



**North Tyneside Council**

# Audit Committee

Monday 13 March 2023

**Wednesday, 22 March 2023** 0.02 Chamber - Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY **commencing at 6.00 pm.**

<b>Agenda Item</b>	<b>Page</b>
<p>1. <b>Apologies for Absence</b></p> <p>To receive apologies for absence from the meeting.</p>	
<p>2. <b>Appointment of Substitute Members</b></p> <p>To be notified of the appointment of any Substitute members for the meeting.</p>	
<p>3. <b>Declarations of Interest and Notification of any Dispensations Granted</b></p> <p>You are invited to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest.</p> <p>You are also invited to disclose any dispensations that have been granted to you in relation to any matters appearing on the agenda.</p> <p>You are also requested to complete the Declarations of Interest Card available at the meeting and return it to the Democratic Services Officer before the end of the meeting.</p>	
<p>4. <b>Minutes</b></p> <p>To confirm the minutes of the meeting held on 16 November 2022</p>	<b>5 - 8</b>
<p>5. <b>Review of Corporate Risks Allocated to Director of Resources</b></p> <p>To receive an update on the corporate risks managed by the Director of Resources.</p>	<b>9 - 14</b>

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<b>Agenda Item</b>	<b>Page</b>
6. <b>2021/22 Annual Financial Report</b>	<b>15 - 260</b>
To give consideration to an update on the progress made in relation to the completion of the 2021/22 Audited Annual Financial Report.	
7. <b>Accounting Policies to be used in the Compilation of 2022-23 Annual Statement of Accounts</b>	<b>261 - 304</b>
To give consideration to the proposed Accounting Policies to be used in the compilation of the 2022-23 Annual Statement of Accounts.	
8. <b>Annual Statement of Accounts 2022-23</b>	<b>305 - 308</b>
To give consideration to an update in relation to the closure of the 2022-23 accounts.	
9. <b>Proposed Audit Committee Work Programme 2023-24</b>	<b>309 - 314</b>
To give consideration to a programme of core business to be examined by the Committee during 2023-24.	
10. <b>Review of Audit Committee Effectiveness</b>	<b>315 - 328</b>
To give consideration to a report which sets out a self-assessment of the Authority's Audit Committee arrangements for 2022-23.	
11. <b>Update on North East Audit Committee Chairs Forum</b>	<b>329 - 332</b>
To give consideration to a report which provides an update on the last meeting of the North East Committee Chairs' Forum.	
12. <b>Exclusion Resolution</b>	
The Committee will be requested to pass the following resolution:	
Resolved that under Section 100A of the Local Government Act 1972 (as amended) and having applied a public interest test as defined in Part 2 of Schedule 12A of the Act the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.	
13. <b>Strategic Audit Plan 2023-24</b>	<b>333 - 354</b>
To give consideration to the Strategic Audit Plan which sets out Internal Audit's planned programme of work for 2023/24.	

**Circulation overleaf ...**

### **Members of the Audit Committee**

Malcolm Wilkinson (Chair)  
Councillor Mrs Linda Arkley OBE  
Councillor Linda Bell  
Councillor Lisa Ferasin  
Councillor John O'Shea

Dr Stuart Green (Deputy Chair)  
Councillor Gary Bell  
Councillor Debbie Cox  
Councillor Tommy Mulvenna

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## Audit Committee

**Wednesday, 16 November 2022**

Present: M Wilkinson (Chair)  
Dr S Green  
Councillors Mrs L Arkley OBE, D Cox, L Ferasin,  
T Mulvenna and J O'Shea

Apologies: Councillors G Bell and L Bell

### **AC/22/22 Appointment of Substitute Members**

There were no substitute members reported.

### **AC/23/22 Declarations of Interest and Notifications of any Dispensations Granted**

There were no declarations of interest reported.

### **AC/24/22 Minutes**

Resolved that the minutes of the meeting held on 27 July 2022 be confirmed and signed by the Chair.

### **AC/25/22 Health Inequalities - Corporate Risk**

Consideration was given to a report which set out the risks the Authority faced in relation to health inequalities and how these risks were being managed.

It was explained that residents who lived with existing disadvantage could suffer from poorer health outcomes and were more likely to die at a younger age than residents from more affluent areas of the borough. They were also more likely to require greater support from health and social care services and less likely to be in employment.

It was acknowledged that tackling health inequalities required a long-term commitment and the involvement of a number of agencies. It was also explained that the Authority and its NHS partners had a set of shared priorities which reflected the Joint Strategic Needs Assessment and the Health and Wellbeing Strategy. The governance structure of the health and wellbeing strategy was outlined together with the key leads in delivering each of the themes contained within it.

During consideration of the report the Committee passed the following resolution:

**Resolved** that under Section 100A of the Local Government Act 1972 (as amended) and having applied a public interest test as defined in part 2 of Schedule 12A of the Act, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3

of Part 1 of Schedule 12A to the Act.

Members questioned the impact that inflation had on the delivery of services and those residents on benefits and/or low wages. Reference was made to the Poverty Partnership and the interventions in place to try to deal with the cost of living crisis.

**Resolved** that the report be noted.

## **AC/26/22      Annual Financial Report 2021-22**

Consideration was given to a report which provided an update on the progress made in relation to the completion of the Authority's 2021/22 Audited Annual Financial Report.

It was explained that an issue in relation to the reporting of infrastructure assets had led to delays in the completion of local authority audits. This was a national issue and the Committee was advised that Government proposed to put in place a statutory accounting override to allow local authorities to treat the value of replaced components of infrastructure assets as nil. The statutory override was anticipated to be in place in December 2022 which meant that the Authority's financial statements would not be finalised until early 2023

It was explained that apart from the national issue in respect of infrastructure assets the audit of the 2021/22 accounts had been substantially completed and an unqualified audit opinion expected. A number of disclosure errors had been identified, the majority of which had been corrected and reflected in the Annual Financial Report.

It was also explained that the Authority had received a revised Airport valuation after the draft 2021/22 had been published. The revised accounts reflected the change in the Airport valuation. Outstanding information relating to the Tyne and Wear Pension Fund was expected to be provided in the next week.

Reference was made to the systems in place in relation to the prevention and detection of fraudulent Covid grant claims. It was explained that the Authority had suitable checks in place.

**Resolved** that (1) the Audit Results Report submitted by the Authority's external auditors be noted; and  
(2) the revised 2021/22 draft Annual Financial Report be noted

## **AC/27/22      Internal Audit Charter 2022**

Consideration was given to a report which provided an update on the Internal Audit Charter which had previously been agreed in 2017.

It was explained that the Authority's previous Internal Audit Charter had been agreed in 2017 when the internal audit service had been part of the shared service with Northumberland County Council. The Charter required updating to ensure that the requirements of the Public Sector Internal Audit Standards 2017 and the associated Local

Government Application Note in relation to Internal Audit were properly met.

**Resolved** that the Internal Audit Charter 2022 be agreed.

**AC/28/22      Key Outcomes from Internal Audit Work undertaken between May 2022 and October 2022**

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

It was explained that there had been five reports finalised within the reporting period which had received a significant assurance rating and three had been given a limited assurance rating. One high priority recommendation had been made, in relation to information governance training and it was noted that since the report had been issued training and recertification levels had improved but this would continue to be monitored. A further seven reports were still to be finalised and once completed would be included in the next Key Outcomes Report to the Committee

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

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

**AC/29/22      North East Audit Committee Chairs Forum**

Consideration was given to a report which explained that arrangements had been put in place for the Chairs of the Audit Committees in the region to meet on a regular basis to discuss topical issues and to network. The Authority had agreed to host the North East Region and the second meeting had been held on 5 October 2022. Guest speakers had been provided by the Local Government Association (LGA) and the Institute of Internal Auditors who covered a variety of topics of interest to those present.

**Resolved** that the report be noted

**AC/30/22      Exclusion Resolution**

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

**AC/31/22 Strategic Audit Plan 2022/23 - Interim Monitoring Statement**

Consideration was given to a report which provided a half yearly update on the Strategic Audit Plan 2022/23. Members sought and received clarification in relation to several items in the report.

**Resolved** that the progress set out in the monitoring statement and the planned levels of coverage achieved by Internal Audit at this stage of the year be noted.

**AC/32/22 Corporate Risk Management Summary Report**

Consideration was given to a report which outlined the corporate risks that had been identified for monitoring and management by the Authority's Senior Leadership Team as of 17 October 2022. The report provided detailed information on each of the corporate risks, including the cause of the risk, the consequences if the risk were to materialise together with the controls in place to address those risks.

It was explained that the risk register had been updated prior to consideration by the Senior Leadership Team and the Cabinet in April 2022. The Climate Change Risk had been replaced by the risk associated with the Delivery of the Carbon Net Zero 2030 Action Plan and the risk score in relation to workforce succession planning had increased.

Clarification was sought by members in relation to specific elements of the risk register and it was noted that the Director of Resources would provide an update on some of the risks within his remit at the next meeting as part of the Committee's overview of the Authority's risk register.

**Resolved** that the review of the key corporate risks undertaken by the Senior Leadership Team and endorsed by Cabinet as part of the Authority's risk management arrangements be noted.



## North Tyneside Council Report to Audit Committee Date: 22 March 2023

**Title: Review of Corporate  
Risks allocated to Director of  
Resources**

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**Report from Service Area: Resources**

**Report Author: Jon Ritchie, Director of Resources (Tel: 643 5701)**

**Wards affected: All**

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### **PART 1**

#### **1.1 Purpose:**

There are a number of risks allocated to the Director of Resources in the Corporate Risk register and, at its last meeting, Audit Committee requested a summary of the approach taken to manage these. The source document for this report is the Corporate Risk Register as discussed at Audit Committee on 16 November 2022. At that point in time, the following 4 risks were allocated to the Director of Resources:

- Information governance;
- Finance and resources;
- Workforce/succession planning; and
- Rising energy costs.

1.2 Since that report, the risk on Health, Safety and Wellbeing has been reallocated from Commissioning and Asset Management to Resources, so is also included in this summary.

#### **1.2 Recommendation(s):**

It is recommended that Audit Committee note the approach to managing the risks addressed in this report and make suggestions to further enhance the arrangements as appropriate.

#### **1.3 Council plan and policy framework**

Risk management and the role of the Audit Committee in assessing the adequacy of arrangements covers all service responsibilities as identified within the 'Our North Tyneside Plan'.

#### **1.4 Information**

1.4.1 There are five risks currently allocated to the Director of Resources. The assessment and management of the risks differs depending on the specific risk in question, although as all are corporate in nature there is inevitably some commonality in approach, as well

as links to other senior officers and corporate plans, for example the Authority's Budget and Medium Term Financial Plan (MTFP).

1.4.2 This section of the report includes a brief summary of the overall approach adopted to reach the level of assurance included in the Corporate Risk Register considered in November by Audit Committee.

1.4.3 Information Governance (ref 990): There is a risk that unless there are robust policies and systems in place, implemented, maintained and adhered to there is a possibility that sensitive data may be lost.

The Authority takes information governance extremely seriously. As well it being critical for the Authority to "do the right thing" with the data it holds, there is a legislative and financial imperative for this to happen given the implications for breaches of the Data Protection Act 2018.

As well as nominated roles of Senior Information Risk Officer and Data Protection Officer being held by suitably qualified and experienced staff, there is an established Information Governance and Security Group in place with representatives from all Directorates. Whilst IT devices and controls cannot ensure suitable information governance, it is a key component in the Authority's approach, with up to IT security software being maintained on all devices as part of the wider cyber security arrangements.

Staff and Members are given training, with staff completion of the mandatory training being considered in annual performance appraisals, in addition to guidance provided on the intranet. This includes what should be done in the event of data breach, with the Information Commissioner's Office being informed in all relevant instances, which are thankfully limited. In a recent incident of a loss of data (from a flooding incident at an Authority facility) confirmation was received that staff had followed all of the expected protocols and no further action was to be taken.

Finally, where data sharing is required between partners and suppliers, appropriate data sharing agreements will be used.

1.4.4 Health, Safety and Wellbeing (ref 471): There is a risk that the organisation may fail to ensure that safe working practices are in place that could potentially result in loss or damage to the organisation, its employees or the public.

The Chief Executive highlights to new staff on the monthly induction session that ensuring that all Authority staff go home safely at the end of each day is his key concern in his role as Head of Paid Service. Of equal importance is the safety of all of the visitors and service users to the Authority, including pupils and staff in maintained schools for which the Authority is responsible.

The Authority has a strong set of Health and Safety (H&S) policies, controls and practices in place, supported by a H&S Team of qualified professionals. As well as putting these in place, there is an established audit programme to proactively test, refine and improve arrangements with regular reporting to Senior Leadership Team (SLT), as well as accelerating the reporting any incidents.

Training on H&S is mandatory for all staff, with more specialised training dependent on job role on a risk basis.

There is a clear governance arrangement in place, with the overall H&S responsibility being with the Health and Safety Compliance Group, consisting of Directors, Managers and Trades Union representatives, receiving updates from the Council Operations and Schools and Nursery Forums. As well as a standard agenda covering items such as incident and near miss reporting, these groups will consider updates on policies and practices to consider the latest legislative changes and best practice identified.

- 1.4.5 Finance and Resources (ref 1211): There is a risk that due to significant historic reductions in local authority core funding and the ongoing uncertainty of funding beyond 2022-2023, which has been further exacerbated by the Covid-19 pandemic, compounded with patchwork funding for social care including the impact of the Health and Social Care Act 2022 and the introduction of new funding formulas for schools, the Authority may not be able to make appropriate plans to ensure its financial sustainability.

The Audit Committee will be aware of the importance of strong financial governance from its own agenda and work programme, but the scale of reporting to and scrutiny by Members is much wider. A key component is budget monitoring with bi-monthly reporting to Cabinet, and subsequently Finance Sub Committee, so that Members are aware of any financial risks as they arise.

This monitoring is against the annual budget, ultimately set by Council each February, but which goes through several Cabinet meetings as well as scrutiny by Finance Sub Committee, plus the specific Budget Sub Group which meets each budget setting cycle for detailed analysis of the proposals.

The formal Member involvement is supplemented by a range of internal meetings, some being officer-led (for example monthly SLT) and some involving Cabinet Members (for example Investment Programme Board).

The Finance team is led by suitably qualified and experience finance professionals, who work with regional and national counterparts to ensure the latest accounting standards and best practice is being adhered to. Independent checks are undertaken by Internal and External Audit, with regular reporting to the Audit Committee.

- 1.4.6 Workforce/Succession Planning (ref 1212): There is a risk that our workforce planning may not meet the needs of the Authority especially with regards to succession planning, remuneration linked to pay practice and job evaluation, and recruitment and retention across our some of our services e.g. Social Care and Public Health.

There are national shortages in some areas of staffing in local government, as well as wider, and North Tyneside Council is no different. The Authority has an existing Workforce Plan, which is under review and updating, of which a key element is our approach to ensuring teams are suitably and sustainably staffed.

A key development recently has been the approach to the use of HR data and a new recruitment approach. It is recognised that data-led insight is needed, including key information reported to SLT and the Joint Consultative Forum, which includes Trades Union representatives. In recent months this has led to a new approach to recruitment, which is looking at different approaches to attracting, and retaining, staff.

The Authority is aware that it is not able to compete with some other employers, in both the public and private sectors, on salary levels alone. Instead, the approach highlights the benefits of working in the Authority, including factors such as pension, training,

flexible working and supportive terms and conditions, but also the rewarding nature of the work undertaken. Recruitment and onboarding packs have been updated, making it easier for people to apply to and then join the Authority.

Another key approach is our apprentice programme, covering a range of ages and career opportunities. Whilst it is not possible to guarantee a permanent role at the end of any apprenticeship, there are numerous success stories of people moving into these roles.

- 1.4.7 Rising Energy Costs (ref 1237): There is a risk that due to the volatile market conditions and global increase in energy costs there may be significant financial pressure placed on the Authority, businesses, and residents.

As a large user of energy, the Authority is exposed to the volatile nature of the current energy markets. The recent budget saw a significant increase in the value of budgets, based on the latest forecasts, with additional uncertainty being factored into future years.

Officers work very closely across the Association of North East Councils (ANEC) area, with all 12 councils being part of the regional procurement of gas and electricity via the North East Procurement Organisation (NEPO).

As well as the purchase of energy, the Authority has undertaken a range of energy efficient activities for its buildings and assets, notably the streetlight programme to retrofit LED bulbs to significantly reduce consumption across the borough.

As well as operational assets, the Housing Revenue Account (HRA) business plan includes a range of investments in our council houses to enhance energy efficiency, benefiting tenants through warmer homes at lower costs.

On a wider scale, the Authority supported many residents through the timely payment of the Council Tax Energy Rebate. Vulnerable residents have also benefited from a range of cost of living support that has been put in place, which can involve specific energy support for eligible claimants.

Whilst it is included as a separate risk, the Authority's response to Carbon Net Zero has a clear interaction with the energy cost risk.

## **1.5 Decision Options:**

It is recommended that Audit Committee note the approach to managing the risks addressed in this report and make suggestions to further enhance the arrangements as appropriate.

## **1.6 Reasons for recommended option:**

This recommendation will allow the Authority to identify further opportunities to enhance the risk management arrangements in place.

## **1.7 Appendices:**

N/a – see background papers below

## **1.8 Contact officers:**

Jon Ritchie, Director of Resources (Tel 643 5701)

## **1.9 Background information:**

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

- Audit Committee 16 November 2022 – Corporate Risk Management Summary Report (published as a Part 2 report)

# **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

## **2.1 Finance and other resources**

There are no financial implications arising from the recommendations set out in this report. Costs associated with the management of individual risks will be included within the relevant service area budgets.

## **2.2 Legal**

There are no legal implications arising from the recommendations set out in this report.

## **2.3 Consultation/community engagement**

Risk management is a standing item on the Audit Committee agenda.

## **2.4 Human rights**

There are no human rights issues arising from this report.

## **2.5 Equalities and diversity**

There are no equality and diversity issues arising from this report.

## **2.6 Risk management**

The risks under consideration are detailed in the body of the report.

## **2.7 Crime and disorder**

There are no specific crime and disorder issues arising from this report.

## **2.8 Environment and sustainability**

There are no environment and sustainability issues arising from this report.

**Report authors**      Jon Ritchie

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## North Tyneside Council Report to Audit Committee Date: 22 March 2023

2021/22 Annual Financial Report

**Report from:** Finance

**Responsible Officer:** Jon Ritchie, Director of Resources      **Tel:** 643 5701

**Wards affected:** All

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### **PART 1**

#### **1.1 Executive summary:**

- 1.1.1 The purpose of this report is to provide the Audit Committee with an update on the progress for the completion of the 2021/22 Audited Annual Financial Report in accordance with Section 9 (2) of the Accounts and Audit Regulations.
- 1.1.2 The draft Audit Results Report was shared with the Committee at its meeting held on 16 November 2022. The Executive Summary on page 6 listed the outstanding items of audit work that still needed to be completed. The Committee are asked to note that the majority of the outstanding audit work has now been completed or resolved leaving only receipt of the Pension Assurance Statement from the Tyne and Wear Pension Fund as being outstanding.

#### **1.2 Recommendation(s):**

The Audit Committee is recommended to:

- (a) Note the progress to date of the audit and the clearance of the vast majority of items mentioned in the draft Audit Results Report and that the Pension Assurance Statement remains outstanding. The Pensions Assurance impacts on other local authorities and is not restricted to this Authority.
- (b) Due to the delay in receiving the Pension Assurance Statement from the Tyne and Wear Pension Fund agree to delegate the approval of the 2021/22 Audited Annual Financial Report to the Director of Resources (Chief Finance Officer) in consultation with the Chair of the Audit Committee.

#### **1.3 Forward plan:**

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

## **1.4 Council plan, policy framework:**

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

## **1.5 Information**

### **1.5.1 Background**

It is a requirement of Section 9 (2) of the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code that the Authority approves its audited Annual Financial Report for the financial year.

The requirements and timeline for the approval of a local authority's Statement of Accounts are set out in the Accounts and Audit Regulations 2015. However, due to the impact of the COVID-19 pandemic the Ministry of Housing, Communities and Local Government (MHCLG) 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 2021/22 for all local authorities. The publication date for audited accounts moved from 31 July to 30 November 2022 for all local authority bodies.

### **1.5.2 Pension asset and liability valuation**

At the time of preparing this report the Authority's external auditors have not yet received the IAS19 (pensions) assurances from the auditor of the Tyne and Wear Pension Fund over the asset values reported in the accounts. This means that the external auditors cannot conclude their work on the Local Government Pension Scheme (LGPS) liability. As the Pension Fund Assurance Statement has not been received EY are unable to provide sign off for the accounts until the Assurance Statement is published, this is expected at the end of March. The Authority is not expecting this to have any material impact on the reserves it is just an issue of timing relating to publication of the Assurance Statement.

For this reason, the Audit Committee is recommended (paragraph 1.2b) to delegate the final sign off of the Accounts to the Director of Resources in consultation with the Chair of the Audit Committee based on the receipt of the Assurance Statement and there being no further material issues. The Authority have confirmed with EY that should the Assurance Statement be received by the end of March 2023 with no material impact, the Statement of Accounts will be signed, and publication can be achieved by mid-April.

### **National Issue - Infrastructure Assets**

- 1.5.3 Earlier this year, the Authority became aware of an issue relating to the reporting of infrastructure assets, which has led to delays in local authority audits. Accounting for infrastructure assets in local government has not historically been considered to be an area of significant audit risk. However, recent concerns have been raised by local government auditors that some authorities are not applying component accounting requirements in sufficient detail with respect to these assets. Specifically, given the historic nature of the majority of these balances, many authorities are unable to provide sufficient evidence of the value of replaced components of infrastructure assets when they are derecognised. This is particularly the case in relation to roads, though the issue is likely to impact on all



infrastructure assets. This may therefore lead to issues relating to the reporting of gross historical cost and accumulated depreciation. This has led to delays to audit completion for many authorities, and the risk of widespread accounts qualifications.

In response, CIPFA and CIPFA LASAAC agreed to try to assist in the resolution of the issue through changes to the Code of Practice on Local Authority Accounting (the Code). Despite every effort being made to find a solution through the Code, an accounting solution has not been found that satisfies all stakeholders for the amount to be derecognised. The government, undertook to review the necessity for an accounting statutory override whereby, under the Local Government Act 2003, it may make provision for local authority accounting practices.

To address this issue central government has put in place a statutory accounting override to allow local authorities to treat the value of any replaced component of infrastructure assets as nil, without the need to further evidence that this is the case. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 – new regulation 30M (3) provides that where a local authority replaces a component of an infrastructure asset, the authority has a choice of how to identify the carrying amount to be derecognised in respect of that component (i.e. either a nil amount or to follow the Code). The override also removes the requirement for authorities to make prior period adjustments to infrastructure asset balances.

New regulation 30M applies to statements of accounts for financial years beginning on or before 1 April 2024, and to those statements of accounts that have not already been certified by a local auditor.

Accordingly the Authority, in common with the majority of local authorities, has chosen not to report gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the accounts.

1.5.4 The 2021/22 Audit Results Report notes that no material errors have been identified in the financial statements at this stage.

A number of disclosure errors have been identified during the audit and the majority of these have been corrected and are reflected in the Annual Financial Report. The significant adjustments required relate to the following items and are described in more detail in the Audit Results Report:

- (a) Cash and Cash Equivalents were overstated by £7.500m. This related to two investments with a duration of over three months. The investments have been reclassified as Short Term Investments in the accounts.
- (b) Debtors and creditors were (under)/ overstated in the balance sheet by £3.994m in relation to Rent Allowances/ Rent Rebates. This adjustment has been made and there is no impact on the overall reserves of the Authority.
- (c) Note 13 – Grants and Contributions Income. Two COVID-19 grants were overstated in the note by £1.410m in total. This is a disclosure note only and there is no impact on reserves.

It should be noted that these adjustments do not impact on the Authority's reserves and balances. A copy of the draft Audit Results Report already received by the Committee in November 2022 is attached as Appendix B. A final version of the audited accounts will be circulated to members of the Audit Committee once the final audit is completed. Appendix C to this report summarises the statements and notes that will change due to the audit amendments.

- 1.5.5 In addition to the above amendments the Authority received a revised Airport valuation after the draft 2021/22 accounts were published and in common with the other local authority shareholders the revised accounts reflect the change in the Airport value.

The 2021/22 draft Annual Financial Report was received by the Committee for consideration at the November 2022 meeting. A revised Audit Results Report will not be issued at this stage, however Ernst and Young will update the Committee at its meeting on the work carried out since the receipt of the report in November 2022 and the assurance that is required on the Pension Fund.

### Annual Financial Report

- 1.5.6 The main elements of the Annual Financial Report are:

- (a) Narrative Statement by the Chief Finance Officer;
- (b) The statutory accounts themselves, namely;
  - Statement of Responsibilities;
  - Comprehensive Income and Expenditure Statement;
  - Movement in Reserves Statement;
  - Balance Sheet;
  - Cash Flow Statement;
  - Housing Revenue Account;
  - Collection Fund Statement.
  - Statement of Accounting Policies adopted when compiling the accounts; and
- (c) The Annual Governance Statement.

- 1.5.7 Each account above is supported by a comprehensive set of supporting and explanatory notes.

### Summary

- 1.5.8 The Authority's Annual Financial Report (the Accounts) is prepared in accordance with statute and accounting Codes of Practice. The Accounts record the Authority's financial position as at 31 March 2022 by way of a series of formal statements such as the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MiRS), the Balance Sheet and the Cash Flow Statement.
- 1.5.9 As noted in the Outturn report, the General Fund Balance remains unchanged at £7.000m. The Housing Revenue Account (HRA) balance as at 31 March 2022 was £3.501m, and Schools Balances were £3.398m. The Council incurred expenditure of £63.045m in the year on its Investment Plan (£36.287m General Fund and £26.758m HRA).

## The Statement of Accounts

A summary of the main features of the 2021/22 statutory accounts follows:

- 1.5.10 The **Comprehensive Income and Expenditure Statement** (page 37) records revenue transactions (for both the General Fund and the Housing Revenue Account) through the Authority's accounts for the financial year. As its name indicates this statement includes the income and expenditure for each service, along with expenditure on precepts and levies, interest paid, investment income, gains and losses on disposal of fixed assets and the costs associated with pensions. It also includes general income from Government Grants, Council Tax and Business Rates.
- 1.5.11 The surplus or deficit shown on the Comprehensive Income and Expenditure Statement represents accounting convention and it does not impact on the Authority's balances at the year-end. For that reason, the Comprehensive Income and Expenditure Statement needs to be read in conjunction with the **Movement in Reserves Statement** (page 39), which makes a series of further accounting adjustments to arrive at the actual movement in balances in the year.
- 1.5.12 The Movement in Reserves Statement shows that after these adjustments the General Fund balances have decreased by £15.952m. In the main this decrease relates to the use of the Section 31 Business Rates Relief grant that was brought forward from 2020/21 to be utilised in the early part of 2021/22. The General Fund balance remains unchanged at £7.000m whilst school balances have decreased to £3.398m. The Housing Revenue Account balances have decreased from £5.002m to £3.501m, an in-year decrease of £1.501m.
- 1.5.13 The **Balance Sheet** is set out on (page 41). As the revenue accounts are closed down for the year, the General Fund and HRA balances, along with the capital transactions from the Authority's Investment Plan are transferred to the Authority's Balance Sheet. This represents the final position of the Authority at the end of the financial year, showing the assets that the Authority owns (such as land and buildings), the amounts it is owed (debtors etc) and what it owes to outside bodies and individuals (loans outstanding, creditors etc).
- 1.5.14 The **Cash Flow Statement** (page 43) shows the movement in cash and cash equivalents during the year.
- 1.5.15 The **Housing Revenue Account** (page 168) sets out the transactions that are ring-fenced for Council Housing.
- 1.5.16 The **Collection Fund Statement** (page 177) 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 relating to North Tyneside Council are consolidated into the Authority's Balance Sheet with the (surplus)/deficit relating to the Authority shown in the Collection Fund Adjustment Account.

## Annual Governance Statement

- 1.5.17 The Annual Governance Statement is a statutory document which is signed by the Elected Mayor, the Chair of the Council, the Chair of the Audit Committee, and the most senior officer of the Authority (the Chief Executive). The purpose of the document is to demonstrate to all stakeholders that the Authority has controls in place to ensure that its business is conducted in accordance with law and proper standards and that public money is safeguarded, correctly accounted for and is used economically, efficiently and effectively. Although the financial management of the Authority is an essential part of the internal control framework, the Statement is not purely concerned with financial issues but also covers the Authority's constitution, corporate governance arrangements, facilitation of policy and decision making.

### **1.6 Decision options:**

The options available are:

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

### **1.7 Reasons for recommended option:**

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

### **1.8 Appendices:**

Appendix A: Statement of Accounts for 2021/22  
Appendix B: Draft Audit Results Report for 2021/22  
Appendix C: Changes to the 2021/22 Accounts

### **1.9 Contact officers:**

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

### **1.10 Background information:**

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

- (a) Accounts and Audit Regulations 2015 can be inspected at the Authority's offices.
- (b) Revenue budget 2021/22  
<https://my.northtyneside.gov.uk/category/455/council-finance>
- (c) Investment Plan 2021-26

<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=597&Ver=4> (Agenda reports pack - Appendix D)

- (d) Reserves and Balances Policy  
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=597&Ver=4> (Agenda reports pack - Appendix G)
- (e) CIPFA Code of Practice 2021/22  
Can be inspected at the Authority's offices.
- (f) Outturn Report 2021/22  
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=815&Ver=4>

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

As this is a financial report, implications are covered in the body of the report itself and the Annual Financial Report attached as Appendix A to this report together with the 2021/22 Audit Results Report attached as Appendix B to this report.

### **2.2 Legal**

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

### **2.3 Consultation/community engagement**

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

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

### **2.4 Human rights**

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

### **2.5 Equalities and diversity**

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

### **2.6 Risk management**

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

## **2.7 Crime and disorder**

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

## **2.8 Environment and sustainability**

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



**North Tyneside Council**

# **ANNUAL FINANCIAL REPORT 2021/22**

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## 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 16 November 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.

**Jon Ritchie**  
**Director of Resources**  
**Date: 22 March 2023**

## 1.2 Narrative Statement

### Introduction

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

- Understand the financial position of the Authority and the outturn position for 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 was 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<sup>1</sup>. Unemployment stands at 5.6% as of December 2021.

## Population

North Tyneside has a population of 208,871<sup>2</sup> 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
<b>Total</b>	<b>107,782</b>	<b>101,089</b>	<b>208,871</b>

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<sup>3</sup>. The reasons are linked to the quality of the local schools, the environment, low levels of crime and employment opportunities.

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,

<sup>1</sup> 2020 ONS Job Density

<sup>2</sup> ONS 2020 mid-year population estimate

<sup>3</sup> Sunday Times 2021

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.

page 30 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

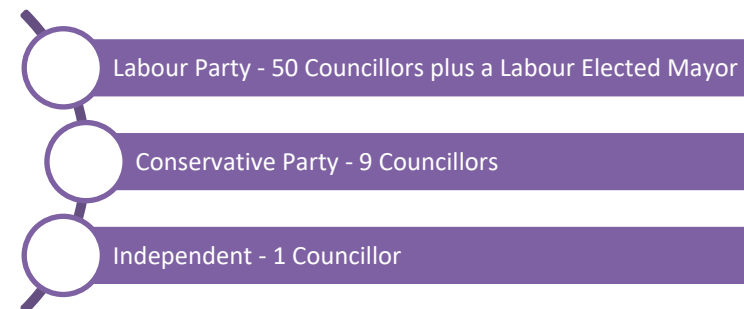
North Tyneside Council is a multifunctional and complex organisation. Its policies are directed by the political leadership

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.

and implemented by the Senior Leadership Team (SLT) and officers of the Council.

### Political structure in 2021/22

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:



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

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)
<b>Sub Total Services</b>	<b>129,973</b>	<b>145,925</b>	<b>15,952</b>	<b>0</b>	<b>(15,952)</b>
Support Services	20,181	20,181	0	0	0
Transfers to/(from) specific reserves	0	(15,952)	(15,952)	0	15,952
<b>Total Net Expenditure</b>	<b>150,154</b>	<b>150,154</b>	<b>0</b>	<b>0</b>	<b>0</b>



Funded By:  
 Council Tax Receipts  
 Business Rates  
 Revenue Support Grant  
 Transfer from Collection Fund  
**Total Funding**

Decrease in Balances  
 Balances brought forward  
**Balances carried forward**

<b>Budget</b>	<b>Final</b>	<b>Variance</b>
<b>£000s</b>	<b>Outturn</b>	
	<b>£000s</b>	<b>£000s</b>
(104,330)	(104,330)	0
(33,954)	(33,954)	0
(11,443)	(11,443)	0
(427)	(427)	0
<b>(150,154)</b>	<b>(150,154)</b>	<b>0</b>
0	322	322
(10,720)	(10,720)	0
<b>(10,720)</b>	<b>(10,398)</b>	<b>322</b>

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.

General Fund  
Housing  
**Total**

<b>Revised Capital Budget 2021/22 £000s</b>	<b>Actual Capital Expenditure 2021/22 £000s</b>	<b>Variation from budget over/(under) £000s</b>
49.423	36.287	(13.136)
29.046	26.758	(2.288)
<b>78.469</b>	<b>63.045</b>	<b>(15.424)</b>

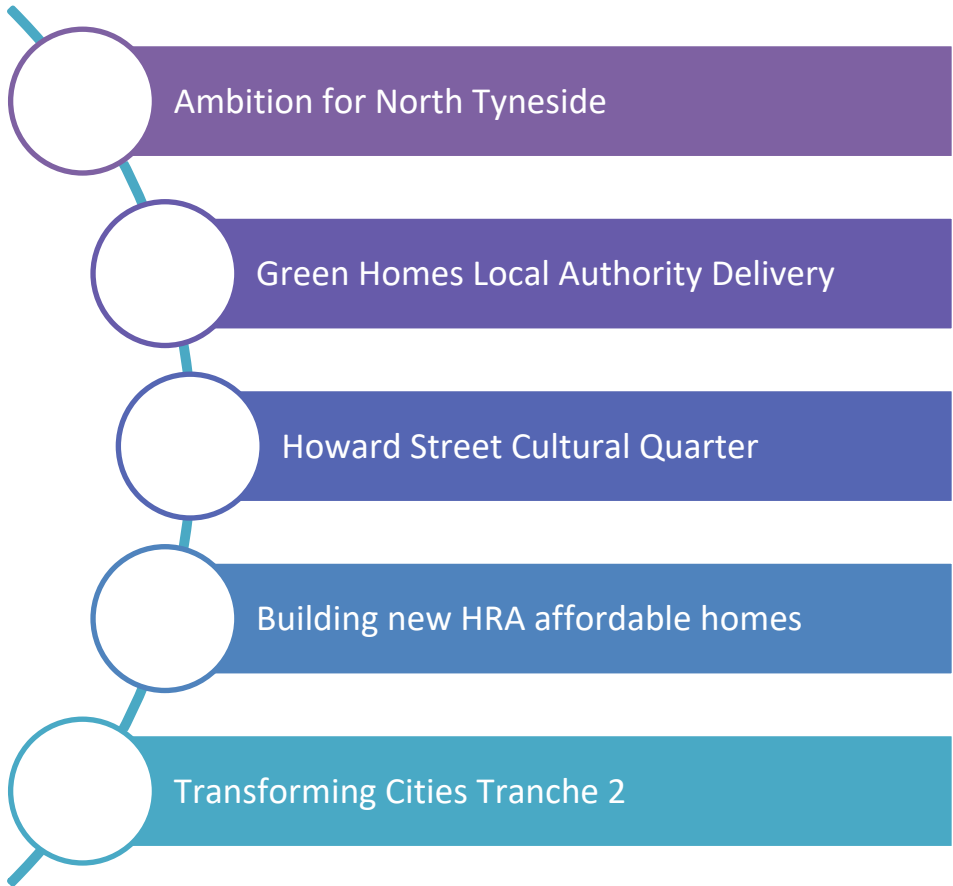
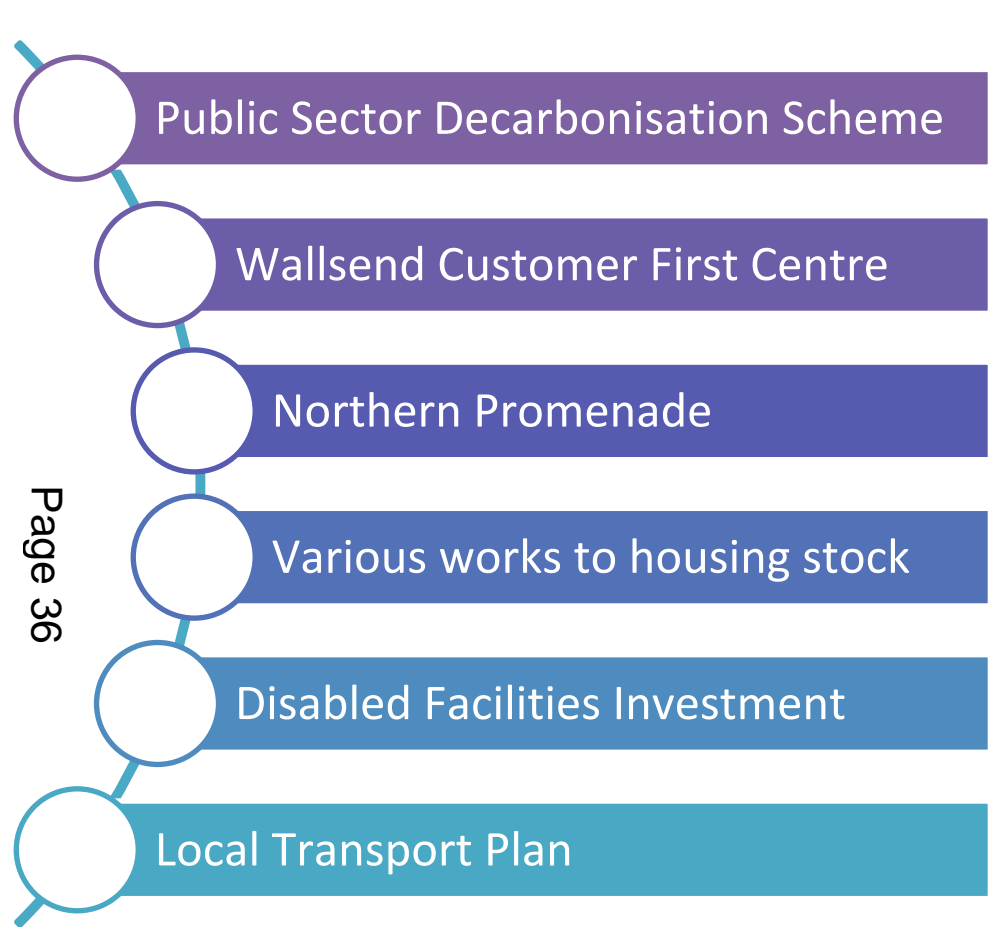
Page 35

	<b>£000s</b>
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
<b>Revised Investment Plan</b>	<b>78.469</b>

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.

Main projects completed during 2021/22



Projects Underway

**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).

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 37). 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 38). In the main the variation of (£0.271m) relates to property rentals.

## **Main points from Financial Statements**

### **Comprehensive Income & Expenditure Statement**

### **Balance Sheet**

The Balance Sheet is set out on pages 41 to 42. Overall, the Authority has net assets of £224.480m which is an increase of

£130.293m 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 £19.702m to £1.165.659m. The increase relates to Property, Plant and Equipment.

Current Assets are £139.251m in 2021/22 compared to £124.737m in 2020/21. In the main the increase of £14.514m relates to an increase in short term investments of £10.000m and cash and cash equivalents of £7.238m. Current liabilities have increased by (£12.062) to (£110.028m) 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 (£146.658m) (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 6<sup>th</sup> May 2021 to reflect the policy priorities of the incoming administration. Following consultation with residents and key stakeholders, Full Council agreed the refreshed Our North Tyneside Plan 2021-2025 on 23<sup>rd</sup> 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:-

### A thriving North Tyneside

- 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<sup>4</sup> 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 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.

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

- 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%.

### A caring North Tyneside

- 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 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.

#### A green North Tyneside

- 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<sub>2</sub> emissions per capita have decreased. The largest CO<sub>2</sub> 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 ESFA's 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 be 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 unrepresented 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 37. The group position is presented separately on page 38.

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 39 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 41 to 42

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 43.

### 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 168.

### 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 177.

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

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

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## **3.0 Statements to the Accounts**

### **3.1 Statement of Responsibilities for the Statement of Accounts**

#### **The Authority's and the Group's Responsibilities**

The Authority and the Group are required:

- i. To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of

those affairs. In this Authority, the officer is the Director of Resources;

- ii. To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- iii. To approve the Statement of Accounts.

### The Director of Resources Responsibilities

The Director of Resources is responsible for the preparation of the Authority's and the Group's Statement of Accounts in accordance with proper practice as set out in the 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:

Jon Ritchie, Director of Resources

Date: 22 March 2023

### 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		
Gross Exp £000s	Gross Inc £000s	Net Exp £000s

2021/22		
Gross Exp £000s	Gross Inc £000s	Net Exp £000s

## Statements to the Accounts

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
<b>645,289</b>	<b>(500,372)</b>	<b>144,917</b>	<b>Cost of Services</b>	<b>652,363</b>	<b>(484,295)</b>	<b>168,068</b>
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)
<b>-690,668</b>	<b>(719,717)</b>	<b>(29,049)</b>	<b>Deficit/(Surplus) on Provision of Services</b>	<b>698,627</b>	<b>(674,607)</b>	<b>24,020</b>
age 60		(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)			(1,996)
		<b>63,795</b>	<b>Other Comprehensive Income and Expenditure (OCI&amp;E)</b>			<b>(154,313)</b>
		<b>34,746</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(130,293)</b>

## 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

Statements to the Accounts

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)
<b>647,497</b>	<b>(502,168)</b>	<b>145,329</b>	<b>Cost of Services</b>	<b>659,087</b>	<b>(491,054)</b>	<b>168,033</b>
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)
<b>692,876</b>	<b>(721,513)</b>	<b>(28,637)</b>	<b>Deficit/(Surplus) on Provision of Services</b>	<b>705,351</b>	<b>(681,366)</b>	<b>23,985</b>
		(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)			(1,996)
		<b>63,795</b>	<b>Other Comprehensive Income and Expenditure (OCI&amp;E)</b>			<b>(154,313)</b>
		<b>35,158</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(130,328)</b>

### 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	Housing Revenue Account Balances	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Council Useable Reserves	Useable Reserves of NTTC	Total Group Useable Reserves	Council Unuseable Reserves Note 33	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 31 March 2021</b>	<b>(90,711)</b>	<b>(24,727)</b>	<b>(10,851)</b>	<b>(9,102)</b>	<b>(19,932)</b>	<b>(155,323)</b>	<b>(141)</b>	<b>(155,464)</b>	<b>61,136</b>	<b>(94,328)</b>
<b>Movement in Reserves during 2021/22</b>										
Total Comprehensive Income & Expenditure	43,129	(19,109)	0	0	0	24,020	(35)	23,985	(154,313)	(130,328)
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	(146,658)	(130,328)
<b>Balance at 31 March 2022</b>	<b>(74,759)</b>	<b>(24,803)</b>	<b>(13,167)</b>	<b>(8,227)</b>	<b>(18,002)</b>	<b>(138,958)</b>	<b>(176)</b>	<b>(139,134)</b>	<b>(85,522)</b>	<b>(224,656)</b>

Statements to the Accounts

	General Fund Balances	Housing Revenue Account Balances	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Council Useable Reserves	Useable Reserves of NTTC	Total Group Useable Reserves	Council Unuseable Reserves Note 33	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance 31 March 2020</b>	<b>(55,011)</b>	<b>(26,906)</b>	<b>(10,085)</b>	<b>(3,832)</b>	<b>(5,816)</b>	<b>(101,650)</b>	<b>(553)</b>	<b>(102,203)</b>	<b>(27,283)</b>	<b>(129,486)</b>
<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
<b>Balance at 31 March 2021</b>	<b>(90,711)</b>	<b>(24,727)</b>	<b>(10,851)</b>	<b>(9,102)</b>	<b>(19,932)</b>	<b>(155,323)</b>	<b>(141)</b>	<b>(155,464)</b>	<b>61,136</b>	<b>(94,328)</b>

### 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'.

	31 March 2021			Notes	31 March 2022	
	Group £000s	Council £000s			Group £000s	Council £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	9,825	20,333
	3,745	8,870	Long Term Debtors		3,077	3,077
	<b>1,138,645</b>	<b>1,145,957</b>	<b>Long Term Assets</b>		<b>1,163,399</b>	<b>1,165,659</b>
	17,836	17,836	Short Term Investments		27,836	27,836
	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	78,893	78,816
	24,523	23,726	Cash & Cash Equivalents	25	32,655	30,964
	<b>132,759</b>	<b>124,737</b>	<b>Current Assets</b>		<b>142,038</b>	<b>139,251</b>
	(23,097)	(23,097)	Short Term Borrowing	26	(7,993)	(7,993)
	(61,570)	(61,001)	Short Term Creditors	27	(87,799)	(87,448)
	(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)
	<b>(98,535)</b>	<b>(97,966)</b>	<b>Current Liabilities</b>		<b>(110,379)</b>	<b>(110,028)</b>
	<b>Group</b>	<b>Council</b>	<b>Balance Sheet as at 31 March 2022</b>	<b>Notes</b>	<b>Group</b>	<b>Council</b>



31 March 2021 £000s	31 March 2021 £000s	
(105,076)	(105,076)	Finance Lease & PFI Creditors
(3,816)	(3,816)	Provisions
(397,443)	(397,443)	Long Term Borrowing
(2,179)	(2,179)	Other Long-Term Liabilities
(2,003)	(2,003)	Other Long-Term Creditors
(557,920)	(557,920)	Pension Liability
(10,104)	(10,104)	Capital Grants Receipts in Advance
<b>(1,078,541)</b>	<b>(1,078,541)</b>	<b>Long Term Liabilities</b>
<b>94,328</b>	<b>94,187</b>	<b>Net Assets</b>
		<b>Financed By:</b>
(155,323)	(155,323)	Useable Reserves
(141)	0	Useable Reserves of Group Entity
61,136	61,136	Unuseable Reserves
<b>(94,328)</b>	<b>(94,187)</b>	<b>Total Reserves</b>

	31 March 2022 £000s	31 March 2022 £000s
18	(100,487)	(100,487)
28	(3,698)	(3,698)
29	(392,443)	(392,443)
	(2,087)	(2,087)
30	(1,884)	(1,884)
9	(458,010)	(458,010)
13	(11,793)	(11,793)
	<b>(970,402)</b>	<b>(970,402)</b>
	<b>224,656</b>	<b>224,480</b>
31	(138,958)	(138,958)
31	(176)	0
33	(85,522)	(85,522)
	<b>(224,656)</b>	<b>(224,480)</b>

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 37 to 43 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:

Jon Ritchie  
Director of Resources  
Date: 22 March 2023

### 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	Council 2020/21		Notes	Group 2021/22	Council 2021/22
£000s	£000s			£000s	£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)
<b>70,127</b>	<b>69,600</b>	<b>Net cash flows from operating activities</b>		<b>62,846</b>	<b>56,900</b>
(25,906)	(25,703)	Net Cash flow from Investing Activities	40	(28,847)	(24,820)
(57,001)	(57,020)	Net Cash flow from Financing Activities	41	(25,867)	(24,842)
<b>(12,780)</b>	<b>(13,123)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8,132</b>	<b>7,238</b>
37,303	36,849	Cash and cash equivalents at the beginning of the reporting period	25	24,523	23,726
<b>24,523</b>	<b>23,726</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>32,655</b>	<b>30,964</b>

## 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.

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## 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.

### The Authority as Lessee

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match

the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### The Authority as Lessor

#### Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service (Other Operating Expenditure) line in the Comprehensive Income and Expenditure Statement. Rental income is recognised on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## Employee Benefits

### Benefits Payable during Employment

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

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



### 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.

#### De-Minimis Levels

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.

#### Impairment

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 (see separate section on Infrastructure for further detail).

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.

### Highways infrastructure assets

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

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

### Recognition

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

### Measurement

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

### Depreciation

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

Annual depreciation is the depreciation amount allocated each year.

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

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

### Disposals and derecognition

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

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account

from the General Fund Balance in the Movement in Reserves Statement

### Heritage Assets

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

#### Recognition and Measurement

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

#### Impairment

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

#### Disposals

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



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

### **Investment Property**

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

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

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

### **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment

losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £0.010m) the Capital Receipts Reserve.

### Interests in Companies and Other Entities

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

## Trust Schools

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

## Voluntary Aided Schools

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

## Academy Schools

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



## 2 Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 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.

2021/22

#### 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)
- Financial Instruments (transferred to the Financial Instruments Adjustment Account) Note 33(c)
- Council Tax and NDR (transfers to or from the Collection Fund) - Note 33(f)
- Holiday Pay (transferred to the Accumulated Absences Reserve) - Note 33(g)
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure

Useable Reserves					Movement in Unuseable Reserves £000s
General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
(33,869)	(5,531)	0	0	0	39,400
33	0	0	0	0	(33)
11,913	0	0	0	0	(11,913)
(1,241)	69	0	0	0	1,172
(13,418)	(14,125)	0	0	(11,952)	39,495
<b>(36,582)</b>	<b>(19,587)</b>	<b>0</b>	<b>0</b>	<b>(11,952)</b>	<b>68,121</b>
Useable Reserves					

#### Total Adjustments to Revenue Resources

2021/22

**Adjustments between Revenue and Capital Resources**

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve

Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)

Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve - Note 49

Statutory/Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account) – Note 33(b)

Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) – Note 33(b)

**Total Adjustments between Revenue and Capital Resources**

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
1,187	9,199	(10,386)	0	0	0
(1,874)	0	1,874	0	0	0
0	12,357	0	(12,357)	0	0
9,266	5,386	4,383	0	0	(19,035)
826	11,678	0	0	0	(12,504)
<b>9,405</b>	<b>38,620</b>	<b>(4,129)</b>	<b>(12,357)</b>	<b>0</b>	<b>(31,539)</b>

2021/22

**Adjustments to Capital Resources**

Use of the Capital Receipts Reserve to finance capital expenditure – Note 33(b)

Use of the Major Repairs Reserve to finance capital expenditure – Note 49

Application of capital grants to finance capital expenditure – Note 33(b)

**Total Adjustments to Capital Resources****TOTAL ADJUSTMENTS**

Useable Reserves					Movement in Unuseable Reserves £000s
General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
0	0	1,813	0	0	(1,813)
0	0	0	13,232	0	(13,232)
0	0	0	0	13,882	(13,882)
<b>0</b>	<b>0</b>	<b>1,813</b>	<b>13,232</b>	<b>13,882</b>	<b>(28,927)</b>
<b>(27,177)</b>	<b>19,033</b>	<b>(2,316)</b>	<b>875</b>	<b>1,930</b>	<b>7,655</b>

2020/21

**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)
- Financial Instruments (transferred to the Financial Instruments Adjustment Account) – Note 33(c)
- Council Tax and NDR (transfers to or from the Collection Fund) – Note 33(f)
- Holiday Pay (transferred to the Accumulated Absences Reserve) – Note 33(g)
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure

**Total Adjustments to Revenue Resources**

Useable Reserves					Movement in Unuseable Reserves £000s
General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
(22,640)	(3,550)	0	0	0	26,190
33	0	0	0	0	(33)
(15,720)	0	0	0	0	15,720
2,155	82	0	0	0	(2,237)
(5,289)	(18,028)	0	0	(18,587)	41,904
<b>(41,461)</b>	<b>(21,496)</b>	<b>0</b>	<b>0</b>	<b>(18,587)</b>	<b>81,544</b>

2020/21

**Adjustments between Revenue and Capital Resources**

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve

Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)

Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve – Note 49

Statutory/Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account) – Note 33(b)

Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) – Note 33(b)

**Total Adjustments between Revenue and Capital Resources**

Useable Reserves					Movement in Unuseable Reserves £000s
General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
3,229	5,637	(8,866)	0	0	0
(1,874)	0	1,874	0	0	0
0	12,372	0	(12,372)	0	0
18,982	6,042	2,849	0	0	(27,873)
1,969	12,128	0	0	0	(14,097)
<b>22,306</b>	<b>36,179</b>	<b>(4,143)</b>	<b>(12,372)</b>	<b>0</b>	<b>(41,970)</b>

2020/21

**Adjustments to Capital Resources**

Use of the Capital Receipts Reserve to finance capital expenditure – Note 33(b)

Use of the Major Repairs Reserve to finance capital expenditure – Note 49

Application of capital grants to finance capital expenditure – Note 33(b)

**Total Adjustments to Capital Resources****TOTAL ADJUSTMENTS**

Useable Reserves					Movement in Unuseable Reserves £000s
General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
0	0	3,377	0	0	(3,377)
0	0	0	7,102	0	(7,102)
0	0	0	0	4,471	(4,471)
<b>0</b>	<b>0</b>	<b>3,377</b>	<b>7,102</b>	<b>4,471</b>	<b>(14,950)</b>
<b>(19,155)</b>	<b>14,683</b>	<b>(766)</b>	<b>(5,270)</b>	<b>(14,116)</b>	<b>24,624</b>

**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

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
<b>Net Cost of Services</b>	<b>150,457</b>	<b>17,611</b>	<b>168,068</b>
Other Income & Expenditure	(134,580)	(9,468)	(144,048)
<b>Deficit on Provision of Service</b>	<b>15,877</b>	<b>8,143</b>	<b>24,020</b>

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	<b>(13,899)</b>

### 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 statute 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)
<b>Net Cost of Services</b>	<b>(11,569)</b>	<b>28,040</b>	<b>1,140</b>	<b>17,611</b>
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)
<b>Difference between General Fund and HRA (surplus)/deficit and Comprehensive Income &amp; Expenditure Statement (surplus)/deficit</b>	<b>(22,358)</b>	<b>39,400</b>	<b>(8,899)</b>	<b>8,143</b>

2020/21

Chief Executive Office
Commissioning & Asset Management
Corporate Strategy
Environment, Housing & Leisure
Health, Education, Care & Safeguarding
Housing Revenue Account
Law & Governance
Regeneration & Economic Development
Resources
Central Costs (Includes support services)
<b>Net Cost of Services</b>
Other Income & Expenditure
<b>(Surplus)/Deficit on Provision of Service</b>

Net Expenditure Chargeable to the GF and HRA Balances (After adjustments for Internal Charging)	Adjustments between Funding and Accounting Basis	Net Expenditure in Comprehensive Income & Expenditure Statement
£000s	£000s	£000s
(216)	43	(173)
2,596	11,788	14,384
713	270	983
26,295	19,884	46,179
69,342	6,003	75,345
(11,164)	(15,672)	(26,836)
396	343	739
1,274	4,035	5,309
795	2,890	3,685
62,865	(37,563)	25,302
<b>152,896</b>	<b>(7,979)</b>	<b>144,917</b>
(186,415)	12,449	(173,966)
<b>(33,519)</b>	<b>4,470</b>	<b>(29,049)</b>

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	<b>(15,722)</b>

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

2020/21

	Adjustments for Capital Purposes	Pension Adjustments	Other Adjustments	Total Adjustments
	£000s	£000s	£000s	£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)
<b>Net Cost of Services</b>	<b>(21,449)</b>	<b>15,739</b>	<b>(2,269)</b>	<b>(7,979)</b>
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)
<b>Difference between General Fund and HRA (surplus)/deficit and Comprehensive Income &amp; Expenditure Statement (surplus)/deficit</b>	<b>(37,044)</b>	<b>26,189</b>	<b>15,325</b>	<b>4,470</b>

## 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)
<b>(103,268)</b>	<b>Total - Authority</b>	<b>(109,611)</b>
(252)	North Tyneside Trading Company	(327)
<b>(103,520)</b>	<b>Total - Group</b>	<b>(109,938)</b>

## 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**

	<b>Cost of Services</b>	<b>Other Income &amp; Expenditure</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
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)
<b>Total Income</b>	<b>(484,295)</b>	<b>(190,312)</b>	<b>(674,607)</b>
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)
<b>Total Operating Expenses</b>	<b>652,363</b>	<b>46,264</b>	<b>698,627</b>
<b>Deficit on Provision of Services</b>	<b>168,068</b>	<b>(144,048)</b>	<b>24,020</b>

**2020/21**

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

## 6 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in pages 46 to 66, 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 98 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

	<p>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.</p>
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**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:

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

Page 110 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:

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

## 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		
<b>Comprehensive Income &amp; Expenditure Statement</b>								
<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
<b>Other post-employment benefit charged to the CIES</b>								
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 89.

Pension Revenue Summary	2020/21 £000s				2021/22 £000s			
	TWPF		TPS*	Total	TWPF		TPS*	Total
	Funded	Unfunded			Funded	Unfunded		
<b>Movement in Reserves Statement</b>								
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)
<u>Actual amount charged against the Cost of Services for pensions in the year</u>								
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)

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 \*This is an unfunded scheme as detailed on page 89.

### 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	<b>(1,615,450)</b>	<b>(22,280)</b>	<b>(49,450)</b>	<b>(1,687,180)</b>	<b>(1,556,210)</b>	<b>(19,140)</b>	<b>(42,890)</b>	<b>(1,618,240)</b>

### 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.

	<b>Asset Split 31 March 2021 %</b>	<b>Asset Split 31 March 2022 %</b>		
	<b>Total</b>	<b>Quoted</b>	<b>Unquoted</b>	<b>Total</b>
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
<b>Total Assets</b>	<b>100.0</b>	<b>75.2</b>	<b>24.8</b>	<b>100.0</b>

\*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:

	<b>Increase in Assumption £000s</b>	<b>Decrease in Assumption £000s</b>
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)
<b>12,022</b>	<b>Total</b>	<b>12,690</b>

**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)
<b>32,771</b>	<b>Total</b>	<b>32,868</b>
0	Intra-group transactions to be excluded	0
<b>32,771</b>		<b>32,868</b>

**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)
<b>(218,759)</b>	<b>Total</b>	<b>(189,606)</b>

### 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
	<u>Non-Ringfenced Government Grants</u>	
(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)
	<u>Capital Grants and Receipts in Advance</u>	
(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
	<u>Capital Grants, Contributions and Donations in advance</u>	
(10,056)	Section 106 Agreements	(11,745)
(48)	Other Grants & Contributions (individually under £1.000m)	(48)
<b>(10,104)</b>	<b>Total</b>	<b>(11,793)</b>

31 March 2021 £000s		31 March 2022 £000s
	<u>Revenue Grants &amp; Contributions Receipt in Advance</u>	
(300)	Other Grants & Contributions (individually under £1.000m)	(217)
<b>(300)</b>	<b>Total</b>	<b>(217)</b>

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		2020/21 £000s		2021/22 £000s
	<u>Credited to Services</u>				<u>Credited to Services</u>	
(149,419)	Dedicated Schools Grant	(156,941)		(1,573)	Teachers Pay Grant	(246)
(27,547)	Mandatory Rent Allowances Benefit	(24,481)		(1,331)	Adoption Reform Grant	(1,539)
(22,198)	Rent Rebates Benefit	(20,352)		(746)	Tackling Troubled Families Grant	(754)
(13,372)	Private Finance Initiative	(13,372)		0	COVID-19 Workplace Capacity Grant	(1,987)
(12,493)	Public Health Grant	(12,616)		(2,024)	COVID-19 Hardship Fund	0
(9,688)	Continuing Health Care Contributions	(9,430)		0	COVID-19 Rapid Testing – Care Homes	(1,418)
(9,219)	Pupil Premium Grant	(9,224)		(1,232)	COVID-19 Schools Catch-up Premium	(880)
(7,062)	Post 16 Education Grant	(7,202)		(4,412)	COVID-19 Infection Control Grant	(2,299)
(9,297)	Improved Better Care Fund Grant	(9,297)		0	COVID-19 Recovery Premium Schools Grant	(531)
(3,681)	New Homes Bonus	(2,266)		0	Household Support Grant	(1,610)
(1,326)	Section 31 Children's Grant	(755)		(2,042)	COVID-19 Test and Trace Service Support Grant	(1,271)
(4,856)	Teachers' Pension Grant	(695)		(6,082)	COVID-19 Additional Restrictions Grant	(1,447)
(2,155)	Department for Education	(1,990)		(5,953)	COVID-19 Contain Outbreak Management Fund	(1,439)
(20,960)	Small Business Rate Relief Grant	(7,998)		(11,346)	Other Grants & Contributions (Individually Under £1.000m)	(14,821)
(3,401)	Contributions	(4,185)		<b>(342,620)</b>	<b>Total</b>	<b>(320,832)</b>
(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)				

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

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

Key

APT&C – Administrative, Professional, Technical & Clerical

LEA – Local Education Authority

**Table 2**

This table sets out the remuneration disclosures for Senior Officers.

**2021/22**

<b>Post Holder Information (2020/21)</b>	<b>Salary (including Fees &amp; Allowances)</b>	<b>Bonuses</b>	<b>Expense Allowances</b>	<b>Benefits in Kind (e.g. Car Allowance)</b>	<b>Total Remuneration excluding Pension Contributions</b>	<b>Pension Contributions</b>	<b>Total Remuneration including Pension Contributions</b>
£	£	£	£	£	£	£	£
Chief Executive (Paul Hanson)	160,494	0	0	0	160,494	31,778	<b>192,272</b>
Director of Health, Education, Care and Safeguarding	110,923	0	0	0	110,923	21,963	<b>132,886</b>
Director of Environment, Housing and Leisure	110,923	0	0	0	110,923	21,963	<b>132,886</b>
Director of Law & Governance	145,246	0	0	0	145,246	18,066	<b>163,312</b>
Director of Commissioning & Asset Management	97,489	0	0	0	97,489	19,303	<b>116,792</b>
Director of Resources	97,489	0	0	0	97,489	19,303	<b>116,792</b>
Director of Regeneration & Economic Development	93,712	0	0	0	93,712	18,555	<b>112,267</b>
Director of Corporate Strategy & Customer Services	97,489	0	0	0	97,489	19,303	<b>116,792</b>
Director of Public Health	93,712	0	0	0	93,712	13,476	<b>107,188</b>
<b>Total</b>	<b>1,007,477</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,007,477</b>	<b>183,710</b>	<b>1,191,187</b>



**2020/21**

<b>Post Holder Information (2020/21)</b>	<b>Salary (including Fees &amp; Allowances)</b>	<b>Bonuses</b>	<b>Expense Allowances</b>	<b>Benefits in Kind (e.g. Car Allowance)</b>	<b>Total Remuneration excluding Pension Contributions</b>	<b>Pension Contributions</b>	<b>Total Remuneration including Pension Contributions</b>
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive (Paul Hanson)	158,122	0	0	0	158,122	31,308	<b>189,430</b>
Director of Health, Education, Care and Safeguarding	109,284	0	0	0	109,284	21,638	<b>130,922</b>
Director of Environment, Housing and Leisure	109,284	0	0	0	109,284	21,638	<b>130,922</b>
Director of Law & Governance	96,048	0	0	0	96,048	19,017	<b>115,065</b>
Director of Commissioning & Asset Management	96,048	0	0	0	96,048	19,017	<b>115,065</b>
Director of Resources	96,048	0	0	0	96,048	19,017	<b>115,065</b>
Director of Regeneration & Economic Development	92,100	0	0	0	92,100	18,236	<b>110,336</b>
Director of Corporate Strategy & Customer Services	92,100	0	0	0	92,100	18,236	<b>110,336</b>
Director of Public Health	92,100	0	0	0	92,100	13,244	<b>105,344</b>
<b>Total</b>	<b>941,134</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>941,134</b>	<b>181,351</b>	<b>1,122,485</b>

**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
<b>Total</b>	<b>1</b>	<b>7</b>	<b>11</b>	<b>14</b>	<b>12</b>	<b>21</b>	<b>126</b>	<b>297</b>

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
<b>798</b>	<b>Total</b>	<b>815</b>

## 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.

9 Members of the Council declared an interest in relation to Northumberland Healthcare NHS Trust, 2021/22 payments totalled £3.612m (2020/21 £3.321m).

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 or services.

1 Member of the Council declared an interest in relation to Parkside Care, 2021/22 payments totalled £0.481m (2020/21 £0.419m).

1 Member of the Council declared an interest in relation to Newcastle NHS Trust, 2021/22 payments totalled £0.414m (2020/21 £0.400m).

1 Member 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.

2 Members 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
<b>257</b>	<b>Total Authority fees payable</b>	<b>169</b>
18	Fees payable to external audit with regard to audit services for North Tyneside Trading Company Group	19
14	2019/20 additional fee	0
<b>289</b>	<b>Total Group costs</b>	<b>188</b>

## 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.

Property, Plant and Equipment

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

Payments

The Authority makes an agreed payment under each contract each year, all of which increase each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed. Payments remaining to be made under the contracts at 31 March 2022 (excluding any estimation of inflation and availability/performance deductions) are on the following page:

<b>2020/21 Total £000s</b>		<b>Payment for Services £000s</b>	<b>Reimbursement of Capital Expenditure £000s</b>	<b>Interest £000s</b>	<b>2021/22 Total £000s</b>
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
<b>317,637</b>	<b>Total</b>	<b>97,264</b>	<b>113,956</b>	<b>82,858</b>	<b>294,078</b>

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:

<b>2020/21 £000s</b>		<b>2021/22 £000s</b>
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
<b>109,666</b>	<b>Balance outstanding at year-end</b>	<b>105,361</b>

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

### Cost or Valuation

1 April 2021

Additions

Revaluation

increases/(decreases) recognised  
in the Revaluation Reserve

Revaluation

increases/(decreases) recognised  
in the (Surplus)/Deficit on the  
Provision of Services

Derecognition - Disposals

Derecognition - Other

Assets reclassified (to)/from Held  
for Sale

Other movements in Cost or  
Valuation

**At 31 March 2022**

Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>652,932</b>	<b>254,908</b>	<b>31,393</b>	<b>8,420</b>	<b>3,806</b>	<b>17,901</b>	<b>969,360</b>	<b>122,248</b>
25,601	4,408	2,956	19	1,138	13,701	47,823	84
5,425	(11,008)	0	0	1,709	0	(3,874)	1,022
(4,313)	(13,796)	0	0	(2,145)	0	(20,254)	1,332
(7,940)	0	0	0	(868)	0	(8,808)	0
0	0	(683)	0	0	0	(683)	(2)
0	0	0	0	(265)	0	(265)	0
3,514	11,781	727	0	118	(17,349)	(1,209)	0
<b>675,219</b>	<b>246,293</b>	<b>34,393</b>	<b>8,439</b>	<b>3,493</b>	<b>14,253</b>	<b>982,090</b>	<b>124,684</b>



**Accumulated Depreciation & Impairments**

1 April 2021

Depreciation charge

Depreciation written out to the Revaluation Reserve

Depreciation written out to the (Surplus)/Deficit on the Provision of Services

Impairment (losses)/ reversals recognised in the Revaluation Reserve

Impairment (losses)/ reversals recognised in the (Surplus)/Deficit on the Provision of Services

Derecognition – Disposals

Derecognition - Other

Other movements in Depreciation &amp; Impairment

**At 31 March 2022****Net Book Value**

At 31 March 2022

At 31 March 2021

Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>0</b>	<b>(17,323)</b>	<b>(16,137)</b>	<b>(732)</b>	<b>(92)</b>	<b>0</b>	<b>(34,284)</b>	<b>(3,143)</b>
(14,129)	(7,169)	(4,263)	(14)	(1)	0	(25,576)	(3,440)
424	15,780	0	0	20	0	16,224	3,450
13,470	3,906	0	0	0	0	17,376	2,006
0	546	0	0	110	0	656	0
0	(569)	0	0	(28)	0	(597)	(9)
241	0	0	0	0	0	241	0
0	0	683	0	0	0	683	2
(6)	27	0	0	(21)	0	0	0
<b>0</b>	<b>(4,802)</b>	<b>(19,717)</b>	<b>(746)</b>	<b>(12)</b>	<b>0</b>	<b>(25,277)</b>	<b>(1,134)</b>
675,219	241,491	14,676	7,693	3,481	14,253	956,813	123,550
652,932	237,585	15,256	7,688	3,714	17,901	935,076	119,109

2020/21**Cost or Valuation**

1 April 2020

Additions

Revaluation  
increases/(decreases) recognised  
in the Revaluation ReserveRevaluation  
increases/(decreases) recognised  
in the (Surplus)/Deficit on the  
Provision of Services

Derecognition - Disposals

Derecognition - Other

Assets reclassified (to)/from Held  
for SaleOther movements in Cost or  
Valuation**At 31 March 2021**

Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>652,638</b>	<b>256,245</b>	<b>29,394</b>	<b>8,420</b>	<b>3,413</b>	<b>9,161</b>	959,271	<b>121,652</b>
16,351	3,667	2,576	0	708	10,602	33,904	854
274	(2,664)	0	0	(32)	0	(2,422)	639
(10,968)	(4,084)	0	0	(325)	0	(15,377)	(867)
(5,399)	0	0	0	0	0	(5,399)	0
0	0	(577)	0	0	0	(577)	(26)
0	0	0	0	0	0	0	0
36	1,744	0	0	42	(1,862)	(40)	0
<b>652,932</b>	<b>254,908</b>	<b>31,393</b>	<b>8,420</b>	<b>3,806</b>	<b>17,901</b>	<b>969,360</b>	<b>122,252</b>

2020/21

**Accumulated Depreciation & Impairments**

1 April 2020

Depreciation charge

Depreciation written out to the Revaluation Reserve

Depreciation written out to the (Surplus)/Deficit on the Provision of Services

Impairment (losses)/ reversals recognised in the Revaluation Reserve

Impairment (losses)/ reversals recognised in the (Surplus)/Deficit on the Provision of Services

Derecognition – Disposals

Derecognition - Other

Other movements in Depreciation &amp; Impairment

**At 31 March 2021****Net Book Value**

At 31 March 2021

At 31 March 2020

Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>0</b>	<b>(13,843)</b>	<b>(12,822)</b>	<b>(718)</b>	<b>(68)</b>	<b>0</b>	<b>(27,451)</b>	<b>(2,414)</b>
(14,128)	(7,257)	(3,892)	(14)	0	0	(25,291)	(3,186)
471	3,540	0	0	38	0	4,049	1,077
13,494	722	0	0	0	0	14,216	1,354
0	248	0	0	12	0	260	0
0	(786)	0	0	(21)	0	(807)	0
163	0	0	0	0	0	163	0
0	0	577	0	0	0	577	26
0	53	0	0	(53)	0	0	0
<b>0</b>	<b>(17,323)</b>	<b>(16,137)</b>	<b>(732)</b>	<b>(92)</b>	<b>0</b>	<b>(34,284)</b>	<b>(3,143)</b>
652,932	237,585	15,256	7,688	3,714	17,901	935,076	119,109
652,638	242,402	16,572	7,702	3,345	9,161	931,820	119,237

## Infrastructure Assets

### Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Page 14  
 Net Book Value at 1 April  
 Additions  
 Derecognition  
 Depreciation  
 Impairment  
 Other movements in cost  
**Net Book Value at 31 March**

2020/21	
Infrastructure Assets	PFI Included in Infrastructure Assets
£000	£000
178,265	16,273
7,239	474
0	0
(7,736)	(924)
0	0
40	0
<b>177,808</b>	<b>15,823</b>

Infrastructure Assets  
 Other PPE Assets  
**Total PPE Assets**

31-Mar-21
£000
177,808
935,076
<b>1,112,884</b>

2021/22	
Infrastructure Assets	PFI Included in Infrastructure Assets
£000	£000
177,807	15,822
6,795	407
0	0
(7,202)	(940)
0	0
1,209	0
<b>178,609</b>	<b>15,289</b>

31-Mar-22
£000
178,609
956,813
<b>1,135,422</b>

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

### Revaluation of PPE – Rolling Programme

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 53).

	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
<b>Gross Book Value</b>	<b>675,219</b>	<b>246,293</b>	<b>3,493</b>	<b>925,005</b>

#### Split of Council Dwellings

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

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

Vacant Possession Value at 31 March 2022  
 Social Housing Adjustment  
**Net Book Value after Adjustment for Social Housing**

£000s
1,439,213
(763,993)
<b>675,220</b>

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
Authority - Total Property, Plant and Equipment
1,112,884
North Tyneside Trading Company (NTTC)
6,888
<b>At 31 March 2021</b>
<b>1,119,772</b>

### Net Book Value

Authority - Total Property, Plant  
and Equipment

North Tyneside Trading Company  
(NTTC)

**At 31 March 2021**

**2021/22**

Total Property, Plant and Equipment
£000s
Authority - Total Property, Plant and Equipment
1,135,422
North Tyneside Trading Company (NTTC)
8,248
<b>At 31 March 2022</b>
<b>1,143,670</b>

**At 31 March 2022**

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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
<b>3,571</b>	Balance at 1 April	<b>1,270</b>
0	Assets newly classified as Held for Sale	265
(2,301)	Assets Sold	(1,200)
<b>1,270</b>	Balance at 31 March	<b>335</b>

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
<b>638,964</b>	<b>Opening Capital Financing Requirement</b>	<b>623,372</b>
	<b>Capital Investment</b>	
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
<b>54,634</b>		<b>63,328</b>
	<b>Sources of Finance</b>	
(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)
<b>(70,226)</b>		<b>(79,954)</b>
<b>623,372</b>	<b>Closing Capital Financing Requirement</b>	<b>606,746</b>
	<b>Explanation of Movements in Year</b>	
(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)
<b>(15,592)</b>	<b>(Decrease)/ Increase in Capital Financing Requirement</b>	<b>(16,626)</b>

## 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
<b>8,690</b>		<b>11,472</b>

Major schemes within the above totals include:

Street Lighting PFI  
HRA Housing Services  
Local Transport Plan & Highways

£000s
4,949
2,216
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	9,825
9,075	£1 Ordinary shares in North Tyneside Trading Company	10,508
0	Kier North Tyneside Limited – 200 £1 “A” ordinary shares	0
<b>16,905</b>	<b>Long Term Investments - Authority</b>	<b>20,333</b>
<b>(9,075)</b>	Intra group investments excluded	<b>(10,508)</b>
<b>7,830</b>	<b>Long Term Investments - Group</b>	<b>9,825</b>

## Newcastle Airport Local Authority Holding Company Ltd

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

Under the Airport Act 1986, Newcastle International Airport Limited (NIAL) was formed and seven local authorities were allocated shares in consideration for all the property, rights and liabilities that were transferred into the new company. In consideration of this transfer the Authority received shares in NIAL.

On 4 May 2001, the seven local authority shareholders of NIAL (the 'LA7') created NIAL Holdings Ltd which is 51% owned by the LA7 and 49% owned by AMP Capital Investors Limited following their purchase on 16 November 2012. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Ltd, a company wholly owned by the seven authorities. The Newcastle Airport Local Authority Holding Company Ltd has a called-up share capital of 10,000 shares with a nominal value of £1 each. North Tyneside Council holds a 12.41% interest in the company valued at £9.825m (£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 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 31<sup>st</sup> 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	13,474
4,379	Other Local Authorities	6,129
5,324	NHS Bodies	6,904
60,514	Other Entities and Individuals	52,309
80,717	<b>Total Authority Debtors</b>	78,816
64	Debtors – North Tyneside Trading Company	77
0	Intra-group debtors to be excluded	0
<b>80,781</b>	<b>Total Group Debtors</b>	<b>78,893</b>

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	29,521
<b>23,726</b>	<b>Total Authority Cash and Cash Equivalents</b>	<b>30,964</b>
797	Cash & Cash Equivalents – North Tyneside Trading Company	1,691
<b>24,523</b>	<b>Total Group Cash and Cash Equivalents</b>	<b>32,655</b>

## 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)
<b>(23,097)</b>	<b>Total</b>	<b>(7,993)</b>

## 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	(36,665)
(950)	Other Local Authorities	(1,025)
(2,455)	NHS Bodies	(2,064)
(38,182)	Other Entities and Individuals	(47,694)
<b>(61,001)</b>	<b>Total Authority Creditors</b>	<b>(87,448)</b>
(569)	Creditors – North Tyneside Trading Company	(351)
0	Intra group creditors to exclude	0
<b>(61,570)</b>	<b>Total Group Creditors</b>	<b>(87,799)</b>



## 28 Provisions

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

	Long Term	Short Term	
	Estimated Insurance Liabilities	General Provisions	Total
	(a)	(b)	
	£000s	£000s	£000s
<b>Balance at 1 April 2020</b>	<b>(4,015)</b>	<b>(6,080)</b>	<b>(10,095)</b>
Additional provisions made	0	(4,525)	(4,525)
Amounts written off	0	0	0
Amounts used	199	1,516	1,715
<b>Balance at 31 March 2021</b>	<b>(3,816)</b>	<b>(9,089)</b>	<b>(12,905)</b>

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

### (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:

<b>31 March 2021 £000s</b>		<b>31 March 2022 £000s</b>
	(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)
<b>(397,443)</b>		<b>(392,443)</b>
	(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)
<b>(397,443)</b>		<b>(392,443)</b>

### 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)
<b>(2,003)</b>	<b>Total</b>	<b>(1,884)</b>

### 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)
<b>(155,323)</b>	<b>Total Authority Useable Reserves</b>	<b>(138,958)</b>
(9,216)	Useable Reserves – North Tyneside Trading Company	(10,684)
9,075	Intra group transactions	10,508
<b>(155,464)</b>	<b>Total Group Useable Reserves</b>	<b>(139,134)</b>

### 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 168 to 169.

### 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 173 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

### General Fund Balances

School Balances

General Fund

### **Total General Fund Balances**

### General Fund Reserves

Strategic Reserve

Insurance Reserve

Covid 19 Local Authority Support Grant

Support Change Fund Programme

Street Lights PFI Reserve

Redundancy & Remuneration Reserve

Schools PFI Lifecycle costs (capital)

Education PFI Reserve

Dudley & Shiremoor Joint Service Centres

Whitley Bay CFC PFI Reserve

Dedicated Schools Grant

Public Health Grant

Education Funding Agency

Business Rates Support Top Up

Local Restriction Support Grant

Additional Restrictions Grant

Contain Outbreak Management

Business Rates; NoTCA Growth

S31 Business Rates Relief

Education Change Reserve

Section 31 COVID 19 Business Rates Relief Grant

Business Rates Volatility Fund

Minimum Revenue Provision Reserve

General Fund Reserves (individually under £1.000m)

Other Grants (individually under £1.000m)

Total General Fund Reserves

### **Total General Fund Balances & Reserves**

Balance 1 April 2021 £000s	Transfers out 2021/22 £000s	Transfers in 2021/22 £000s	Balance 31 March 2022 £000s
(3,720)	322	0	(3,398)
(7,000)	0	0	(7,000)
(10,720)	322	0	(10,398)
(14,504)	78	0	(14,426)
(8,701)	373	0	(8,328)
(1,685)	1,685	(1,384)	(1,384)
(4,671)	174	0	(4,497)
(3,034)	0	(1,433)	(4,467)
(1,635)	110	0	(1,525)
(2,232)	0	0	(2,232)
(1,450)	0	(2,297)	(3,747)
(1,320)	173	(820)	(1,967)
(775)	56	(714)	(1,433)
7,932	12,851	(7,932)	12,851
(1,059)	1,094	(992)	(957)
(1,448)	1,294	(940)	(1,094)
(3,307)	3,307	(3,118)	(3,118)
(4,661)	4,661	(2,684)	(2,684)
(2,738)	2,661	(125)	(202)
(5,302)	5,302	(1,578)	(1,578)
(1,841)	0	0	(1,841)
(13,635)	13,635	0	0
(1,094)	0	0	(1,094)
0	0	(1,074)	(1,074)
0	0	(1,113)	(1,113)
0	0	(5,893)	(5,893)
(6,254)	415	(1,846)	(7,685)
(6,577)	4,047	(2,343)	(4,873)
(79,991)	51,916	(36,286)	(64,361)
(90,711)	52,238	(36,286)	(74,759)

HRA Balances & Reserves

HRA Balances	(5,002)
North Tyneside Living PFI Reserve	(12,390)
New Build Council Housing	(238)
Housing PFI Lifecycle Costs	(5,170)
HRA Reserves (individually under £1.000m)	(1,927)
Total HRA Balances & Reserves	(24,727)
<b>Total Balances &amp; Reserves</b>	<b>(115,438)</b>

Balance 1 April 2021 £000s	Transfers out 2021/22 £000s	Transfers in 2021/22 £000s	Balance 31 March 2022 £000s
(5,002)	1,501	0	(3,501)
(12,390)	0	(727)	(13,117)
(238)	238	0	0
(5,170)	0	(719)	(5,889)
(1,927)	0	(369)	(2,296)
(24,727)	1,739	(1,815)	(24,803)
<b>(115,438)</b>	<b>53,977</b>	<b>(38,101)</b>	<b>(99,562)</b>

2020/21General Fund Balances

School Balances

General Fund

Total General Fund Balances

General Fund Reserves

Strategic Reserve

Insurance Reserve

COVID-19 Local Authority Support Grant

Support Change Fund Programme

Street Lights PFI Reserve

Redundancy &amp; Remuneration Reserve

Schools PFI Lifecycle costs (capital)

Education PFI Reserve

Dudley &amp; Shiremoor Joint Service Centres

Whitley Bay Customer First Centre PFI

Dedicated Schools Grant

Public Health Grant

Education Funding Agency

Business Rates Support Top Up

Local Restriction Support Grant

Additional Restrictions Grant

Contain Outbreak Management

Business Rates; NoTCA Growth

S31 Business Rates Relief

Educational Change Reserve

General Fund Reserves (individually under £1.000m)

Other Grants (individually under £1.000m)

Total General Fund Reserves

**Total General Fund Balances & Reserves**

Balance 1 April 2020 £000s	Transfers out 2020/21 £000s	Transfers in 2020/21 £000s	Balance 31 March 2021 £000s
(165)	0	(3,555)	(3,720)
(7,000)	0	0	(7,000)
(7,165)	0	(3,555)	(10,720)
(15,489)	985	0	(14,504)
(7,989)	900	(1,612)	(8,701)
(6,089)	6,089	(1,685)	(1,685)
(3,691)	20	(1,000)	(4,671)
(2,780)	1,103	(1,357)	(3,034)
(1,660)	25	0	(1,635)
(2,232)	705	(705)	(2,232)
(1,065)	172	(557)	(1,450)
(1,262)	180	(238)	(1,320)
(778)	132	(129)	(775)
3,262	(3,262)	7,932	7,932
(596)	596	(1,059)	(1,059)
(759)	759	(1,448)	(1,448)
0	0	(3,307)	(3,307)
0	0	(4,661)	(4,661)
0	0	(2,738)	(2,738)
0	0	(5,302)	(5,302)
0	0	(1,841)	(1,841)
0	0	(13,635)	(13,635)
0	0	(1,094)	(1,094)
(4,724)	527	(2,057)	(6,254)
(1,994)	252	(4,835)	(6,577)
(47,846)	9,183	(41,328)	(79,991)
(55,011)	9,183	(44,883)	(90,711)

HRA Balances & Reserves

	<b>Balance 1 April 2020 £000s</b>	<b>Transfers out 2020/21 £000s</b>	<b>Transfers in 2020/21 £000s</b>	<b>Balance 31 March 2021 £000s</b>
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)
<b>Total Balances &amp; Reserves</b>	<b>(81,917)</b>	<b>13,367</b>	<b>(46,888)</b>	<b>(115,438)</b>



## **Purpose of main General Reserves**

### Reserve

COVID-19 Local Authority Support Grant

Dudley & Shiremoor Joint Service Centres

Education PFI Reserve

Insurance Reserve

New Build Council Housing

North Tyneside Living PFI

Redundancy & Remuneration Reserve

Schools PFI Lifecycle Costs (Capital)

Strategic Reserve

Street Lights PFI Reserve

Support for Change Fund Programme

### Purpose

Funding received from central government to support the Authority with the additional costs and income lost due to COVID-19

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.

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.

Risks covered by the reserve are fire, employer and third-party liability, contract guarantee bonds, motor cars, personal accident.

Established to support the provision of New Build Council Housing.

Set up to equalise cash flows relating to the Council's North Tyneside Living PFI scheme.

Reserve to meet the expected cost of redundancies arising from the Change Programme.

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.

Established to address future potential significant external pressures on the Council's budget.

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.

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 ESFA's 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	(9,591)
<b>61,136</b>	<b>Total Unuseable Reserves</b>	<b>(85,522)</b>

#### 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	
(152,155)	<b>Balance at 1 April</b>
(8,426)	Upward revaluation of assets
6,539	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services
(1,887)	Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Services
3,813	Difference between fair value depreciation and historical cost depreciation
155	Accumulated gains on assets sold or scrapped
3,968	Amount written off to the Capital Adjustment Account
<b>(150,074)</b>	<b>Balance at 31 March</b>

2021/22 £000s	
	<b>(150,074)</b>
(26,378)	
13,371	
	(13,007)
3,681	
289	
	3,970
	<b>(159,111)</b>

### 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	
	<b>Balance at 1 April</b>		<b>(362,249)</b>
(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)
<b>42,120</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>43,497</b>
	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)
<b>(362,249)</b>	<b>Balance at 31 March</b>		<b>(387,742)</b>

### 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	
1,201	<b>Balance at 1 April</b>
(33)	Proportion of premiums incurred in previous financial years to be charged in accordance with statutory requirements
0	Proportion of discounts received in previous financial years to be credited in accordance with statutory requirements
(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
<b>1,168</b>	<b>Balance at 31 March</b>

2021/22 £000s    £000s	
	1,168
(33)	
0	
	(33)
	<b>1,135</b>

### 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	<b>Balance at 1 April</b>	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)
<b>557,920</b>	<b>Balance at 31 March</b>	<b>458,010</b>

### 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)	<b>Balance at 1 April</b>	(963)
203	Transfer to the Capital Receipts Reserve upon receipt of cash	553
<b>(963)</b>	<b>Balance at 31 March</b>	<b>(410)</b>



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)	<b>Balance at 1 April</b>	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)
<b>15,701</b>	<b>Balance at 31 March</b>	<b>3,788</b>

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 £000s		2021/22 £000s    £000s	
9,465	<b>Balance at 1 April</b>		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
<b>7,228</b>	<b>Balance at 31 March</b>		<b>8,399</b>

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	
(7,037)	<b>Balance at 1 April</b>
0	Transfer from Available for Sale Reserve
(558)	Gain on revaluation of Financial Instrument
<b>(7,595)</b>	<b>Balance at 31 March</b>

2021/22
£000s
<b>(7,595)</b>
0
(1,996)
<b>(9,591)</b>

### 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

#### Balance at 1 April 2021

Net overspend/(underspend) during year

#### Balance at 31 March 2022

Schools with Surpluses £000s	Schools with Deficits £000s	Net Surplus £000s
(14,474)	10,754	(3,720)
(756)	1,078	322
(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
<b>In Year Carry forward to 2022/23</b>	<b>1,082</b>	<b>3,836</b>	<b>4,918</b>
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			<b>12,851</b>
Net DSG position at the end of 2021/22			<b>12,851</b>

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

### 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	£000s
	<b>Contributions</b>	
1,869	1,869	
9,297	9,297	
17,421	18,291	
<b>28,587</b>		<b>29,457</b>
	<b>Total Contributions</b>	
	<b>Spend</b>	
1,200	1,380	
669	489	1,869
20,394	20,948	
6,324	6,640	27,588
<b>28,587</b>		<b>29,457</b>
	<b>Total Spend</b>	

## 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
<b>Financial Assets at Amortised Cost</b>				
Short Term Investments	0	0	17,836	27,500
Debtors	80	2,227	37,731	26,916
Cash & Cash Equivalents	0	0	23,726	30,964
	80	2,227	79,293	85,380
<b>Financial Assets – Fair Value through other Comprehensive Income</b>				
Investments (Level 3)	16,905	20,333	0	0
<b>Total Financial Assets</b>	<b>16,985</b>	<b>22,560</b>	<b>79,293</b>	<b>85,380</b>
<b>Financial Liabilities at Amortised Cost</b>				
Loans principal	397,443	392,443	23,097	7,993
Loans accrued interest	0	0	3,097	2,993
Creditors	0	0	43,606	65,635
	397,443	392,443	69,800	76,621
<b>Other Long-Term Liabilities</b>				
PFI Schemes	105,075	100,659	4,591	4,874
<b>Total Financial Liabilities</b>	<b>502,518</b>	<b>493,102</b>	<b>74,391</b>	<b>81,495</b>

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

2020/21			
Financial Liabilities	Financial assets		Total
Measured at amortised cost	Loans and Receivables	Fair value through OCI&E	
£000s	£000s	£000s	£000s
Interest on loans	(14,839)	0	(14,839)
Interest on PFI Schemes	(7,988)	0	(7,988)
Total Interest Payable	(22,827)	0	(22,827)
Interest Income	0	251	251
Net (loss)/gain for the year	0	(558)	(558)
Dividend Received	0	0	0
Net (loss)/gain for the year	(22,827)	251	(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
17,836	17,836	<b>Financial Assets at amortised cost</b>	27,500	27,500
37,811	37,811	Short Term Investments	29,143	29,143
23,726	23,726	Debtors	30,964	30,964
79,373	79,373	Cash and Cash Equivalents	87,607	87,607
		<b>Financial Assets – Fair Value through other comprehensive income</b>		
0	0	Cash and Cash Equivalents	0	0
0	0	Debtors	0	0
16,905	16,905	Investments*	20,333	20,333
		<b>Financial Assets – Fair value through profit and loss</b>		
0	0	Cash and Cash Equivalents	0	0
0	0	Debtors	0	0
16,905	16,905		20,333	20,333
<b>96,278</b>	<b>96,278</b>	<b>Total Financial Assets</b>	<b>107,940</b>	<b>107,940</b>
		<b>Borrowings</b>		
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	Fair Value £000s
43,606	43,606
109,667	161,734
<b>573,813</b>	<b>742,966</b>

**Creditors****Other Long-Term Liabilities**

Service Concession and Finance lease liabilities  
PFI Schemes

**Total Financial Liabilities**

31 March 2022	
Carrying Amount £000s	Fair Value £000s
65,635	65,635
105,443	159,910
<b>571,514</b>	<b>699,987</b>

\* 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 £9.825m (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
<b>573,812</b>		<b>575,425</b>
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
<b>573,812</b>		<b>575,425</b>

## 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:

<b>Group 2020/21 £000s</b>	<b>Council 2020/21 £000s</b>	
109	109	Interest Received
(22,789)	(22,789)	Interest Paid

<b>Group 2021/22 £000s</b>	<b>Council 2021/22 £000s</b>
502	502
(22,318)	(22,318)

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

<b>Group 2020/21 £000s</b>	<b>Council 2020/21 £000s</b>	
33,027	33,027	Depreciation & Impairment
1,969	1,969	Revaluations
906	906	Amortisation of intangible assets
11,446	11,148	Increase/(Decrease) in Creditors
(2,832)	(3,725)	(Increase)/Decrease in Debtors
(236)	16	(Increase)/Decrease in Inventories
26,190	26,190	Movement in the Pension Liability
7,536	7,536	Carrying amount of non-current assets sold
2,970	2,970	Other non-cash items charged to the surplus/deficit on the provision of services
<b>80,976</b>	<b>80,037</b>	

<b>Group 2021/22 £000s</b>	<b>Council 2021/22 £000s</b>
32,780	32,780
3,469	3,469
987	987
23,907	24,125
6,950	6,963
6,030	(112)
39,400	39,400
9,768	9,768
297	297
<b>123,588</b>	<b>117,677</b>

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

<b>Group 2020/21 £000s</b>	<b>Council 2020/21 £000s</b>	
(8,667)	(8,667)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets
(30,819)	(30,819)	Any other items for which the cash effects are investing or financing cash flows
<b>(39,486)</b>	<b>(39,486)</b>	

<b>Group 2021/22 £000s</b>	<b>Council 2021/22 £000s</b>
(9,934)	(9,934)
(26,823)	(26,823)
<b>(36,757)</b>	<b>(36,757)</b>

#### 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	(10,000)	(11,097)
(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
<b>(25,906)</b>	<b>(25,703)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(28,847)</b>	<b>(24,820)</b>

#### 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)
<b>(57,001)</b>	<b>(57,020)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(25,867)</b>	<b>(24,842)</b>

## 42 Inventories

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

\* 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 £29.021m at 31 March 2022 and a projected cash balances in excess of £25.200m at 31 March 2024. The Authority's cash flow is monitored daily by management and the Authority does not forecast any cash flow shortage through to 31 March 2025. 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 March 2025. 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	£000s
	<u>Expenditure</u>			
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			
	<u>Income</u>			
(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			
<b>(29,639)</b>	<b>Net cost of HRA services as included in the Comprehensive Income &amp; Expenditure Statement</b>			<b>(36,780)</b>

## Housing Revenue Account

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

Note	2021/22	
	£000s	£000s
	317	
	2,678	
		<b>(33,785)</b>
	(1,499)	
	14,390	
	(74)	
52	1,309	
	550	14,676
		<b>(19,109)</b>

## 5.2 Movement on the Housing Revenue Account Statement

2020/21 £000s	
(26,906)	Balance on the HRA at the end of the previous year
(12,504)	Surplus for the year on the HRA Services
14,683	Adjustments between accounting basis and funding basis under statute
2,179	(Increase)/Decrease in year on the HRA
<b>(24,727)</b>	<b>Balance on the HRA at the end of the year</b>

2021/22 £000s
(24,727)
(19,109)
19,033
(76)
<b>(24,803)</b>

## 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	1,538
1,028	- 2 Bed	1,026
110	- 3+ Bed	110
	Medium Rise Flats	
561	- 1 Bed	567
1,132	- 2 Bed	1,111
61	- 3+ Bed	60
	Houses and Bungalows	
1,566	- 1 Bed	1,565
2,945	- 2 Bed	2,932
5,159	- 3 Bed	5,059
336	- 4+ Bed	331
<b>14,441</b>	<b>Total</b>	<b>14,299</b>



## 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.

<b>1 April 2021 £000s</b>		<b>31 March 2022 £000s</b>
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
<b>663,164</b>		<b>683,511</b>

## 47 Vacant Possession

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

<b>1 April 2021 £ms</b>		<b>31 March 2022 £ms</b>
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.

Opening Rent Arrears at 1 April 2021 - consisting of:

Current Tenant Arrears at 1 April 2021

Former Tenant Arrears at 1 April 2021

Closing Rent Arrears at 31 March 2022 - consisting of:

Current Tenant Arrears at 31 March 2022

Former Tenant Arrears at 31 March 2022

£000s	£000s
3,498	5,810
2,312	
3,694	6,156
2,462	

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
<b>4,744</b>	<b>Provision for Bad Debts at 31 March</b>	<b>5,085</b>

## 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
<b>(9,102)</b>	<b>Balance as at 31 March</b>	<b>(8,227)</b>

## 50 Housing Capital Expenditure and Financing

Capital expenditure of £26.758m was incurred in the HRA during 2021/22

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

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
<b>20,362</b>		<b>26,758</b>

Total Gross Capital Receipts:

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

## 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
<b>15,118</b>		<b>15,136</b>

## 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
<b>12,593</b>		<b>5,876</b>

## 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
	<b>Income</b>		Business Rates	Council Tax	Total
(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)
	<u>Distribution of Collection Fund Deficit:</u>				
(645)	Central Government		(14,519)	0	(14,519)
(678)	North Tyneside Council		(14,561)	0	(14,561)
0	Police and Crime Commissioner for Northumbria		0	0	0
(13)	Tyne & Wear Fire & Rescue Authority		0	0	0
(148,883)	<b>Total Income</b>		(294)	0	(294)
	<b>Expenditure</b>		(79,817)	(122,362)	(202,179)
	<u>Precepts, Demands &amp; Shares:</u>	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
	<u>Distribution of Collection Fund Surplus:</u>	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

**Note**  
61

<b>2020/21</b>	
<b>£000s</b>	
	<u>Charges to the Collection Fund:</u>
2,282	Increase/(decrease) in Provision for Appeals
2,844	Increase/(decrease) in Impairment Allowance
231	Cost of Collection
93	Disregarded Amounts
297	Transitional Protection Payment
5,747	
179,461	<b>Total Expenditure</b>
30,578	Deficit/(Surplus) for the year
652	Deficit/(Surplus) as at 1 April
31,230	Deficit/(Surplus) as at 31 March

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<b>2021/22</b>		
<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
6	0	6
990	2,032	3,022
234	0	234
146	0	146
46	0	46
1,422	2,032	3,454
58,586	120,832	179,418
(21,231)	(1,530)	(22,761)
30,641	589	31,230
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.

	<b>Band D Equivalents</b>	<b>Collection Rate</b>	<b>Council Tax Base</b>
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

	<b>BAND A Entitled to Disabled Relief Reduction</b>	<b>BAND A Value Range up to £40,000 (see Note 1)</b>	<b>BAND B Value Range £40,001 to £52,000</b>	<b>BAND C Value Range £52,001 to £68,000</b>	<b>BAND D Value Range £68,001 to £88,000</b>	<b>BAND E Value Range £88,001 to £120,000</b>	<b>BAND F Value Range £120,001 to £160,000</b>	<b>BAND G Value Range £160,001 to £320,000</b>	<b>BAND H Value range over £320,000</b>	<b>TOTAL</b>
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
<b>114,557</b>		<b>118,315</b>

## 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
<b>723</b>		<b>485</b>

## 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)
	<b>9,410</b>	<b>(941)</b>

## 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 or 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).

**Pooled Funds:** established to support partnership working. A pooled fund will receive funds from a variety of sources and will be administered 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).

# North Tyneside Council Provisional Audit Results Report

Year ended 31 March 2022

3 November 2022

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Building a better  
working world



Private and Confidential

3 November 2022

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

Dear Audit Committee Members

#### 2021/22 Provisional Audit Results Report

We are pleased to attach our Provisional Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 16 November 2022 on further progress to that date and explain the remaining steps to the conclusion of the audit and issue of our opinion.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on North Tyneside Council's (the Council's) accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that our regulator and society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

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

Yours faithfully

Stephen Reid  
Partner  
For and on behalf of Ernst & Young LLP  
Encl



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The contents of this report are subject to the terms and conditions of our appointment as set out in our engagement contract of 2 October 2017.

This report is made solely to the Audit Committee and management of North Tyneside Council in accordance with the engagement contract of 2 October 2017. Our work has been undertaken so that we might state to the Audit Committee, and management of North Tyneside Council, those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of North Tyneside Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

## Executive Summary



## Executive Summary

### Scope update

In our Audit Planning Report presented to the 23 March 2022 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- **Changes in materiality:** We updated our planning materiality assessment using the draft financial statements. Based on our materiality measure of gross expenditure on the provision of services, we updated our overall materiality assessment to £12.7 million for the Group (Audit Planning Report – £12.5 million). This results in updated performance materiality, at 50% of overall materiality, of £6.3 million, and an updated threshold for reporting misstatements of £0.63 million.
- **Additional significant risks:** We have continued to update our risk assessment process throughout the audit and have identified the following additional risks of material misstatement since we presented our Audit Planning Report to the Audit Committee:
  - **Infrastructure assets:** An issue has been raised through the National Audit Office's Local Government Technical Group that local authorities are not writing out the gross cost and accumulated depreciation on infrastructure assets when a major part/component has been replaced or decommissioned. The Council's asset register does not tend to record infrastructure capital expenditure with sufficient detail to enable identification of prior cost of replaced parts / components and related accumulated depreciation. It is not possible to identify the cost and accumulated depreciation balances that needs to be derecognised following replacement of an asset and there is a risk that the gross book value and accumulated depreciation are materially misstated in the financial statements.

To address this issue, there are two proposals being taken forward:

1. CIPFA is working on an update to the Code of Practice for Local Authority Accounting to allow reporting on a net basis for infrastructure assets
2. The Department for Levelling Up, Housing and Communities is looking to issue a statutory instrument to allow derecognition on a nil residual value disposal.

Neither of these proposals are expected to be confirmed until December 2022, with implementation of the required amended accounting by management in January 2023. One option to finalise the 2021/22 financial statements, which is being taken by some authorities, is for the auditor to include a 'limitation of scope' on infrastructure assets in the audit opinion. Council officers have confirmed they do not wish to proceed with a limitation of scope, which means that the Council's financial statements are unlikely to be finalised until February 2023.

Further information on this risk is included within section 2 of this report.



## Executive Summary

### Status of the audit

Our audit work in respect of the Council opinion remains ongoing due to delays in receipt of evidence throughout the audit, and the quality of the evidence received not always being of the required standard. Regular updates on these matters have been provided to management. The following items relating to the completion of our audit procedures were outstanding at the date of drafting of this report:

- Responses to outstanding queries on income, expenditure, debtors and creditors sample testing, including items selected during our interim audit visit;
  - Testing of land and buildings valuation sample due to delays in receipt of information being provided by Capita;
  - Receipt of assurances required from the Tyne and Wear Pension Fund auditor to conclude on our work on the LGPS liability;
  - Testing of the Collection Fund;
  - Testing of grant income;
  - Receipt of settlement agreement to support exit package disclosures;
  - Completion of going concern procedures;
- Update to value for money risk assessment;
- Update of amended accounting on infrastructure assets and completion of audit procedures;
- Final partner and senior manager review of the audit file; and
- Audit completion procedures and receipt of signed financial statements.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the narrative report and financial statements which could influence our final audit opinion.

# Executive Summary

## Auditor responsibilities under the Code of Audit Practice 2020

Under the Code of Audit Practice 2020 (the 2020 Code), we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability:  
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance:  
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:  
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

## Status of the audit – Value for Money

In our Audit Planning Report, we noted that our value for money (VFM) risk assessment was still underway. Our initial risk assessment did not identify any risk of significant weakness against the three reporting criteria we are required to consider under the 2020 Code. We will revisit our assessment on completion of the audit of the financial statements to confirm that we have not identified a risk of significant weakness.

## Audit differences

At the time of preparing this report, we have identified one material audit adjustment of £7.5m that has been agreed with management in relation to the incorrect classification of short term deposits as cash and cash equivalents.

We have also identified one judgemental audit difference of £1.5m which relates to a difference between our recalculated Teachers Pension Unfunded Scheme liability and that calculated by the actuary.

A number of other, more minor adjustments, have been made to the disclosures in the initial draft of the financial statements received for audit.

# Executive Summary

## Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial statements. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

### *Risk of fraud in revenue and expenditure recognition*

At the time of preparing this report, our work in this area is ongoing whilst we work through final remaining sample items. To date, we have identified £1.4 million of grant income which has been double counted in the financial statements and management have agreed to adjust for this in the final draft of the financial statements.

### *Misstatements due to fraud or error*

As reported in our 2020/21 Audit Results Report, the Equans team continue to make significant adjustments outside of the general ledger as part of the financial statement preparation process which increases the risk of material misstatement due to fraud or error. We have provided more detail on this as part of our response to the risk on the financial statement close process.

### *Valuation of land and buildings held at open market value*

Our work in this area is still ongoing as sample information requested on 1 September 2022 was received from the Capita team on 13 October 2022, approximately 5 weeks after the originally agreed due date.

### *Valuation of land and buildings held at depreciated replacement cost*

Our work in this area is still ongoing as sample information requested on 1 September 2022 was received from the Capita team on 13 October 2022, approximately 5 weeks after the originally agreed due date.

### *Valuation of Local Government Pension Scheme liability*

At the time of preparing this report, we have not received all of the assurances that we require to conclude on our work on the valuation of the Local Government Pension Scheme liability.

### *Financial Statement Close Process*

As part of the financial statement preparation process, the Equans team continued to process all recharges and transfers between account codes in their Microsoft excel working papers and not the general ledger as we would expect to see. As a consequence of the approach taken there has been a significant amount of additional audit work required to gain assurance over these transactions. The amount of manual intervention in the financial statement preparation process also means that we have been unable to adopt our leading edge digital audit methodology, as we have at other local authorities, which would provide greater assurance over full populations of data and focus the sample testing on those areas of greatest risk.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee or management.

## Executive Summary

### Other reporting issues

We have not yet received the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We expect that the guidance will be provided later in the year and therefore our audit certificate will remain open until this element of our responsibilities are completed. If consistent with the agreed approach for 2020/21 then we expect that the Council will be below the reporting threshold for 2021/22.

On page 6 of this report, we highlight the information required to allow us to conclude on our audit. The timescales required for completion of the required audit procedures, including agreeing a resolution to the treatment for infrastructure assets, mean that the financial statements are not likely to be ready for final approval until January / February 2023.

### Control observations

During the audit, we identified the following deficiency in internal control:

- As part of the financial statement preparation process, the Equans team have continued to post a significant volume of manual adjustments outside of the general ledger. As these adjustments are not subject to the same processes and controls as journals processed within the general ledger, the Council's financial statements are more susceptible to misstatement through either error or fraud.

### Independence

Please refer to Section 8 for our update on Independence.





## 02 Areas of Audit Risk





## Areas of Audit Risk

# Risk of fraud in revenue and expenditure recognition (Significant risk)

Risk of fraud in revenue and expenditure recognition – inappropriate recognition of grants with terms and conditions attached, inappropriate capitalisation of revenue expenditure and omission of expenditure from the financial statements\*

\* Fraud risk

### What is the risk?

Under ISA 240, there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Local authorities have a statutory duty to balance their budget and are operating in a financially challenged environment with reducing levels of government funding and increasing demand for services. During the course of the Covid-19 pandemic, the focus was on providing services in a challenging environment and progress in achieving efficiency targets slowed, which means that there are greater levels of efficiency to be achieved over the medium terms. Significant levels of additional Covid-19 grant funding were received in 2020/21 but, as this decreases as we exit the pandemic, there will be a great pressure on local authorities in managing the financial position.

### What judgements are we focused on?

Our judgement is that the significant risk at the Council relates to the recognition of grants with terms and conditions attached, the potential improper capitalisation of revenue expenditure and the omission of expenditure from the financial statements.

We reviewed the draft financial statements of the subsidiaries which were consolidated into the Group and identified that none of the accounts to which we had attached our risk are material to the Group.

We therefore focused our audit work on the Council single entity financial statements.

### What did we do?

- We tested a sample of grant income with terms and conditions to ensure that where management judgements were made relating to the recognition of the income, all terms and conditions were satisfied.
- We tested a sample of capital expenditure incurred to ensure that it was correctly classified as capital expenditure and should not instead have been included as revenue.
- We reviewed a sample of transactions recorded in the ledger and payments made from the bank account post year-end and confirmed that the associated expenditure was recorded in the correct period.

### What are our conclusions?

Our work in this area is ongoing, due to delays in receiving the sample information and the quality of some evidence provided.

To date, we have identified £1.4 million of grant income which has been double counted in the financial statements and management have agreed to adjust for this in the final draft of the financial statements.

We will update the Committee on the status of this work at the meeting on 16 November 2022.

# Misstatements due to fraud or error (Significant risk)

### Misstatements due to fraud or error\*

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

\* Fraud risk

#### What judgements are we focused on?

Our work in this area is focussed on reviewing manual journal entries in the financial statements preparation process, as this is the way in management would most easily be able to manipulate accounting records.

#### What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger of the Council.
- We reviewed accounting estimates for evidence of management bias.
- We evaluated the business rationale for any significant and / or unusual transactions.
- To address the risk in the other components consolidated into the Group we designed a testing programme for all material balances and performed an overall analytical review at Group level, covering all components.

#### What are our conclusions?

Our work in this area is still ongoing; however, at the time of preparing this report, we have identified one judgement taken by management that we wish to draw to your attention.

When calculating the provision for successful appeals against non-domestic rates charges, which has a value of £3.3 million in the financial statements, management provide for 100% of the maximum value at risk. Management accept that they will not end up paying the full amount of the rateable value from the open appeals currently on the system, however, they considered the difference would be comparable to the risk. We have performed some benchmarking of the provision against other local authorities and are satisfied that there is unlikely to be a material misstatement arising; however, we do recommend that management develop a more precise method of calculation for future years.

We will update the committee on the status of this work at the meeting on 16 November 2022.



## Areas of Audit Risk

# Valuation of land and buildings held at existing use value (Significant risk)

### Valuation of land and buildings held at existing use value

#### What is the risk?

The value of land and buildings held at existing use value is £60.9 million. These represent significant balances in the Council's financial statements and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgements in respect of key assumptions and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Our experience from the audit of property valuations for the year ended 31 March 2021 is that there is a greater likelihood of uncertainty in valuations of land and buildings held at existing use value, and therefore we attach our significant risk to these assets.

#### What judgements are we focused on?

Our work in this area focussed on:

- The basis of valuation and the valuation methodology applied by the Council's internal valuation specialist.
- The robustness of data inputs into the valuation.
- The accuracy of the valuation calculations and the subsequent accounting journals.
- Accounting policies for consolidation of properties held by the subsidiary companies into the Group.

#### What did we do?

- We considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- We sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
- We reviewed the accounting journals processed by management to obtain assurance that the treatment of the revaluation is appropriate.

#### What are our conclusions?

Due to the delay in receiving the evidence for our valuations sample from Capita, our work in this area is ongoing.

We will update the committee on the status of this work at the meeting on 16 November 2022.



## Areas of Audit Risk

# Infrastructure Assets (Significant risk)

### Infrastructure Assets

#### What is the risk?

An issue has been raised through the National Audit Office's Local Government Technical Group that local authorities are not writing out the gross cost and accumulated depreciation on infrastructure assets (e.g. roads, footways, streetlighting) when a major part / component has been replaced or decommissioned. The Council's asset register holds infrastructure assets with a net book value of £178.7 million at 31 March 2022 but does not tend to record infrastructure capital expenditure with sufficient detail to enable identification of prior cost of replaced parts / components and related accumulated depreciation. It is therefore not possible to identify the cost and accumulated depreciation balances that need to be derecognised following replacement of an asset and, as a consequence, there is a risk that the gross book value and accumulated depreciation are materially misstated in the financial statements.

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#### What judgements are we focused on?

Management has acknowledged that records on infrastructure assets are not sufficient to provide evidence compliance with the CIPFA Code for derecognition following replacement of a component part.

#### What did we do?

We discussed with management the options available for closing down the 2021/22 financial statements which include waiting for enhanced guidance from CIPFA through an update to the CIPFA Code of Practice on Local Authority Accounting and a statutory override being issued by the Department for Levelling up, Housing and Communities. We also discussed the possibility of issuing a limitation of scope on infrastructure assets as part of our audit opinion.

The limitation of scope opinion would highlight that we were unable to obtain sufficient appropriate audit evidence to support the value of the Infrastructure Assets in the financial statements. This is because the Council does not maintain accurate and current records to support the application of the applicable financial reporting framework to derecognise the gross cost and accumulated depreciation on infrastructure assets when a major part / component of that asset has been replaced or decommissioned.

#### What are our conclusions?

An update to the CIPFA Code of Practice on Local Authority Accounting and the enactment of a statutory override are not expected to be confirmed until December 2022 at the earliest, with implementation of the required amended accounting by management likely to be in January 2023.

One alternative option to finalise the 2021/22 financial statements, and allow more timely reporting, which is being taken by some authorities, is for the auditor to include a 'limitation of scope' on infrastructure assets in the audit opinion. Management has confirmed they do not wish to proceed with a limitation of scope, which means that the Council's financial statements are unlikely to be finalised until around February 2023.

# Other areas of audit focus

We identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

### What is the risk/area of focus?

Valuation of Land and Buildings – Land and buildings held at Depreciated Replacement Cost (£180.6 million)

The value of land and buildings held at Depreciated Replacement Cost represents a significant balance in the Council's financial statements and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements in respect of key assumptions and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Pension asset and liability valuation

The Local Authority Accounting Code of Practice and IAS 19 requires the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Tyne and Wear Pension Fund.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2022, the gross liability totalled £1,618 million. This is offset by asset investments held by the Tyne and Wear Pension Fund of £1,160 million at 31 March 2022. We note that the valuation of some of these assets is complex as they are classified as level three investments. This gives a net liability of £0.458m (£0.558m at 31 March 2021).

The information disclosed is based on the IAS 19 report issued by the Council's actuary, AON Hewitt. Accounting for this scheme involves significant estimation and judgement, and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. We also note that in 2020/21 there were material adjustments made in the financial statements to account for update returns on asset investments received from the Tyne and Wear Pension Fund.

### What were our Conclusions?

Due to the delay in receiving the evidence for our valuations sample from Capita, our work in this area remains ongoing.

We will update the committee on the status of this work at the meeting on 16 November 2022.

At the time of preparing this report we have not yet received the IAS 19 assurances from the auditor of the Tyne and Wear Pension Fund over the asset values reported.

We have engaged our EY actuarial experts to review the calculation of the liability for both the Tyne and Wear Pension Fund and Teachers Pension Unfunded Scheme and obtained assurance that the liability reported in the financial statements is materially accurate.

Our EY actuarial experts did, however, note that figures for the Teachers Pension Unfunded Scheme appeared wider than usual tolerances, with our recalculated liability being £2.4 million (6%) greater than that calculated by Aon. This does still fall within our acceptable materiality thresholds but we have included £1.5m (the element of the difference above the usual tolerance) as a judgemental difference in section .

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?	What were our conclusions?
<p>Financial statement close process</p> <p>As part of our 2020/21 audit we identified that there were a large volume of manual material adjustments made by management, outside of the general ledger, as part of the financial statement preparation process. As these adjustments are not subject to the same processes and controls as transactions posted in the general ledger, there is an increased risk of error.</p> <p>We also note that the volume of these adjustments means that we are unable to apply our new digital audit approach which would allow us to analyse the financial statements, using whole populations of data, and focus our substantive testing on those areas with more judgement and risk.</p>	<p>As part of the 2021/22 financial statement preparation process, the Equans team continued to process all recharges and transfers between account codes in their Microsoft excel working papers and not the general ledger as we would expect to see.</p> <p>As a consequence of the approach taken there has been a significant amount of additional audit work required to gain assurance over these transactions. The amount of manual intervention in the financial statement preparation process also means that we have been unable to adopt our leading edge digital audit methodology, as we have at other local authorities, which would provide greater assurance over full populations of data and focus the sample testing on those areas of greatest risk.</p>



## 03 Audit Report



## Audit Report

# Draft audit report

### Our opinion on the financial statements

We will share a draft of our opinion following agreement of an approach to address the issues around infrastructure assets. If a limitation of scope on infrastructure assets is required, we will need to consult on the wording with our professional practice colleagues.





## 04 Audit Differences



## Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Summary of audit differences

At the time of preparing this report, we have identified the following material audit adjustment that has been agreed with management in relation to the incorrect classification of short-term deposits as cash and cash equivalents:

Dr Short-Term Investments £7.5 million  
Cr Cash and Cash equivalents £7.5 million

We have also identified the following judgemental audit difference in relation to the element of Teachers Pension Unfunded liability which is above our usual tolerances when performing our roll forward procedures:

Dr Other Comprehensive Income £1.5m  
Cr Local Government Pension Scheme Liability £1.5m

A number of other, more minor adjustments, have been made to the disclosures in the initial draft of the financial statements received for audit. Additionally, as we have yet to finalise our audit work we continue to discuss other potential adjustments required to the financial statements.



## 05 Value for Money





# Value for money

## The Council's responsibilities for value for money (VFM)

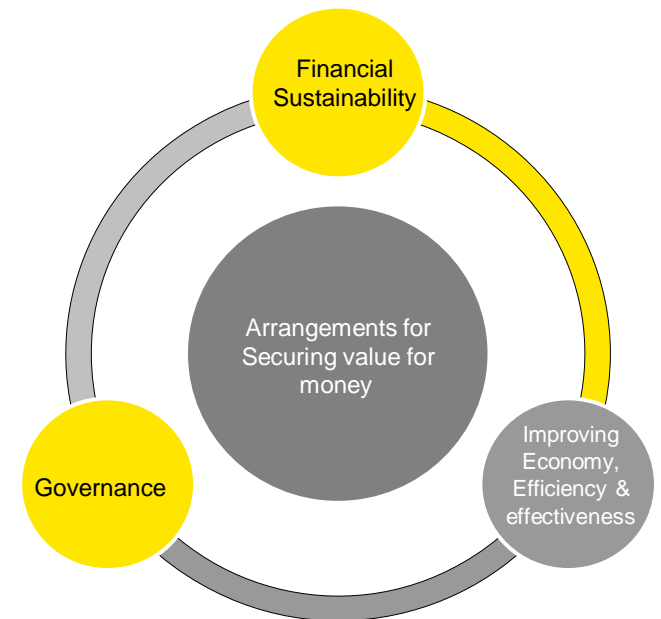
The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA Code of Practice on Local Authority Accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Risk assessment

The outcome of our assessment of the risk of significant weaknesses in the Council's VFM arrangements is that we had not identified any risks.

We will revisit our risk assessment during the conclusion stage of our audit to confirm that we have not identified any additional risks of significant weaknesses in arrangements.





## 06 Other reporting issues

## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Annual Financial Report 2021/22 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Annual Financial Report and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and, at the time of preparing this report, we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet received the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We do not yet have a timeline for when we can expect to receive this guidance and therefore our audit certificate will remain open until our reporting is concluded in this respect.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.





# 07

## Assessment of Control Environment



# Assessment of Control Environment

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## Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control, including group-wide or at components.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.





## 2021/22 control recommendations

### Observation

As part of the financial statement preparation process, the Equans team continued to process all recharges and transfers between account codes in their Microsoft excel working papers and not the general ledger as we would expect to see. As a consequence of the approach taken there has been a significant amount of additional audit work required to gain assurance over these transactions

### Page 241

### Impact

The risk of material misstatement due to fraud or error is significantly increased due to the level of manual manipulation. The amount of manual intervention in the financial statement preparation process also means that we have been unable to adopt our leading edge digital audit methodology, as we have at other local authorities, which would provide greater assurance over full populations of data and focus the sample testing on those areas of greatest risk.

### Management comment

The Authority is reviewing all of the transactions occurring outside of the General Ledger (GL) to see where these may be appropriately transacted. The aim will be for 2022/23 only where necessary would transactions occur outside of the GL. For clarity only certain recharges are currently processed outside of GL, where they are felt to confuse the management reporting.



## Update on 2020/21 control recommendations

### Observation

We recognise that the management continue to face challenges, including ongoing remote working, as a result of the Covid-19 pandemic but we have encountered longer than expected delays in receiving some of the evidence to support the disclosures made in the financial statements and responses to queries in some areas. We also note that, in some areas, the quality of the evidence was not always at the level required.

### Observation

As a result of delays during the Covid-19 pandemic, a number of key Council policies, including whistleblowing and anti-bribery, have passed their date for review. We understand that plans are in pace to proceed with approval of updated policies in the medium term.

### Impact

The delays encountered were a significant factor in our not being able to issue the audit opinion until February 2022. We held a full debrief on conclusion of the audit in preparation for 2021/22.

### Impact

The formal written policies may not be in-line with best practice guidance or the actual operating procedures of the Council.

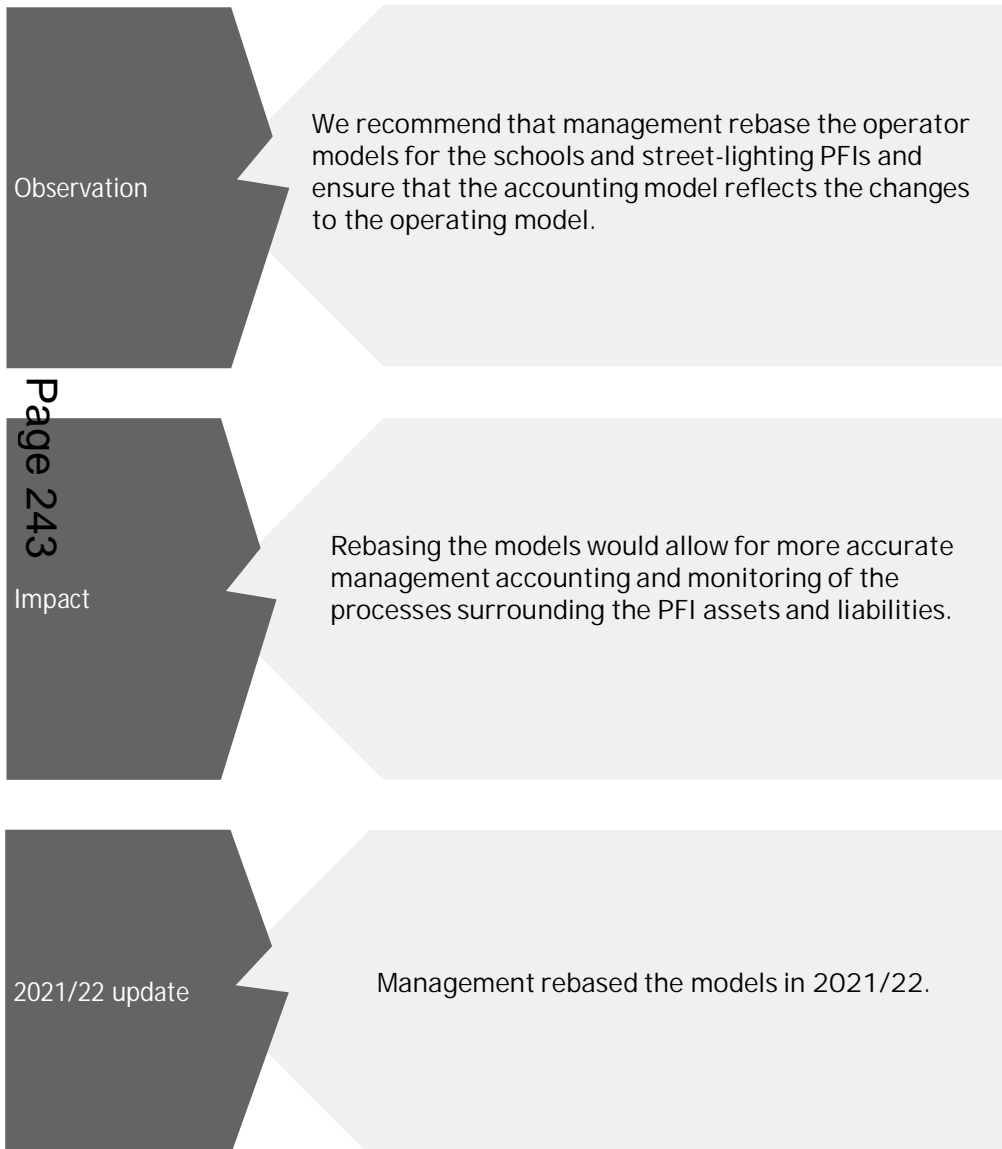
### 2021/22 update

We have continued to encounter delays in the timeliness and quality of evidence provided as part of our audit in 2021/22. Further work is required in advance of the 2022/23 audit to address these matters.

### 2021/22 update

An update of key policies is still under way.

## Update on 2020/21 control recommendations





08

## Independence

## Relationships, services and related threats and safeguards

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

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

### Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

As at the date of this report, there are no future services which have been contracted, other than for the assurance reports on the Teachers Pension Return, Pooling of Housing Capital Receipts Return and Housing Benefit Subsidy Return which form part of our engagement contract. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in May 2020.

# Relationships, services and related threats and safeguards

## Services provided by Ernst & Young

Our audit fees, as agreed with management, are included in the table below.

	Planned fee 2021/22	Final fee 2020/21
	£	£
Total Fee – Code work (Base Fee) Note (1)	175,500	162,500
Total Fee – Code work (Variation) Note (2)	TBC	9,300
Total Audit fee	TBC	171,800
Total Fee – North Tyneside Trading Company and subsidiaries Note (2)	TBC	18,000
Total additional group fees	TBC	18,000
Non-audit work – Housing Benefit certification Note (1)	13,825	12,800
Non audit-work – Other certification work Note (1)	11,340	10,500
Total other non-audit services	25,165	23,300
Total fees	TBC	213,100

### Notes

(1) In respect of inflationary costs factored into the above recurring increase, like all firms, the predominant element of our cost base is our staff costs, and we need to maintain a fair and sustainable fee in order to safeguard audit quality and the attractiveness of our business. Recent ONS Finance and Business Services seasonally adjusted regular pay data shows inflationary pay increases in the sector averaging at 7 to 10%. We have opted to include an inflationary increase at the mid-point of this range, recognising that the Council is also dealing with similar inflationary pressures across all areas of business.

(2) The 2020/21 the variation to the base fee related to impact of the Covid-19 pandemic and the additional audit procedures that we were required to undertake to issue our audit opinion including assessing the accounting treatment for the new Covid funding streams.

We note that in 2021/22 we have had to undertake additional audit work as a result of the following factors. Where quantified, we have set out the proposed value of scope variation that we are discussing with management:

- Data integrity issues and manual adjustments made outside of the ledger to prepare the Council's Comprehensive Income statement - £8,765
- Additional time due to delays in providing information / poor quality of evidence in some areas, resulting in three rounds of queries on some sample items and some matters are still not resolved - £18,845
- Additional time on the valuation of land and buildings as a result of the decision to revalue the full portfolio, rather than following the usual four yearly valuation cycle - £12,815
- Additional time will also be required to resolve the reporting of infrastructure assets and we will quantify this once we have agreed a way forward with management. We also note that, as our work is still ongoing, we may still identify other variations to our standard audit scope.

(3) We note that the activity of the subsidiary entities is increasing and more complex judgements are required in the production of the financial statements, such as the valuation of work in progress for the properties under construction. In addition, the new auditing standards for going concern and estimates will also apply to these entities. We will discuss the impact of these factors on the fees with subsidiary management and seek approval from the subsidiary Boards.

## Other communications

### EY Transparency Report 2021

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

[EY UK 2021 Transparency Report | EY UK](#)





# 09

## Appendices



## Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

We have tested each of these assertions substantively for all material balances included in the Balance Sheet. This is the same as the approach we adopted in the prior year. The material Balance Sheet items we have tested are:

Property, Plant and Equipment

- Long Term Investments
- Short Term Debtors
- Cash and Cash Equivalents
- Short Term Borrowing
- Short Term Creditors
- Finance Lease & PFI Creditors
- Provisions
- Long Term Borrowing
- Pension Liability
- Capital Grants Receipts in Advance
- Usable Reserves
- Unusable Reserves

## Summary of communications

Date 	Nature 	Summary 
23 March 2022	Report	The provisional audit planning report, including confirmation of independence, was presented to the Audit Committee.
18 March 2022	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team for an audit status update meeting to refine the audit risks.
14 September 2022	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team for an audit status update meeting.
3 November 2022	Report	The Audit Update Report, including confirmation of independence, will be presented to the Audit Committee.
In addition, there was regular attendance at audit committee meetings throughout the financial year, including periodic liaison with the chair of the committee.		

# Required communications with the Audit Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The Audit Engagement letter serves as the formal terms of the engagement between the auditor and the audited body
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report – March 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report – March 2022
Significant findings from the audit	<ul style="list-style-type: none"> <li>Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>Significant difficulties, if any, encountered during the audit</li> <li>Significant matters, if any, arising from the audit that were discussed with management</li> <li>Written representations that we are seeking</li> <li>Expected modifications to the audit report</li> <li>Other matters if any, significant to the oversight of the financial reporting process</li> <li>Findings and issues regarding the opening balance on initial audits</li> </ul>	Audit Planning Report – March 2022

## Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The appropriateness of related disclosures in the financial statements</li> </ul>	Audit Update Report – November 2022
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	Audit Update Report – November 2022
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Update Report – November 2022




## Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>Management;</li> <li>Employees who have significant roles in internal control; or</li> <li>Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit Update Report – November 2022
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>Non-disclosure by management</li> <li>Inappropriate authorisation and approval of transactions</li> <li>Disagreement over disclosures</li> <li>Non-compliance with laws and regulations</li> <li>Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Update Report – November 2022
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>The principal threats</li> <li>Safeguards adopted and their effectiveness</li> <li>An overall assessment of threats and safeguards</li> <li>Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Audit Planning Report – March 2022</p> <p>Audit Update Report – November 2022</p>

## Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Page 254	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>• Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>• Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>• Related safeguards</li> <li>• Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>• A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>• Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>• Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>• The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
	<p>External confirmations</p> <ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit Update Report – November 2022
	<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit Update Report – November 2022

## Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Update Report – November 2022
Group Audits	<ul style="list-style-type: none"> <li>An overview of the type of work to be performed on the financial information of the components</li> <li>An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	Audit Planning Report – March 2022 Audit Update Report – November 2022
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Update Report – November 2022
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Update Report – November 2022
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Update Report – November 2022



# Management representation letter

### Management Rep Letter

We will share a template of the representation letter which we are requesting management to sign prior to the conclusion of the audit.



## ISA (UK) 315 (Revised July 2020) *Identifying and Assessing the Risks of Material Misstatement*

### Summary of key measures

- The revised auditing standard is effective for audits of financial statements for periods beginning on or after 15 December 2021, and adopts ISA 315 (Revised 2019) as issued by the IAASB;
- The revised risk assessment standard sees enhancements and clarifications to: (i) Encourage a more robust risk assessment, thereby promoting more focused responses to the identified risks; (ii) Clarify current requirements to promote consistency in the application of procedures for risk identification; and (iii) Modernize the standard to keep up with the evolving environment in which entities operate, in particular in relation to the entity's use of information technology; The fundamentals of risk assessment have not changed, however, the changes will see additional audit procedures and considerations being made in the following areas to respond to the requirements of the revised standard:
  - How we identify and assess risks based on our understanding of the entity and other risk assessment procedures;
  - How we understand the components of the system of internal control, including new evaluations which apply to each component;
  - The type of controls and process for understanding controls that are relevant to our audit relating to the preparation and posting of journal entries;
  - New requirement Understanding the effect of the Group's use of IT, including relevant IT general controls, and the identification of IT-related risks; and
  - Evaluating, as an audit team, whether sufficient evidence has been obtained to support the identification and assessment of risks of material misstatement.

### Impact on North Tyneside Council

- The revised standard is for auditors and does not put any additional responsibilities or requirements on management or the Audit Committee, however, management and/or the Audit Committee may experience different conversations, requests or simply have more focused discussions with members of the audit team, including about risk, internal controls, audit quality and our audit strategy;
- For North Tyneside Council the revised standard is effective for this audit of the financial statements for the period ended 31 March 2023;
- We will be required to perform new and additional procedures to understand the Group's use of IT, the IT processes related to those IT applications relevant to the audit used in the different accounting processes and, where relevant, the IT general controls (ITGCs) that address IT risks in the IT processes and evaluation of their design effectiveness and whether they have been implemented. The revised standard does not require an evaluation of the operating effectiveness of ITGCs; it continues to be a strategy decision for the auditor as to whether they intend to rely on IT processes.
- The new requirements relating to understanding IT may also facilitate a change in the audit strategy in subsequent audits as it relates to the reliance placed on IT processes as part of the audit;
- More control observations may be identified and communicated, and the additional evaluations of the components of the system of internal control may help identify deficiencies that are considered to be *significant deficiencies*; and
- The new requirement relating to understanding the effect of the use of IT by an audited entity has the greatest potential for additional audit effort, involvement of team members with specialised knowledge of auditing IT, and an upward impact on audit fees.

### External resources

- FRC [Feedback statement and impact assessment](#)
- IAASB [Introduction to ISA 315 \(Revised 2019\) Fact Sheet](#)

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# North Tyneside Council Report to Audit Committee Date: 22 March 2023

## ITEM

2021/22 Annual Financial Report

**Report from:** Finance

**Responsible Officer:** Jon Ritchie, Director of Resources **Tel:** 643 5701

**Wards affected:** All

### Adjustments arising from the external audit of the 2021/22 accounts

#### 1. Short Term Investments/ Cash Equivalents

Two investments totalling £7.500m were included in Cash and Cash Equivalents. Both investments have a duration of over 3 months and have been reclassified as Short Term Investments in the revised accounts. There is no impact on balances or reserves as a result of this change and the following statements have been updated:

- Balance Sheet
- Cash Flow Statement
- Cash and Cash Equivalents Note 25
- Financial Instruments Note 38
- Cash Flow Investing Activities Note 40

#### 2. Rent Allowance/ Rent Rebates Debtor and Creditor

The debtor and creditor for Rent Allowances/ Rent Rebates in the balance sheet was (under)/ overstated by £3.994m. Management have reviewed this and the debtors and creditors values in the balance sheet have been amended. There is no impact on balances or reserves as a result of this change and the following statements have been updated:

- Balance Sheet
- Short-term Debtors Note 24
- Short-term Creditors Note 27
- Financial Instruments Note 38
- Cash Flow Operating Activities Note 39

#### 3. Overstated COVID-19 Grant Income

COVID-19 Schools Catch Up Premium and COVID-19 Recovery Premium Schools were overstated in the notes to the accounts by £0.880m and £0.530m respectively. There is no impact on balances or reserves as a result of this change and the following statement has been updated:

- Grants and Contributions Income Note 13

**Other Adjustments – Revised Airport Valuation****4. Airport Valuation**

A revised Airport valuation was received after the draft 2021/22 accounts were published. In common with the other local authority shareholders the accounts have been updated to reflect the change in the Authority's valuation of (£1.031m). There is no impact on balances or reserves as a result of this change and the following statements have been updated:

- Comprehensive Income & Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Long Term Investments Note 23
- Financial Instruments Revaluation Reserve Note 33(h)
- Financial Instruments Note 38

**5. Infrastructure Assets**

The Authority, in common with the majority of local authorities, has chosen not to report gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the accounts. Central government has put in place a statutory accounting override to allow local authorities to treat the value of any replaced component of infrastructure assets as nil, without the need to further evidence that this is the case. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 – new regulation 30M (3) provides that where a local authority replaces a component of an infrastructure asset, the authority has a choice of how to identify the carrying amount to be derecognised in respect of that component (i.e. either a nil amount or to follow the Code). The override also removes the requirement for authorities to make prior period adjustments to infrastructure asset balances.

The Accounting Policies for PPE (Property, Plant and Equipment) have been updated accordingly and Note 19 PPE has been updated to reflect this change.

There is no impact on balances or reserves as a result of this change.

## North Tyneside Council Report to Audit Committee Date: 22 March 2023

Accounting Policies to be  
used in the compilation of  
2022/23 Annual Statement of  
Accounts

**Report from Service:** Finance

**Responsible officer:** Jon Ritchie, Director of Resources **Tel: 643 5701**

**Wards affected:** All

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### **PART 1**

#### **1.1 Executive Summary:**

- 1.1.1 In the Annual Statement of Accounts, the Authority is required to disclose how the accounting statements have been prepared. The preparation of the statements should be in accordance with the accounting concepts and policies as per the 'Code of Practice on Local Authority Accounting in the UK 2022/23' (The Code).
- 1.1.2 Under the terms of reference of the Audit Committee, the Committee has the responsibility to review the Accounting Policies that will be used to compile the Annual Statement of Accounts.
- 1.1.3 The purpose of this report is to provide the Audit Committee with details of the proposed Accounting Policies that will be used in the compilation of the 2022/23 Annual Statement of Accounts.

#### **1.2 Recommendations:**

- 1.2.1 It is recommended that the Audit Committee endorse the Accounting Policies to be adopted by the Authority and used to compile the Authority's Annual Statement of Accounts for the financial year 1 April 2022 to 31 March 2023.

#### **1.3 Council plan and policy framework.**

- 1.3.1 The Accounting Policies cover all the service responsibilities as identified within the Council Plan.

#### **1.4 Information - Executive Summary**

- 1.4.1 The purpose of the Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts of the Authority. The Code defines Accounting Policies as "the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements". The Accounting Policies disclosed are those material policies

that are significant to the understanding of the Authority's Annual Statement of Accounts.

1.4.2 The Code requires that a change in Accounting Policies should only be made if the change:

- (a) is required by The Code; or
- (b) will result in financial statements providing reliable and more relevant financial information about the effects of transactions, other events or conditions on an authority's financial position, financial performance and cash flows.

Significant changes in Accounting Policies, other than those specified in The Code, will be relatively rare.

1.4.3 The proposed draft Accounting Policies for 2022/23 are attached as Appendix A.

1.4.4 A change has been made to the accruals de minimis level which has been raised to £10,000.00 (previously £1,000.00). This change has been made to help with meeting the closedown deadline of 31 May and to bring the Authority into line with neighbouring authorities.

## **1.5 Decision options:**

1.5.1 The Audit Committee can agree to endorse the recommendations as set out in Section 1.2 of this report. Alternatively, the Audit Committee can decline to endorse the proposals and require further details and amendment.

## **1.6 Reasons for recommended option:**

1.6.1 The Audit Committee is recommended to endorse the proposals set out in section 1.2 of this report as the production of the Accounting Policies is a requirement of the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021.

## **1.7 Appendices:**

Appendix A	Draft Accounting Policies
Appendix B	Glossary of Terms

## **1.8 Contact officers:**

Jon Ritchie, Director of Resources, Tel 643 5701  
Claire Emmerson, Head of Finance (Deputy S151 Officer), Tel 643 8109

## **1.9 Background information:**

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

- (a) Code of Practice on Local Authority Accounting in the UK 2022/23.

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

2.1.1 There are no financial implications arising from this report.

### **2.2 Legal**

2.2.1 The Authority has a duty to ensure that it produces an Annual Statement of Accounts by 30 September 2023 in accordance with the Accounts and Audit (Amendment) Regulations 2015. Part of the approval process is the endorsement of the Accounting Policies by the Audit Committee.

### **2.3 Consultation/community engagement**

#### **Internal consultation**

2.3.1 Internal consultation has taken place with the Cabinet Member for Finance, Director of Resources, relevant Finance staff and the External Auditor.

### **2.4 Community engagement**

2.4.1 There are no community engagement implications arising from this report.

### **2.5 Human rights**

2.5.1 There are no human rights implications arising from this report.

### **2.6 Equalities and diversity**

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

### **2.7 Risk management**

2.7.1 There are no risk management implications arising from this report.

### **2.8 Crime and disorder**

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

### **2.9 Environment and sustainability**

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

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# **Appendix A: Draft Accounting Policies**

2022/23 Financial Year



North  
Tyneside  
Council

**Accounting Policies**

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## **1 General Principles**

- 1.1 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.
- 1.2 The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015.
- 1.3 These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2015 Regulations.
- 1.4 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.

## **2 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors**

- 2.1 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.
- 2.2 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.
- 2.3 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.

## **3 Accruals of Income and Expenditure (Authority & Group)**

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract unless the difference is immaterial;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected; and
- The Authority has an accruals de minimis level of £10,000

#### **4 Overheads and Support Services**

4.1 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.

#### **5 Government Grants and Contributions**

5.1 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.
- 5.2 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.
- 5.3 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.
- 5.4 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.

## **6 Community Infrastructure Levy**

- 6.1 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.
- 6.2 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.

## **7 Charges to Revenue for Non-Current Assets**

- 7.1 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.

- 7.2 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.
- 7.3 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.
- 7.4 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.

## **8 Leases**

- 8.1 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.
- 8.2 Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
- 8.3 Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### The Authority as Lessee (Operating Leases)

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

#### The Authority as Lessor (Operating Leases)

- 8.5 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).

### **9 Employee Benefits**

#### Benefits Payable during Employment

- 9.1 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.
- 9.2 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

- 9.3 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.
- 9.4 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)

9.5 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.

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

9.7 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.

9.8 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.

9.9 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.

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

### 9.11 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.

### 9.12 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.

9.13 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.

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

#### Discretionary Benefits

- 9.15 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.

### **10 Revenue Expenditure Funded from Capital under Statute (REFCUS)**

- 10.1 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.

### **11 Property, Plant and Equipment**

- 11.1 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.
- 11.2 The freehold and leasehold properties which comprise the Council's portfolio are valued by Capita acting as the Authority's internal Chartered Surveyors.

#### Recognition

- 11.3 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

11.4 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.

11.5 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.

11.6 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.

11.7 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).

- 11.8 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.
- 11.9 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.
- 11.10 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.
- 11.11 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.
- 11.12 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.
- 11.13 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.

#### De-Minimis Levels

- 11.14 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.

- 11.15 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.
- 11.16 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.

#### Impairment

- 11.17 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.
- 11.18 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.
- 11.19 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

- 11.20 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).
- 11.21 Depreciation 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).
- 11.22 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.
- 11.23 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.
- 11.24 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

- 11.25 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.
- 11.26 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.
- 11.27 Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.
- 11.28 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.

- 11.29 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.
- 11.30 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.

## **12 Highways infrastructure assets**

- 12.1 The temporary relief introduced by the Update to the Code at paragraph 4.1.4.3 1 d specifies that disclosures of gross historical cost and accumulated depreciation are not required for infrastructure assets. The temporary relief is an Update to the Code updating both the 2021/22 and the 2022/23 Codes.
- 12.2 Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

### Recognition

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

### Measurement

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



be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

### Depreciation

- 12.5 Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.
- 12.6 Annual depreciation is the depreciation amount allocated each year.
- 12.7 Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

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

### Disposals and derecognition

- 12.8 When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.
- 12.9 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).
- 12.10 The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement

### **13 Heritage Assets**

- 13.1 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

- 13.2 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

- 13.3 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

- 13.4 Disposal proceeds are disclosed separately and accounted for in accordance with the statutory accounting requirements relating to capital receipts.
- 13.5 The Authority's museums are included and accounted for as operational assets within Property, Plant and Equipment.

### **14 Investment Property**

- 14.1 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.
- 14.2 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.
- 14.3 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.

### **15 Intangible Assets**

- 15.1 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.
- 15.2 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).
- 15.3 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.
- 15.4 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.

## **16 Interests in Companies and Other Entities**

- 16.1 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.
- 16.2 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.

## **17 Cash and Cash Equivalents**

- 17.1 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.
- 17.2 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.

## **18 Private Finance Initiative (PFI) and Similar Contracts**

- 18.1 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).
- 18.2 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.
- 18.3 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.
- 18.4 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.

## **19 Financial Instruments**

### Financial Liabilities

- 19.1 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.
- 19.2 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.
- 19.3 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

- 19.4 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)
- 19.5 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

19.6 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.

19.7 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

19.8 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.

19.9 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 or Loss (FVPL)

19.10 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.

19.11 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.

19.12 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.
- 19.13 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.
- 19.14 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)

- 19.15 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.

## **20 Provisions and Contingent Liabilities**

### Provisions

- 20.1 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.
- 20.2 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.
- 20.3 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

- 20.4 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.

**21 Reserves**

- 21.1 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.
- 21.2 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.
- 21.3 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.

**22 Estimation Techniques**

- 22.1 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.

**23 Collection Fund Statement**

- 23.1 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.

- 23.2 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.

## **24 Events after the Reporting Period**

- 24.1 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.

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

## **25 Joint Arrangements**

- 25.1 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.

- 25.2 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.

## **26 Value Added Tax (VAT) (Authority & Group)**

- 26.1 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.

## **27 Fair Value measurement**

- 27.1 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.
- 27.2 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.
- 27.3 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.
- 27.4 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.
- 27.5 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.

## 28 Schools

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

### Trust Schools

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

### Voluntary Aided Schools

- 28.3 Land and buildings owned by diocesan authorities are not included on the Authority's Balance Sheet.

### Academy Schools

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

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# Appendix B: Accounting Policies – Glossary of Terms

2022/23 Financial Year



North  
Tyneside  
Council

### Accounting Policies - Glossary of Terms

#### 1 A

- 1.1 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.
- 1.2 Accounting policies:** are the specific principles, bases, conventions, rules and practices applied in preparing and presenting the accounts.
- 1.3 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.
- 1.4 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.
- 1.5 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.
- 1.6 Amortised Cost:** is the amount at which an asset or liability is measured (usually at cost) plus or minus accumulated interest.
- 1.7 Appropriations:** transferring of an amount between specific reserves in the Comprehensive Income and Expenditure Statement.
- 1.8 Asset:** something of value which is measurable in monetary terms.
- 1.9 Authorised Limit:** this is the limit beyond which borrowing is prohibited.
- 1.10 Authority:** this is the corporate body of North Tyneside Council.
- 1.11 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.

#### 2 B

- 2.1 Bad (and doubtful) debts:** debts which may be uneconomic to collect or unenforceable in law.

## APPENDIX B

- 2.2 Balances:** the reserves of the Authority, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the funds.
- 2.3 Balance Sheet:** a statement of the recorded assets, liabilities and other balances at the end of an accounting period.
- 2.4 Billing authority:** a local authority empowered to collect Non - Domestic 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.
- 2.5 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.
- 2.6 Budget:** a statement of the Authority's expected level of service expressed as an amount of spending over a set period, usually one year.
- 3 C**
- 3.1 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.
- 3.2 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. where grants are made to other organisations for capital projects).
- 3.3 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.
- 3.4 Capital receipts:** the proceeds from the sale of a fixed asset, or the repayment of some grants or loans made by the Authority.
- 3.5 Capitalised:** transferred from revenue to capital.
- 3.6 Cash and cash equivalents:** this comprises cash in hand, cash overdrawn and short term investments which are readily convertible into known amounts of cash.

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- 3.7 Cashflow:** movement in cash and cash equivalents by the Authority in the accounting period.
- 3.8 CIPFA:** The Chartered Institute of Public Finance and Accountancy.
- 3.9 CIPFA Code of Practice on Local Authority Accounting (The Code):** the code of practice applicable to preparing the accounts.
- 3.10 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).
- 3.11 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.
- 3.12 Community Infrastructure Levy (CIL):** is a charge that local authorities can set on new development in order to raise funds to help fund the infrastructure, facilities and services - such as schools or transport improvements - needed to support new homes and businesses.
- 3.13 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.
- 3.14 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.
- 3.15 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.
- 3.16 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.
- 3.17 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.
- 3.18 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.



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- 3.19 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.
- 3.20 Contingencies:** sums set aside as a provision for liabilities which may arise in the future but which cannot be determined in advance.
- 3.21 Council (or Full Council):** the formal meeting of all Members of North Tyneside Council.
- 3.22 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.
- 3.23 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.
- 3.24 Current assets:** which will be consumed or cease to have value within the next accounting period, e.g. stock and debtors.
- 3.25 Current liabilities:** amounts that the Authority owes to other bodies and due for payment within 12 months.
- 3.26 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.
- 3.27 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.
- 4 D**
- 4.1 Debtors:** amounts due to the Authority which relate to the accounting period and have not been received by the Balance Sheet date.
- 4.2 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).
- 4.3 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.

**4.4 Depreciation:** the reduction in value of an asset due to age, wear and tear, deterioration or obsolescence.

**4.5 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.

## 5 E

**5.1 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).

**5.2 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.

**5.3 Enterprise Zones:** specific areas where a combination of financial incentives and reduced planning restrictions apply.

**5.4 Equity instrument:** a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

**5.5 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.

**5.5 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.

**5.6 Exceptional items:** are ones that are material in terms of the Authority's overall expenditure for example impairments and changes in accounting regulations.

**5.7 Expenditure:** costs incurred by the Authority for goods received, services rendered or other value consumables during the accounting period, irrespective of whether or not any movement of cash has taken place.

**5.8 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.

## 6 F

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- 6.1 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.
- 6.2 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).
- 6.3 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.
- 6.4 Financial Instruments:** contracts that give rise to a financial asset of one entity and a financial liability of another entity.
- 6.5 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.
- 7 G**
- 7.1 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.
- 7.2 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.
- 8 H**
- 8.1 Historical cost:** the actual cost of assets, goods or services, at the time of their acquisition.
- 8.2 Housing Benefits:** a system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.
- 8.3 Housing Revenue Account:** a separate account that includes all income and expenditure arising from the provision of Council housing by the Authority.

### 9 I

- 9.1 Impairment:** a reduction in the value of a fixed asset, measured by specific means, below its stated carrying amount in the Balance Sheet.
- 9.2 Income:** amounts which the Authority receives or expects to receive from any source, including rents, fees, charges, sales and grants.
- 9.3 Infrastructure Assets:** assets such as highways, bridges, street lights and footpaths.
- 9.4 Intangible Asset:** identifiable non-monetary asset without physical substance e.g. computer licences.
- 9.5 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.
- 9.6 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.
- 9.7 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.
- 9.8 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.
- 9.9 Investments:** items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts).

### 10 L

- 10.1 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.
- 10.2 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

## APPENDIX B

continue to repay the loan up to the maturity date or can reject the new terms and repay the loan in full (without penalty).

**10.3 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 Tyne and Wear Integrated Transport Authority, the Environment Agency and the Tyne Port Health Authority and Northumberland Inshore Fisheries and Conservation Authority.

**10.4 Liabilities:** amounts due to individuals or organisations, which will have to be paid at some time in the future.

**10.5 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).

## 11 M

**11.1 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.

**11.2 Minimum Revenue Provision (MRP):** is the amount which must be charged to an authority's revenue account and set aside as a provision for credit liabilities (repayment of debt), as required by the Local Government Act 1989.

## 13 N

**13.1 National Multiplier:** the figure used to calculate a non-domestic rates bill from the rateable value.

**13.2 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.

**13.3 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.

**13.4 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.

**13.5 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).

### 14 O

- 14.1 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).

### 15 P

- 15.1 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.
- 15.2 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.
- 15.3 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.
- 15.4 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.
- 15.5 Private Finance Initiative (PFI):** public authority/private sector partnerships designed to procure new major capital investment resources for local authorities.
- 15.6 Prudential Code:** The current system on financial controls for capital financing introduced on 1 April 2004 that local authorities are required to operate by.
- 15.7 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.

### 16 R

- 16.1 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.
- 16.2 Replacement Cost:** cost of replacement of the asset at the balance sheet date.
- 16.3 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

## APPENDIX B

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.

- 16.4 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.
- 16.5 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.
- 16.6 Revenue Contributions:** method of financing capital expenditure directly from revenue.
- 16.7 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).
- 16.8 Revenue Support Grant:** a central Government grant paid to each local authority to help to finance its general expenditure, as opposed to specific grants.
- 16.9 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.

## 17 S

- 17.1 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.
- 17.2 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.
- 17.3 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.

## 18 T

- 18.1 Tangible assets:** physical assets owned by the Authority, which can be seen or touched e.g. buildings and equipment.

## 19 U

## APPENDIX B

- 19.1 Unuseable Reserves:** reserves earmarked for specific accounting treatments which are not available to fund general expenditure (see Reserves definition for more information).
- 19.2 Useable Reserves:** reserves that can be applied to fund expenditure or reduce local taxation (see Reserves definition for more information).



## North Tyneside Council Report to Audit Committee Date: 22 March 2023

### ITEM

Title: Annual Statement of  
Accounts 2022/23

**Report from Service:** Finance

**Report Author:** Jon Ritchie, Director of Resources

Tel: 643 5701

**Wards affected:** All

### PART 1

#### 1.1 Executive Summary:

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

#### 1.2 Recommendation(s):

- 1.2.1 It is recommended that the:

- (a) Audit Committee note the work outlined in respect of the closure of the 2022/23 accounts.

#### 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:

- 1.4.1 The Chief Finance Officer is required, no later than 30 September 2023, to sign and certify that the Statement of Accounts presents a true and fair view of the Authority's financial position for the year ended 31 March 2023. For 2022/23 a set of draft accounts has to be produced by the end of May which is then subject to external audit. The audited set of accounts is required, no later than 30 September 2023, to be approved and subsequently published.

#### Update on the preparation of the 2022/23 Annual Statement of Accounts

- 1.4.2 Communication has gone to all members of the Senior Leadership Team detailing the process for the closure of the 2022/23 accounts. This took the form of a briefing note which outlined the main tasks and actions required to be taken by services and reiterated the responsibilities of senior management in ensuring that all staff are fully aware of the deadlines associated with the closure of the 2022/23 accounts.

- 1.4.3 Detailed guidance notes have been published on the Authority's Intranet site outlining the key dates for the closure of the accounts. In addition, an article will be published in Teamwork from the Director of Resources reminding staff of the importance of meeting the final accounts deadlines.
- 1.4.4 As in 2021/22 group accounts will continue to be required for 2022/23 as the anticipated balance sheet value of the North Tyneside Trading Company (NTTC) will be material on the Authority's statutory accounts. This arises as the Authority is the main equity holder in the Company.
- 1.4.5 Guidance has been issued to schools on the areas that they need to focus on to ensure that they closedown on time. Training sessions with schools will also be held covering year-end requirements.
- 1.4.6 Regular meetings continue to be held with finance staff and valuation to address any issues that may arise.
- 1.4.7 Work is progressing towards meeting the deadlines that are required in order for the Authority to be able to publish the draft Statement of Accounts by 31 May 2023. Currently we are not foreseeing any issues that will prevent the Authority achieving this date, however there is always the risk of unforeseen events that may impact on our ability to do so.

## **1.5 Decision options:**

- 1.5.1 The Audit Committee can agree to endorse the recommendations as set out in Section 1.2 of this report. Alternatively, the Audit Committee can decline to endorse the proposals and require further details and amendment.

## **1.6 Reasons for recommended option:**

- 1.6.1 The Audit Committee is recommended to endorse the proposals set out in section 1.2 of this report as the production Audited Annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021.

## **1.7 Appendices:**

None.

## **1.8 Contact officers:**

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

## **1.9 Background information:**

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

- (a) 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**

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

### **2.2 Legal**

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

### **2.3 Consultation/community engagement**

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

### **2.4 Human rights**

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

### **2.5 Equalities and diversity**

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

### **2.6 Risk management**

- 2.6.1 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**

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

### **2.8 Environment and sustainability**

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

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## North Tyneside Council Report to Audit Committee Date: 22 March 2023

Title: Proposed Audit  
Committee Work  
Programme 2023/24

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<b>Report from Service Area:</b>	<b>Resources</b>
<b>Report Author:</b>	<b>Richard Dunlop, Interim Chief Internal Auditor (Tel: 643 5738)</b>
<b>Wards affected:</b>	<b>All</b>

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### **PART 1**

#### **1.1 Purpose:**

The purpose of this report is to propose a programme of core business to be considered by the Audit Committee during 2023/24. This in line with its Terms of Reference as set out in the Council's Constitution (Part 3.5, 2 page 98).

This programme of core business seeks to meet the purpose of Audit Committee which is to:

“..provide independent assurance to Members of the adequacy of the risk management framework and the internal control environment. It provides independent review of North Tyneside Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place”.

#### **1.2 Recommendation(s):**

It is recommended that the Audit Committee:

- (a) agrees the proposed core business work programme set out within this report, for 2023/24,
- (b) notes that it may be necessary to change or adapt the proposed reports to be considered, to ensure optimum timing of consideration of governance issues, and to respond to emerging trends during the year, and
- (c) notes that the Committee will receive additional reports on any ad-hoc items of business arising during the year, as these relate to its responsibilities under its Terms of Reference, in the usual way.

#### **1.3 Council plan and policy framework**

The work of Internal Audit and the Audit Committee covers all service responsibilities as identified within the Council Plan.

## 1.4 Information

- 1.4.1 The Council's Constitution, updated and agreed by Council each year, establishes the role and responsibilities of each full committee of Council. This includes the Audit Committee.
- 1.4.2 Having regard to the Audit Committee's responsibilities as set out in its Terms of Reference in the Constitution, a core programme of work has been developed. This is set out below and aims to ensure that the Committee is properly able to discharge its duties effectively and efficiently, strengthening the Council's governance arrangements, and to highlight when reports are planned for presentation to each meeting in 2023/24. Some aspects of the Committee's work are time-bound in nature (e.g. relating to the Council's accounts or agreeing future plans of work), whilst other items can be considered at any point during the year allowing some flexibility in planning the work programme of the Committee.
- 1.4.3 The following programme of core business for the Audit Committee during 2023/24 is proposed. This sets out the suggested timing and frequency of reports in the coming year, allowing the Audit Committee to meet the responsibilities as set out in the Constitution. The schedule includes a proposed additional meeting in September to facilitate changes in publishing deadlines for local authority annual accounts. Consideration is being given to the timing of reports currently scheduled for the July meeting, and if possible they will be moved and the July meeting cancelled.
- 1.4.4 The proposed work programme has been prepared in consultation with officers in the Internal Audit and Risk Management Service, Finance Service, Democratic Services Team and with the Authority's external auditor, Ernst and Young LLP.

Month	Item of Business
May 2023	<p><u>Internal Audit and Risk Management</u></p> <ul style="list-style-type: none"><li>• Annual Report from Chief Internal Auditor and Opinion on the Framework of Governance, Risk Management and Control – 2022/23</li><li>• Final Outturn Report (showing performance in achieving the 2022/23 Internal Audit Plan)</li><li>• Key Outcomes from Internal Audit Reports (reporting the key outcomes of reports issued in the preceding six months and progress made with the implementation of audit recommendations)</li><li>• Risk Management Update</li></ul> <p><u>Counter Fraud</u></p> <ul style="list-style-type: none"><li>• Counter Fraud Annual Report 2022/23</li></ul> <p><u>Finance</u></p> <ul style="list-style-type: none"><li>• Draft Statement of Accounts 2022/23</li></ul> <p><u>External Audit</u></p> <ul style="list-style-type: none"><li>• External Audit Progress Report (if required)</li></ul>

<b>July 2023</b>	<u>Finance</u> <ul style="list-style-type: none"> <li>• CIPFA Financial Management Code</li> <li>• Draft Annual Governance Statement (and supporting information)</li> </ul>
<b>September 2023</b> (potential additional)	<u>Finance</u> <ul style="list-style-type: none"> <li>• Final Statement of Accounts 2022/23</li> <li>• Annual Governance Statement</li> </ul> <u>External Audit</u> <ul style="list-style-type: none"> <li>• External Audit Results Report</li> </ul>
<b>November 2023</b>	<u>Internal Audit and Risk Management</u> <ul style="list-style-type: none"> <li>• Interim Outturn Report (showing profiled performance against the Internal Audit Plan)</li> <li>• Key Outcomes from Internal Audit Reports (reporting the key outcomes of reports issued in the preceding six months and progress made with the implementation of audit recommendations)</li> <li>• Risk Management Update</li> </ul> <u>External Audit</u> <ul style="list-style-type: none"> <li>• External Audit Annual Report 2022/23</li> </ul>
<b>March 2024</b>	<u>Internal Audit and Risk Management</u> <ul style="list-style-type: none"> <li>• Strategic Internal Audit Plan (for the forthcoming financial year)</li> <li>• Annual Audit Committee Work Programme</li> <li>• Annual Review of Audit Committee Effectiveness</li> </ul> <u>Finance</u> <ul style="list-style-type: none"> <li>• Report on accounting policies to be used in Compilation of Annual Statement of Accounts</li> <li>• Report on preparation of Annual Statement of Accounts 2023/24</li> </ul> <u>External Audit</u> <ul style="list-style-type: none"> <li>• External Audit Planning Report 2023/24</li> </ul>

1.4.5 In addition to these core business items, it may also be necessary to update the Audit Committee on an ad-hoc basis, as relevant and topical areas arise during the year. Accordingly, the Audit Committee will receive additional reports on emerging issues and trends as appropriate.

1.4.6 The proposed work programme should be treated as a helpful guide, and it may be necessary to alter or amend the proposed timing of reports during the year as work progresses. Where this is the case, the relevant report author will be responsible for informing the Chair of the Audit Committee, and Democratic Services, of any changes to proposed reporting.

### **1.5 Decision options:**

It is recommended that the Audit Committee agrees the proposed programme of core business set out above; and notes that it may be necessary to alter the proposed timing of reports, and to add extraordinary reports, in order to respond to emerging issues arising throughout the year.

There are no other options available in relation to this report.

### **1.6 Reason for recommended option:**

This recommendation will allow the Council to operate in line with the Constitution and good professional practice.

### **1.7 Appendices:**

There are no appendices.

### **1.8 Contact officers:**

Richard Dunlop (Interim Chief Internal Auditor) Tel 643 5738  
Marc Oldham (Acting Group Assurance Manager) Tel: 643 5711

### **1.9 Background information:**

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

- (a) North Tyneside Council Constitution, version 25, June 2022 (P)
- (b) Financial Regulations, version 7a, June 2021 (P)
- (a) [The Accounts and Audit Regulations 2015, April 2015, as amended 2022 \(P\)](#)

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

There are no direct financial implications arising from this report.

### **2.2 Legal**

There are no direct legal implications arising from this report.

### **2.3 Consultation/community engagement**

The proposed work programme of core business items has been proposed with reference to the Constitution, and discussion with lead report authors within the Council and the external (local) auditor for consultation with Audit Committee.

As emerging issues or trends arise during the year, the core business items will be supplemented with additional reports agreed in association with the Chair of the Audit Committee.



## **2.4 Human rights**

There are no human rights issues arising from this report.

## **2.5 Equalities and diversity**

There are no equality and diversity issues arising from this report.

## **2.6 Risk management**

There are no specific risks associated with this report.

## **2.7 Crime and disorder**

There are no specific crime and disorder issues arising from this report. The work of Internal Audit and the Audit Committee is a key strand in the Council's counter-fraud arrangements.

## **2.8 Environment and sustainability**

There are no environment and sustainability issues arising from this report.

**Report authors**     Richard Dunlop  
                              Marc Oldham

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## North Tyneside Council Report to Audit Committee Date: 22 March 2023

Title: Review of Audit  
Committee Effectiveness

Report from Service Area: Resources

Report Author: Richard Dunlop, Interim Chief Internal Auditor (Tel: 643 5738)

Wards affected: All

### PART 1

#### 1.1 Purpose:

The purpose of this report is to present a 2022/23 self-assessment of Audit Committee arrangements. This has been undertaken with reference to the revised good practice guidance published in October 2022 by the Chartered Institute of Public Finance and Accountancy (CIPFA).

#### 1.2 Recommendation(s):

It is recommended that Audit Committee:

- (a) considers and endorses the latest self-assessment of the Audit Committee arrangements against the good practice guidance recommended by CIPFA. The detail of the self-assessment is attached as **Appendix A**;
- (b) notes that changes to the Audit Committee Terms of Reference set out in the Constitution may be updated at its next revision to reflect the latest CIPFA guidance; and
- (c) agrees that the self-assessment undertaken will form the basis of an annual report from Audit Committee, compiled by the Chair of Audit Committee, supported by the Chief Internal Auditor, which will be prepared for presentation to Cabinet demonstrating how Audit Committee meets its Terms of Reference and providing a summary of the work of the committee during the year.

#### 1.3 Council plan and policy framework

The work of Internal Audit and the Audit Committee covers all service responsibilities as identified within the 'Our North Tyneside Plan'.

#### 1.4 Information

- 1.4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) periodically publishes good practice guidance covering the role, functions, and operation of Audit Committees in Local Government. The latest such guidance ('Audit Committees – Practical Guidance for Local Authorities and Police') was published in October 2022. It is

good practice to undertake an annual review of the effectiveness of Audit Committee arrangements.

- 1.4.2 Annual self-assessments of Audit Committee arrangements against CIPFA guidance have been undertaken. These self-assessments identified a good level of conformance and have been reported Audit Committee each year.
- 1.4.3 This self-assessment, undertaken during February and March 2022, was completed by the Chair of the Audit Committee in conjunction with the Chief Internal Auditor and Group Assurance Manager. The assessment process included an invitation to all serving elected members of Audit Committee to meet with the Chair, Chief Internal Auditor and Group Assurance Manager to discuss Audit Committee arrangements. The process also included the Chief Internal Auditor and Group Assurance Manager consulting with Senior Officers of the Authority, including the Director of Resources (s151 Officer).
- 1.4.4 Of particular interest was the skills and knowledge assessment, which was completed by seven of the nine members of the committee. The assessment identified that as a collective there was a good level of knowledge and skills across all core areas. Whilst individual members may have scored themselves low in certain areas, the collective committee knowledge and skills is good. The assessment shows:
- current membership is experienced with most members having five or more years experience serving on Audit Committees
  - core knowledge - average score of 3.3 (out of 4) across nine areas with no single area demonstrably weak (lowest cumulative score being 2.6)
  - core skills - average score of 3.1 (out of 4) across six areas with no single area of weakness (lowest cumulative score being 2.9)
- 1.4.5 This self-assessment against the latest guidance, has again identified a good level of performance, with a 182 score out of a possible 200. This is a sound position and demonstrates the Authority's Audit Committee is working effectively. The CIPFA Guidance has been subject to updating and change since the 2018 edition and in this context some of the Terms of Reference of the Audit Committee may benefit from updating at the next Constitution review. The issues requiring clarification are:
- Audit Committee currently approves the annual statement of accounts, whereas recommended best practice is that it maintains its advisory role by not taking on decision making powers. It is recommended that the Audit Committee recommends the statement of accounts for approval to the Council.
  - The Audit Committees annual report is currently presented to Cabinet, whereas the expectation is that the Audit Committee report to full Council. It is recommended that the Audit Committee present to Cabinet and recommend Cabinet refers the annual report to Council for final approval.

## **1.5 Decision Options:**

It is recommended that Audit Committee notes and endorses the self-assessment of current arrangements against CIPFA good practice guidance, and that this work forms the basis of an annual report from Audit Committee demonstrating how it meets its Terms of Reference and providing a summary of the work of the committee during the year.

It is recommended that the Audit Committee notes that its Terms of Reference in the Constitution will be updated to meet the requirements of the CIPFA 2022 Guidance.

There are no other options available in relation to this report.

#### **1.6 Reasons for recommended option:**

This recommendation will allow the Authority to operate in line with legislation, good practice, and professional guidance.

#### **1.7 Appendices:**

**Appendix A:** Self-assessment of Good Practice (March 2023) – from CIPFA, Audit Committees, Practical Guidance for Local Authorities and Police, published October 2022

#### **1.8 Contact officers:**

Richard Dunlop (Interim Chief Internal Auditor) Tel 643 5738  
Marc Oldham (Acting Group Assurance Manager) Tel 643 5711

#### **1.9 Background information:**

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

- (a) Audit Committees, Practical Guidance for Local Authorities and Police, CIPFA, 2022 (P)
- (b) North Tyneside Council Constitution, version 25, June 2022 (P)
- (c) Review of Audit Committee Arrangements, Report to Audit Committee, 23 March 2022 (P)
- (d) The 'Our North Tyneside' Council Plan 2021-2025, 2021 (P)
- (e) Audit Committee Annual Report 2021/22, September 2022 (P)

### **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

#### **2.1 Finance and other resources**

The Audit Committee contributes to the Council's governance framework, including the review of financial governance as appropriate.

There are no financial implications arising from the recommendations set out in this report.

#### **2.2 Legal**

The Public Sector Internal Audit Standards, and related Local Government Application Note, presume that local authorities will have an Audit Committee undertaking the mission identified by CIPFA in its 2022 publication "Audit Committees – Practical Guidance for Local Authorities and Police".

### **2.3 Consultation/community engagement**

The analysis against CIPFA's good practice guidance is included in this report for consultation with current members of Audit Committee. All serving elected members of the Audit Committee were invited to meet with the Chair (of Audit Committee) and Chief Internal Auditor to discuss the committee arrangements.

### **2.4 Human rights**

There are no human rights issues arising from this report.

### **2.5 Equalities and diversity**

There are no equality and diversity issues arising from this report.

### **2.6 Risk management**

Risks have been considered and there are no risks identified directly arising from this report.

### **2.7 Crime and disorder**

There are no specific crime and disorder issues arising from this report. The work of Audit Committee is a key strand in the Authority's counter-fraud arrangements.

### **2.8 Environment and sustainability**

There are no environment and sustainability issues arising from this report.

**Report authors**      Richard Dunlop  
                                 Marc Oldham

**Audit Committee Arrangements: Self-Assessment of Good Practice (March 2023)**

(Extract from CIPFA, Audit Committees: Practical Guidance for Local Authorities and Police, published October 2022)

CIPFA outlines that the checklist below provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement on Audit Committees in Local Authorities, and broader practical guidance referred to above. Within the practical guidance CIPFA specifically states:

*“Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.”*

Good Practice Question		Does not comply	Partly Complies and extent of improvement needed			Fully Complies	Comment
Page 319		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	
Weighting of Answers		0	1	2	3	5	
<b>Audit Committee Purpose and Governance</b>							
1	Does the authority have a dedicated audit committee that is not combined with other functions (e.g., standards, ethics, scrutiny)?					5	Dedicated Audit Committee established as a full, politically balanced committee of Council. Agreed at meeting of Council on 21 January 2010 (Minute C109/01/10) and operation and terms of reference set out in NTC Constitution (2022, p98 – 102).
2	Does the Audit Committee report directly to the governing body - full council)				3		There is a general provision in the Constitution (3.5 p87) that allows any

							<p>committee of the Council to report matters up to full Council.</p> <p>An annual report from Audit Committee for the 2021/22 financial year was provided to Cabinet in September 2022.</p> <p><b>Key consideration</b> – In order to fully comply with CIPFA Guidance the annual report from Audit Committee should be reported to full Council, which will be considered at the next Constitution review.</p>
3	Has the audit committee maintained its advisory role by not taking on any decision-making powers?				3		<p>Current Terms of Reference (ToR) includes a decision-making power.</p> <p><u>Below extract from AC ToR in the Constitution -</u>  “32. <u>To review and approve the annual statement of accounts including any subsequent amendments.</u> Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Authority. “</p> <p>.  3<sup>rd</sup> para on p23 of 2022 CIPFA guidance makes specific reference to approval of financial statements specifying “Currently, some authorities have delegated decisions such as the approval of the financial statements to the audit committee. <u>This takes the audit committee beyond its advisory role.</u>”</p> <p><b>Key consideration</b> –Should Audit Committee approve the accounts, or review</p>



							and recommend to Full Council to approve and sign? This is being considered as part of the review of the Terms of Reference.
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFAs 2022 Position Statement?				3		<p>The essence of the ToR wording is the same but not fully reflecting specific 2022 CIPFA Guidance wording, as the Guidance was issued relatively recently. For example, ToR not explicit about accountable to Full Council.</p> <p><b>Key consideration</b> – As above, the Terms of Reference is being considered for next review of Constitution to align more closely with 2022 CIPFA guidance.</p>
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				3		<p>This has been examined by the previous reviews of Audit Committee arrangements and identified that the understanding of role and purpose was variable across the Authority at that time. An action to help improve understanding across a membership that changes, was to compile and present an Annual Report from the Audit Committee. Annual reports were presented to Cabinet in October 2021 and September 2022.</p> <p>An e-learning training module for Audit Committee is being considered in conjunction with Organisational Development. The module will be made available to all members to complete through the development programme. It is hoped this will also help improve understanding of the role and purpose of the Audit Committee.</p>

							The Senior Leadership Team (SLT) have a clear and supportive understanding of the role and purpose of the Audit Committee, with Chief Executive and Director of Resources (s151) meeting with Audit Chair regularly.
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					5	Yes. This is demonstrated that in early 2022 the former Chair requested that Corporate Risk Owners attended Committee to give an update on the risks and a programme of discussions has since been established. This has proved worthwhile and there was positive feedback from Audit Committee Members.
7	Does the governing body hold the audit committee to account for its performance at least annually?				3		As earlier, the Annual Report was taken to Cabinet in September 2022 rather than full Council – Consideration is being given to reporting to Full Council following Cabinet.
8	Does the audit committee publish an annual report in accordance with the 2022 guidance, including:						
	• Compliance with the CIPFA position statement 2022					5	The Audit Committee Annual Report 2021/22 (to Sept 2022 Cabinet) included a summary from its own review of effectiveness against the 2018 CIPFA position statement guidance, which was in place at the time.  The Annual Report for 2022/23 will include a summary of this latest review of effectiveness, which is against the latest 2022 CIPFA position statement guidance.  <b>Key consideration</b> – Review wording in next revision of Constitution in relation to 3 & 4 above.
	• Results of the annual evaluation, development work undertaken and planned improvements					5	
	• How has it fulfilled its terms of reference and the key issues escalated in the year?					5	

## Functions of the Audit Committee

9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's position statement as follows:						
	Governance arrangements					5	Adequately set out in NTC Constitution
	Risk management arrangements					5	Adequately set out in NTC Constitution
	Internal control arrangements, including. <ul style="list-style-type: none"> <li>Financial management</li> <li>Value for money</li> <li>Ethics and standards</li> <li>Counter fraud and corruption</li> </ul>				3		<p>Yes, Financial Management is included regarding the financial reports on the accounts. The FM Code is not set out in explicit terms, responsibility is to the leadership team.</p> <p>However, Finance do separately take a report on the FM Code</p> <p><b>Key consideration</b> - Consider amended wording in the ToR to encompass principles of the FM Code, but not make it explicit in case the Code changes.</p>
	Annual governance statement					5	Within Para 24 of the Constitution
	Financial reporting					5	Within Para 32 of the Constitution
	Assurance framework					5	Within Para 7 of the Constitution
	Internal Audit					5	Within Para 13 of the Constitution
	External Audit					5	Within Para 26 of the Constitution
10	Over the last year, has adequate consideration been given to all core areas?				3		The Audit Committee Annual Report 2021/22 (to Sept 2022 Cabinet) included a summary from its own review of

							<p>effectiveness against the prevailing 2018 CIPFA position statement guidance, which was in place at the time. This covered each area.</p> <p>A specific report on Financial Management code was not provided during 2022/23, but it was covered indirectly in other reports such as the Annual Governance Statement. A specific report is scheduled for 2023/24.</p>
11	Over the last year, has the committee only considered agenda items that align with its core functions, as set out in the 2022 guidance?					5	<p>Yes, but as above the Audit Committee currently approves (rather than “recommend to approve”) financial statements. The financial statements would be provided to AC even if they weren’t approving them.</p> <p><b>Key Consideration</b> –The Terms of Reference will be updated to reflect that rather than approving the accounts, recommending approval of the accounts would be a core function of the Audit Committee.</p>
12	Has the committee met privately with the external auditors and head of internal audit in the last year?					5	<p>Yes, the Committee met in private with the audit Committee in November 2022, and a further opportunity is scheduled for November 2023. Chair of AC in regular dialogue with Chief Internal Auditor and open offer to meet privately with AC if requested.</p>
<b>Membership and Support</b>							
13	Has the committee been established in accordance with the 2022 guidance as follows?						Effectively, the AC has been established/reviewed to meet the 2018 Guidance.
	<ul style="list-style-type: none"> <li>Separation from executive</li> </ul>					5	Yes, the Audit Committee is a politically balanced committee of full Council.
	<ul style="list-style-type: none"> <li>A size that is not unwieldy and avoids use of substitutes</li> </ul>					5	CIPFA position statement recommendation for local authorities is no more than eight

							members. The committee's current membership is seven elected members, and two co-opted independent members that fulfil the roles of Chair and Deputy Chair.
	<ul style="list-style-type: none"> <li>Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation.</li> </ul>					5	Two co-opted independent members that fulfil the roles of Chair and Deputy Chair
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?				3		<p>The positions of co-opted Chair and Deputy Chair have a role definition, person specification, and qualifying criteria, and both appointments made after assessment of that criteria. They are independent co-opted members. The roles were publicly advertised, and competitive interviews held.</p> <p>In terms of voting members, they are selected from current serving elected members and the correct political balance is maintained. Currently the membership is experienced, with several members longstanding or with previous Audit Committee experience.</p> <p>The membership of the Audit Committee is a political decision, but the membership is a mix of new and experienced elected Members. The Authority does provide support and training to assist any members unfamiliar with the Audit Committee.</p>
15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?					5	There has been consideration of knowledge and skills in previous assessments, and an e-form skills and knowledge assessment completed for this annual review.

16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?					5	<p>Training on audit committee arrangements is provided to all members in advance of attendance at their first meeting. A training session was held in May 2022 in advance of the Committee meeting. One member was unable to attend so a separate briefing was provided. One member requested additional training and a more in depth in discussion was held.</p> <p>CIA and Group Assurance manager investigation on-line training for end 2023 with the Organisational Development team.</p>
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?					5	<p>Chair and Deputy Chair are experienced in matters of audit and governance, and many members are experienced committee members.</p> <p>The results of the skills matrix e-questionnaire showed an average of 3.1 out of a maximum 4 (77.5%), so a good average combined skill set.</p>
18	Is adequate secretariat and administrative support provided to the committee?					5	Experienced and comprehensive committee support is being provided.
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					5	Committee has good working relationships and is guided by an experienced Audit Committee Chair. The Committee has asked for key risk officers to attend each meeting.
<b>Effectiveness of the Committee</b>							
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?					5	An Annual Report from Audit Committee, including a summary of work completed in year, was presented to Cabinet in September 2022. This provided Cabinet

							<p>with the opportunity to offer feedback on the work and performance of the Audit Committee. The report was 'noted' by Cabinet and minutes of the meeting recorded the following as the reason for doing so:</p> <p>"Reason for decision: Noting the Audit Committee Annual Report 2021/22 will demonstrate that Cabinet has received and considered the outcomes of the Audit Committee's review of its own effectiveness, which is good practice recommended by CIPFA; and will help to ensure that Cabinet is aware of the main governance matters which have been considered by Audit Committee in 2021/22."</p> <p>In addition, it was also recorded in the minutes that:</p> <p>"The Elected Mayor thanked Mr Wilkinson for attending Cabinet on behalf of the Audit Committee to present the Audit Committee's Annual Report 2021/22 and thanked him for the important work undertaken."</p>
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					5	Malcolm Wilkinson is an experienced Chair, having previously been Deputy Chair, and has extensive experience of audit and local government.
22	Are meetings effective with a good level of discussion and engagement from all the members?					5	Meetings are quorate and exhibit good levels of engagement, for example requesting risk owners to attend.
23	Has the committee maintained a non-political approach to discussions throughout?					5	Yes
24	Does the committee engage with a wide range of leaders and managers, including					5	Yes, as necessary and required. Chair has regular meetings with Chief Executive, Chief

	discussion of audit findings, risks and action plans with the responsible officers?						Finance Officer and Chief Internal Auditor. A programme of discussions on risks has been established, with corporate risk owners from SLT attending meetings to discuss their risk.
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?					5	This has not been required as yet, but the option is available if needed.
26	Do audit committee recommendations have traction with those in leadership roles?					5	Yes, Chief Executive and Director of Resources (S151 officer) regularly engage and discuss with Audit Committee Chair.
27	Has the committee evaluated whether and how it is adding value to the organisation?					5	Yes, through completion of the Annual Report from the Audit Committee.
28	Does the committee have an action plan to improve any areas of weakness?					5	Through this annual assessment and reporting through the Annual Report
29	Has this assessment been undertaken collaboratively with the audit committee members?				3		This assessment has been subject to input from Audit Committee members meeting with the Chair, Chief Internal Auditor and Group Assurance Manager to discuss the roles, skillsets and responsibilities set out in the CIPFA 2022 Guidance. Can improve score further by input from all members.
	<b>Subtotal Score</b>	0	0	0	27	155	
	<b>Total Score</b> (max score is 200 – 40 questions multiplied by 5)	<b>182</b>					



## North Tyneside Council Report to Audit Committee Date: 22 March 2023

Title: Update on North East  
Audit Committee Chairs Forum

Report from Service Area: Resources

Report Author: Richard Dunlop, Interim Chief Internal Auditor (Tel: 643 5738)

Wards affected: All

### PART 1

#### 1.1 Purpose:

The purpose of this report is to provide a brief update on the Council's management of the North East Audit Committee Chairs Forum

#### 1.2 Recommendation:

It is recommended that the Audit Committee notes this report.

#### 1.3 Council Plan and policy framework

The work of Internal Audit and the Audit Committee covers all service responsibilities as identified within the Council Plan.

#### 1.4 Information

- 1.4.1 The Government initiated an England-wide initiative to bring the Chairs of each Audit Committee together on a regional basis to provide an opportunity to meet and discuss topical issues, and to network. The organisation of the regional areas was delegated to the Local Government Association (LGA). The Council leads the North East Region Forum and received a grant, partially to administer the Forum, and partly for the expenses of running the Forum.
- 1.4.2 The North East Region comprises NOTCA, Northumberland, South Tyneside, Hartlepool, Darlington, Durham, North Tyneside, Newcastle, Durham, Sunderland, Gateshead, Middlesbrough, Redcar and Cleveland, Stockton on Tees. Following the second meeting hosted by the Council's Chair of the Audit Committee at The Quadrant, Northumberland County Council volunteered to host the following meeting which was held on 1 March 2023.
- 1.4.3 There were 14 attendees at the County offices and 6 virtual attendees including speakers. The three guest speakers included a topical update from the LGA, a presentation from ThinkingAudit covering "Audit committee best practice: ideas and reflections" and a Cyber Security presentation by Deloitte. These were well received by the attendees.

1.4.4 The Chair and Acting Chief Internal Auditor of the Authority also discussed the results of a survey undertaken on the role and structure of how the Forum will be managed in the future, as well as topics for future presentations. The meetings are to be held 3 times a year and it is hoped that venues will move around the North East area to be more inclusive. Durham County Council has volunteered to host the next meeting.

#### **1.5 Decision Options:**

It is recommended that the Audit Committee:

(a) notes this report

There are no other options available in relation to this report.

#### **1.6 Reasons for recommended option:**

This recommendation is for information only.

#### **1.7 Appendices:**

There are no appendices.

#### **1.8 Contact officers:**

Richard Dunlop (Interim Chief Internal Auditor) Tel 643 5738

#### **1.9 Background information:**

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

(a) The draft minutes of the North East Audit Committee Chairs Forum 1 March 2023 (C)

### **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

#### **2.1 Finance and other resources**

There are no direct financial implications arising from the recommendation set out in this report.

#### **2.2 Legal**

There are no legal implications arising from this report.

#### **2.3 Consultation/community engagement**

The Forum is structured to assist Audit Chairs in the locality. There is no expected consultation/community engagement.

#### **2.4 Human rights**

There are no human rights issues arising from this report.

## **2.5 Equalities and diversity**

There are no equality and diversity issues arising from this report.

## **2.6 Risk management**

There are no specific risks arising from this report.

## **2.7 Crime and disorder**

There are no specific crime and disorder issues arising from this report.

## **2.8 Environment and sustainability**

There are no environment and sustainability issues arising from this report.

**Report author**      Richard Dunlop

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