemic on the Authority's resources is a key part of the risk considerations in 2022/23 and beyond and the impact of considered as part of the Medium-Term Financial Plan for 2022-2026. The Authority continues to regularly monitor its financial position and provide full financial updates to the Authority as appropriate, including options on addressing any new budget gaps and 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 are continuing to liaise with the Government on ensuring sustainable funding going forward.

The Authority's current Reserves & Balances Policy sets an objective to hold a minimum uncommitted General Fund balance within its Strategic Reserve of £10.000m. The Strategic Reserve balance at 31 March 2022 was over £14.500m. Should projections highlight that the minimal General Reserve balance will be breached, an immediate recovery plan will be implemented to recover the position.

The Authority has a track record of responding to areas of overspend and as well as delivering a net underspend of £2.500m in 2020/21. The November position for 2021/22, presented to Cabinet on 24 January 2022, indicated a pressure of £5.247m (of which £3.941m is attributable to the on-going impact of COVID-19), however confidence remained that additional pressures could be contained through mitigations taken through senior management actions and additional grant funding. Any deficit would be funded from the Strategic Reserve, the General Fund balance would be maintained at a level in accordance with the Authority's Reserves and Balances policy. The Authority's provisional outturn position, for 2021/22, was a surplus of £5.815m, made up of a £0.078m overspend in business-as-usual type activities offset by a £5.893m surplus relating to MRP.

North Tyneside Council has a high level of balances of cash and short-term investments, totalling £37.021m at 31 March 2022 and a projected positive cash balance at 30 June 2023. The Authority's cash flow is monitored daily by management and the Authority does not forecast any cash flow shortage through to 30 June 2023. The Authority maintains a cautious and risk-based strategy to cashflow. Cash balances are forecast to remain positive for at least 12 months following approval of the financial statements, and currently are forecast to do so up to at least June 2023. The Authority has used surplus cashflow throughout 2021/22 to repay maturing debt which has contributed to an under-borrowed position of £102.011m, 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.

As part of the 2021-2025 Medium-Term Financial Plan the Authority stated an intention to undertake an MRP review encompassing the methodology for charge as well as the underlying calculations. During the year, the Authority engaged with its Treasury advisors Link to carry out a review of the Authority's MRP methodology. This work was completed in March 2022 and the change in methodology has resulted in a reduced MRP charge delivering a £5.893m surplus in 2021/22. This will be used as an earmarked reserve to strengthen the Authority's financial resilience in a time of continued cost pressures as well as rising inflation and interest rates.

A report was taken to IPB during 2021/22 which outlined the challenges the Authority may face in 2022/23 as a result of rising costs and inflation due to continued supply chain issues following the conflict in Ukraine and Russia, and as the world continues to recover from COVID. The update in the methodology will provide a reduction in the MRP charge which can be put to an earmarked reserve that would be used to mitigate the rising costs and inflation within the Investment Plan and provide the Authority additional resilience to deliver on the Authority's Ambition programme.

A prudent option needs to ensure that the MRP repayment period is reasonably proportionate with the period over which the capital expenditure provides benefits. The proposed methodology is based on a simplified approach that uses an average asset life for all unsupported borrowing. This would reduce the unsupported CFR repayment term to 25 years, so enabling the Authority to write down the debt liability over 40 years earlier than under the current methodology.

44 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 2022

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.

2020/21 £000s		Note	2021/22 £000s	2021/22 £000s
	Expenditure			
13,723	Repairs & Maintenance		13,150	
10,526	Supervision and Management		13,016	
2,914	PFI Unitary Charge Payments		1,639	
344	Rents, Rates, Taxes and other charges		263	
559	Movement in the allowance for bad debts	48	588	
12,593	Capital Charges – including Depreciation, Revaluation and Impairment of non-current assets	53	5,876	34,532
40,659	Total Expenditure			
	Income			
(56,795)	Dwelling rents (Gross)		(57,429)	
(681)	Non-dwelling rents (Gross)		(712)	
(3,044)	Charges for services and facilities		(3,159)	
(2,085)	Contributions towards expenditure		(2,319)	
(7,693)	PFI Credits		(7,693)	(71,312)
(70,298)	Total Income			
(29,639)	**Net cost of HRA services as included in the Comprehensive Income & Expenditure Statement**			**(36,780)**

2020/21 £000s		Note	2021/22 £000s	2021/22 £000s
317	HRA service's share of Central Costs		317	
2,486	HRA share of other amounts included in the whole Authority Cost of Services but not allocated to specific services		2,678	
(26,836)	**Net Income for HRA Services**			**(33,785)**
	HRA Share of the operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
(402)	Gain on disposal of HRA non-current assets		(1,499)	
14,633	Interest payable & similar charges		14,390	
(62)	Interest and investment income		(74)	
1,191	Pensions interest cost & expected return on pensions assets	52	1,309	
(1,028)	Capital grants and contributions		550	14,676
(12,504)	**Surplus for the year on HRA Services**			**(19,109)**

Page 208

5.2 Movement on the Housing Revenue Account Statement

2020/21 £000s		2021/22 £000s
(26,906)	Balance on the HRA at the end of the previous year	(24,727)
(12,504)	Surplus for the year on the HRA Services	(19,109)
14,683	Adjustments between accounting basis and funding basis under statute	19,033
2,179	(Increase)/Decrease in year on the HRA	(76)
(24,727)	**Balance on the HRA at the end of the year**	**(24,803)**

5.3 Explanatory Notes to the Housing Revenue Account

45 Housing Stock

The Authority was responsible for managing 14,299 dwellings at 31 March 2022 compared with 14,441 at 31 March 2021. The net reduction of 142 properties includes the sale of 169 properties, 4 properties closed and 31 new build properties were added in-year.

The number of empty properties included in the above figures as at 31 March 2022 stands at 111 compared with 167 at 31 March 2021.

The stock is made up as follows:

1 April 2021		31 March 2022
	Low Rise Flats	
1,543	- 1 Bed	1,539
1,028	- 2 Bed	1,025
110	- 3+ Bed	111
	Medium Rise Flats	
561	- 1 Bed	561
1,132	- 2 Bed	1,113
61	- 3+ Bed	60
	Houses and Bungalows	
1,566	- 1 Bed	1,566
2,945	- 2 Bed	2,934
5,159	- 3 Bed	5,059
336	- 4+ Bed	331
14,441	**Total**	**14,299**

46 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 2021 £000s		31 March 2022 £000s
652,932	Houses	675,219
2,319	Land & Buildings	2,960
4,395	Vehicles, Plant & Equipment	5,075
154	Surplus Assets	0
9	Infrastructure	8
1	Intangibles	15
3,354	Assets Under Construction	234
663,164		**683,511**

47 Vacant Possession

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

1 April 2021 £ms		31 March 2022 £ms
1,317	Vacant Possession Value of HRA Dwellings	1,439

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 2021/22 (44% 2020/21).

As a consequence, the Authority recognises council dwellings at a value of £675.220m on the Balance Sheet. The value of these properties if vacant would be £1,439.213m, therefore recognising an economic cost to the government of providing council housing at less than open market rents of £763.993m.

48 Rent Arrears and Bad Debt Allowance

Overall rent arrears have increased by £0.346m during 2021/22, from £5.810m at 31 March 2021 to £6.156m at 31 March 2022. These figures include rent, service charge and water rate arrears.

	£000s	£000s
Opening Rent Arrears at 1 April 2021 - consisting of:		
Current Tenant Arrears at 1 April 2021	3,498	
Former Tenant Arrears at 1 April 2021	2,312	5,810
Closing Rent Arrears at 31 March 2022 - consisting of:		
Current Tenant Arrears at 31 March 2022	3,694	
Former Tenant Arrears at 31 March 2022	2,462	6,156

The provision for bad debt required at 31 March 2022 is £5.085m compared with £4.744m at 31 March 2021, an increase of £0.341m. Bad debts of £0.247mm were written off during the year, and a contribution of £0.588m was made:

2020/21 £000s		2021/22 £000s
4,286	Opening Provision for Bad Debt at 1 April	4,744
(101)	Bad debts written off during year	(247)
559	Additional contributions to bad debt provision during year	588
4,744	**Provision for Bad Debts at 31 March**	**5,085**

49 Major Repairs Reserve

Housing self-financing regulations require that a true charge for depreciation is made to resource capital spend, albeit for the first 5 years this was based on an estimate of the MRA calculated under subsidy as a proxy. 2017/18 represented the first year when the proxy can no longer be applied, and a “true” depreciation charge has been calculated and transferred to the MRR. The main credit to the 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:

2020/21 £000s		2021/22 £000s
(3,832)	Balance as at 1 April	(9,102)
(12,372)	Depreciation transferred into MRR	(12,357)
7,102	Financing of HRA capital expenditure: Houses	13,232
(9,102)	**Balance as at 31 March**	**(8,227)**

50 Housing Capital Expenditure and Financing

Capital expenditure of £26.758m was incurred in the HRA during 2020/21

2020/21 £000s		2021/22 £000s
20,362	Dwellings	26,758
0	Revenue Expenditure Funded by Capital under Statute	0
20,362		**26,758**

This was financed as follows:

2020/21 £000s		2021/22 £000s
7,102	Major Repairs Reserve	13,232
12,128	Revenue Contribution	11,678
1,132	Usable Capital Receipts – RTB Retained	1,111
0	Grants	737
20,362		**26,758**

Total Gross Capital Receipts:

2020/21 £000s		2021/22 £000s
5,782	Dwellings	8,717
30	Land	172
5,812		**8,889**

51 Depreciation for HRA Assets

The charges for depreciation within the HRA for 2021/22 were as follows:

2020/21 £000s		2021/22 £000s
14,128	Dwellings	14,129
939	Vehicles, Plant & Equipment	956
50	Land & Buildings	50
1	Other	1
15,118		**15,136**

52 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 2021/22 in accordance with IAS19 were as follows:

2020/21 £000s		2021/22 £000s
2,359	Allocated to Services	4,222
1,191	Interest on Net Defined Benefit Liability	1,309
(3,550)	Movement on Pension Reserve	(5,531)

53 Capital Charges

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

2020/21 £000s		2021/22 £000s
15,118	Depreciation	15,136
321	Downwards Revaluations	4,392
4,129	Impairments	0
(6,975)	Revaluation Increases	(13,652)
0	Revenue Expenditure funded from Capital under Statute	0
12,593		**5,876**

54 Revenue Expenditure funded from Capital under Statute

The amount of revenue expenditure funded from capital under statute in 2021/22 is £0.000m (£0.000m 2020/21).

55 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 £9.123m for 2021/22 (£9.261m 2020/21). This figure is included in interest and other charges in the HRA Income & Expenditure Statement.

56 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 (£0.006m in 2021/22 and £0.008m in 2020/21) are included in the Net Cost of Services to reflect the true cost of the use of assets.

Interest payable and similar charges (£14.390m in 2021/22 and £14.633m in 2020/21) are charged after the Net Cost of Services.

5.4 Collection Fund Statement for year ended 31 March 2022

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.

2020/21 £000s		Note	2021/22 £000s	£000s	£000s
			Business Rates	Council Tax	Total
	Income				
(115,314)	Council Tax	57	0	(122,362)	(122,362)
1	Council Tax Benefits		0	0	0
(32,234)	Business Rates Receivable	58	(50,443)	0	(50,443)
	Distribution of Collection Fund Deficit:		(14,519)	0	(14,519)
(645)	Central Government		(14,561)	0	(14,561)
(678)	North Tyneside Council		0	0	0
0	Police and Crime Commissioner for Northumbria		0	0	0
(13)	Tyne & Wear Fire & Rescue Authority		(294)	0	(294)
(148,883)	**Total Income**		(79,817)	(122,362)	(202,179)
	Expenditure				
	Precepts, Demands & Shares:	59			
29,217	Central Government		28,582	0	28,582
129,519	North Tyneside Council Demand		28,010	104,330	132,340
8,476	Police and Crime Commissioner for Northumbria		0	8,766	8,766
5,779	Tyne & Wear Fire & Rescue Authority		572	5,219	5,791
172,991			57,164	118,315	175,479
	Distribution of Collection Fund Surplus:	60			
636	North Tyneside Council		0	427	427
54	Police and Crime Commissioner for Northumbria		0	36	36
33	Tyne & Wear Fire & Rescue Authority		0	22	22
723			0	485	485

2020/21 £000s		Note	2021/22 £000s	£000s	£000s
	Charges to the Collection Fund:	61			
2,282	Increase/(decrease) in Provision for Appeals		6	0	6
2,844	Increase/(decrease) in Impairment Allowance		990	2,032	3,022
231	Cost of Collection		234	0	234
93	Disregarded Amounts		146	0	146
297	Transitional Protection Payment		46	0	46
5,747			1,422	2,032	3,454
179,461	**Total Expenditure**		58,586	120,832	179,418
30,578	Deficit/(Surplus) for the year		(21,231)	(1,530)	(22,761)
652	Deficit/(Surplus) as at 1 April		30,641	589	31,230
31,230	Deficit/(Surplus) as at 31 March	62	9,410	(941)	8,469

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.

57 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: (60,941 2021/22) (61,870 2020/21).

This basic amount of Council Tax for Band D property (£1,941.45 2021/22) (£1,851.59 2020/21) 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 2021/22.

	Band D Equivalents	Collection Rate	Council Tax Base
Tax Base Calculation	62,134	98.00%	60,891
Add Payments in Lieu			50
2021/22 Council Tax Base			60,941

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 30/11/19	0	50,384	15,812	19,565	8,114	4,214	1,400	362	38	99,889
Demolished Dwellings	0	(1)	0	0	0	0	0	0	(1)	(2)
Assumed Growth on New Build Properties	0	0	0	0	250	0	0	0	0	250
Disabled Relief	161	(83)	30	(55)	(27)	(10)	(4)	8	(20)	0
Exempt Dwellings or 100% discount.	0	(930)	(237)	(318)	(94)	(36)	(16)	(4)	(3)	(1,638)
Impact of Council Tax Support Scheme	(57)	(10,663)	(1,252)	(683)	(132)	(40)	(5)	(2)	0	(12,834)
	104	38,707	14,353	18,509	8,111	4,128	1,375	364	14	85,665
Less: Discounts at 25%	(15)	(6,318)	(1,535)	(1,332)	(412)	(159)	(52)	(25)	(2)	(9,850)
Add: Council Tax Premium Charge (100%)	0	128	17	14	5	3	2	0	1	170
Add: Council Tax Premium Charge (200%)	0	64	16	8	2	4	0	4	2	100
Add: Council Tax Premium Charge (300%)	0	87	18	9	3	0	0	0	0	117
	89	32,668	12,869	17,208	7,709	3,976	1,325	343	15	76,202
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	49	21,721	9,995	15,288	7,706	4,860	1,914	572	29	62,134
Total Number of 25% Discounts	58	25,246	6,126	5,307	1,640	627	194	59	3	39,260
Total Number of 50% Discounts	2	13	6	11	4	5	6	20	3	70

58 Business Rates

The NDR multipliers (the rate in the £) are set annually by Central Government. For 2021/22, 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 2021/22 is £20.505m (2020/21 £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 2022 was £151,261,773 (£150,261,219 at 31 March 2021).

59 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 2021/22 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:

2020/21 £000s		2021/22 £000s
100,886	North Tyneside Council Demand	104,330
8,476	Police and Crime Commissioner for Northumbria Precept	8,766
5,195	Tyne & Wear Fire & Rescue Authority Precept	5,219
114,557		**118,315**

60 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 2021/22, the estimated surpluses were as follows:

2020/21 £000s		2021/22 £000s
636	North Tyneside Council	427
54	Police and Crime Commissioner for Northumbria Precept	36
33	Tyne & Wear Fire & Rescue Authority Precept	22
723		**485**

61 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 2021/22 are (£1.003m) (£0.275m 2020/21) for Council Tax and (£0.895m) for NDR (£0.010m 2020/21).

In addition, bad debt provisions are re-calculated on an annual basis, and for 2021/22 the Council Tax bad debt provision has been increased by £1.029m (£1.705m 2020/21) and the NDR bad debt provision increased by £0.094m (increase of £0.874m 2020/21).

As shown in the statements, the total charge to the Collection Fund relating to Council Tax is £2.032m and the total charge relating to Business Rates is £1.276m.

The other significant item here is the provision for the NDR appeals as part of the Business Rates System £0.006m in 2021/22 (£2.2282m 2020/21).

62 Collection Fund Surplus

The allocation of the Business Rates Collection Fund Surplus and the Council Tax Collection Fund Surplus are as follows:

	Business Rates (Surplus)/ Deficit £000s	Council Tax (Surplus)/ Deficit £000s
North Tyneside Council	4,611	(823)
Central Government	4,705	0
Police and Crime Commissioner for Northumbria Precept	0	(77)
Tyne & Wear Fire & Rescue Authority Precept	94	(41)
	9,410	**(941)**

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.

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.

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.

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).

This page is intentionally left blank