

DRAFT – Subject to Audit



North Tyneside Council

**ANNUAL FINANCIAL
REPORT
2020/21**

Table of Contents

1.0	Preface	2
1.1	Message from the Director of Resources	2
1.2	Narrative Statement	5
2.0	Independent Auditor's Report to the Members of North Tyneside Council	23
3.0	Statements to the Accounts	24
3.1	Statement of Responsibilities for the Statement of Accounts	24
3.2	Comprehensive Income and Expenditure Statement for the year ended 31 March 2021	25
3.3	Movement in Reserves Statement for the year ended 31 March 2021	27
3.4	Balance Sheet as at 31 March 2021	29
3.5	Cash Flow Statement for year ended 31 March 2021	31
4.0	Index to the Notes to the Financial Statements	32
4.1	Explanatory Notes to the Core Financial Statements	34
5.0	Supplementary Financial Statements and Explanatory Notes	151
5.1	Housing Revenue Account – Income & Expenditure Statement for year ended 31 March 2021	151
5.2	Movement on the Housing Revenue Account Statement	152
5.3	Explanatory Notes to the Housing Revenue Account	153
5.4	Collection Fund Statement for year ended 31 March 2021	160
5.5	Explanatory Notes to the Collection Fund	162
6.0	Glossary of Terms	166

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 2020/21, this role is even more vital and has been significantly more challenging.

The effects of the COVID-19 pandemic have been felt to varying degrees by every household, every business, every school, every public sector, and charitable organisation across the Borough. Many of North Tyneside's residents have suffered the devastating effects of illness, others have lost income or their livelihoods. Charities have lost the opportunity to raise funds and are therefore unable to continue their work to support those most in need of support in our society.

During 2020/21, the Authority has risen to the challenge and taken forward its leadership role and supported the Borough. The Authority has spent the majority of the year either under national lockdown or Tier 3 restrictions. The Authority had distributed almost £55.0m in grant funding to businesses throughout the Borough by 31 March 2021, of which over £27.0m related to Business Rates relief. The Authority awarded £1.6m of hardship relief to Council Tax Reduction recipients, managed almost £20.0m of other COVID specific grants as well as over £21.0m of general un-ringfenced grants.

The Authority has worked 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 Council's finances for 2020/21, 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 all the 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 2020/21;
- 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 2019/20 Accounts was extended due to the pandemic and it has again been revised for 2020/21. Recognising the multi-year impact of COVID, the deadline for the 2021/22 financial year has also been changed. The 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 2020/21 Accounts for Authorities like North Tyneside, must be issued by 31 July 2021 and the publication deadline for audited accounts has moved from 31 July to 30 September 2021.

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 2021.

The Accounts have been submitted to the External Auditor on 5 July 2021 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 28 July 2021.

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 current 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 2020/21. The updated MTFS, along with the balanced 2021/22 budget were presented for approval at the Full Council meeting on 18 February 2021. 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 2021/22 together with updated budget gap estimates for the period 2022/23 to 2024/25. 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 2025/26. This will have to include:

- how COVID will influence spending and income patterns in the future; 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 2021.

Janice Gillespie
Director of Resources
Date: 2 July 2021

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 2020/21; 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 2020 to 31 March 2021. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code). The Code of Practice constitutes "proper accounting practice" under the terms of the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989 and, for audit, the Local Audit and Accountability Act 2014.

Governance

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. Further information is available in the Annual Governance Statement which will be reviewed by the

Audit Committee on 28 July 2021. 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 2021 together with details of the non-financial performance of the Authority during 2020/21. 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 2020/21;
- Non-Financial Performance of the Authority 2020/21;
- Significant Issues for 2021/22 and beyond; and
- Explanation of the key Financial Statements.

About North Tyneside

- North Tyneside Council is one of five local authorities in the Tyne and Wear conurbation and is closely connected to Northumberland placing the borough at the heart of a wider strategic area encompassing over 1.47 million people.
- The borough covers an area of approximately 6,026 square miles (2,326.5 square km) and 208,871 residents. The geographical position of North Tyneside means that it has a common boundary with Northumberland County Council and Newcastle City Council, and whilst the River Tyne presents a barrier, with South Tyneside Council.

- North Tyneside has a proud industrial heritage and was traditionally as for many parts of the North East, a centre of heavy industry with, for example, the Swan Hunter shipyard in Wallsend, and the export 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 and life sciences and renewable energy. As an example, North Tyneside is home to two significant business parks with Cobalt Business Park being the UK's largest commercial office park.
- Regeneration both in terms of employment opportunities and physical redevelopment is recognised as being very important to the future of the borough. Significant investment continues to be made borough-wide to regenerate our town centres, transport infrastructure, community facilities, our coastline and build more affordable housing. Delivery of great housing, cultural and heritage are ongoing priorities of the current administration. There are 5,315 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.
- The COVID-19 pandemic has had a significant impact on the economy in North Tyneside, as with other authority areas across the UK. Unemployment rates have risen, with 24- year olds being disproportionately affected. Unemployment benefits for the working age population almost doubled to 6.3% in March 2021, compared to 3.8% in March 2020.
- There has also been a 90% increase in Universal Credit claimants and as of April 2021 there are 19,401 claimants in North Tyneside compared to 8,182 in September 2019. The number of those claiming Universal Credit increased sharply in April 2020 and has continued to rise gradually, with 12,100 employees in the borough being furloughed (up to February 2021). It is the borough's more deprived wards, such as Riverside, Chirton, Howdon and Wallsend that have experienced higher levels of unemployment benefits over the past 12 months.
- North Tyneside is one of the least deprived areas in the North East and deprivation has reduced compared to the rest of England, however some areas continue to experience persistently relatively high levels of deprivation. Just over 20% of these areas in North Tyneside are ranked as being in the most deprived 20% in England. These areas of deprivation are associated poorer health outcomes, lower participation, and attainment in education post 16 years old.
- The most recent annual residents survey from 2019 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. The reasons are linked to the quality of the local schools, the environment, low levels of crime and employment opportunities. The same residents survey showed that around half of residents are happy with the way the council runs things and feel the council acts on residents' concerns.

Positive Factors – Thriving in North Tyneside



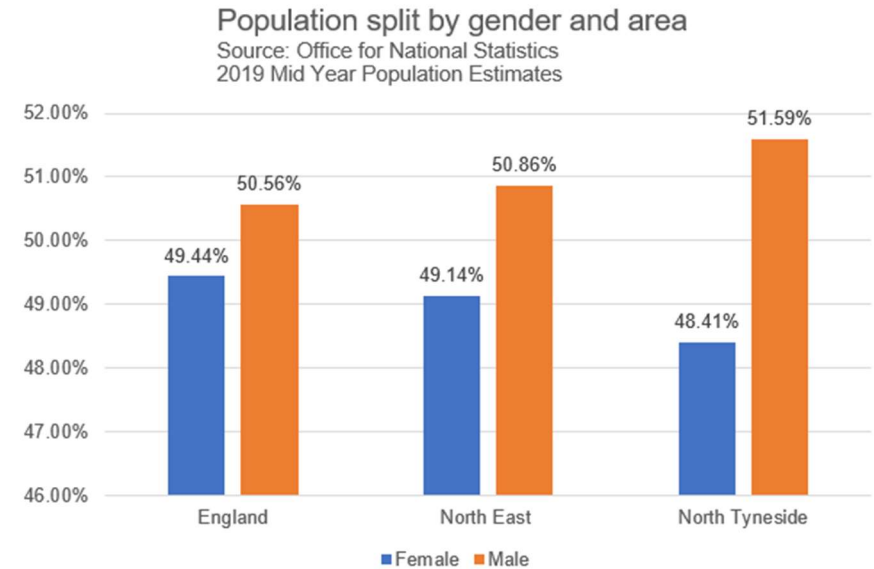
Source: Residents Survey (2019)

Population

North Tyneside’s population currently stands at 207,913 residents, of which;

Working Age Groups	Female	Male	Total Population
0-15 (children)	18,161	19,432	37,593
16-64 (working age population)	65,749	62,468	128,217
64+ (Retired)	23,354	18,749	42,103
Total	107,264	100,649	207,913

The following graph shows population estimates as at June 2020 for North Tyneside, the North East and England by gender:



Source: Office for National Statistics

Key Facts about North Tyneside Governance

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

Political structure in 2020/21

North Tyneside has 20 wards and the Authority consists of 60 Councillors and an Elected Mayor. Following the local election in May 2019 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 2020/21, including the setting of the 2020/21 budget has been undertaken by either the Overview and Scrutiny Committee or the Budget Study Group.

Management Structure

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

During 2020/21 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 2020/21

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 2020/21 was approved by full Council at its meeting of 20 February 2020. The net General Fund revenue budget was set at £161.361m including Efficiency Programme savings of £3.622m (£0.805m new to 2020/21 and £2.817m of prior year savings requiring a permanent solution in 2020/21). The following table summarises the financial position of the Authority as at 31 March 2021. 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 2021

Service	Budget £000s	Final Outturn £000s	Variance £000s	Accounting Adjustments £000s	Adjusted Variance £000s
Chief Executive Office	(78)	(215)	(137)	0	137
Commissioning & Asset Management	7,623	7,102	(521)	1,916	2,437
Corporate Strategy	738	434	(304)	0	304
Environment, Housing & Leisure	43,439	42,651	(788)	2,002	2,790
Health, Education, Care & Safeguarding	71,604	78,320	6,716	70	(6,646)
Law & Governance	133	303	170	0	(170)
Regeneration & Economic Development	1,437	5,270	3,833	(2,255)	(6,088)
Resources	3,046	2,955	(91)	(227)	(136)
Central Items	13,406	40,228	26,822	(1,506)	(28,328)
Sub Total Services	141,348	177,048	35,700	0	(35,700)
Support Services	20,013	20,013	0	0	0
Transfers to/(from) specific reserves	0	(35,700)	(35,700)	0	35,700
Total Net Expenditure	161,361	161,361	0	0	0

	Budget	Final	Variance
	£000s	Outturn	
		£000s	£000s
Funded By:			
Council Tax Receipts	(100,886)	(100,886)	0
Business Rates	(48,460)	(48,460)	0
Revenue Support Grant	(11,379)	(11,379)	0
Transfer from Collection Fund	(636)	(636)	0
Total Funding	(161,361)	(161,361)	0
Increase to Balances	0	(3,555)	(3,555)
Balances brought forward	(7,165)	(7,165)	0
Balances carried forward	(7,165)	(10,720)	(3,555)

The increase in balances above relates to school balances of £3.555m.

The final outturn figures shown in the above table include capital and other internal accounting adjustments. The adjusted variance column is explained in more detail within the Outturn Report which will be taken to [Cabinet on 15 July 2021](#).

Housing Revenue Account (HRA)

The overall position on the HRA improved marginally between January and March, with a £0.090m improvement in in-year balances reducing the overspend position to £0.213m over budget.

After taking into account the improved position on brought forward balances of £0.211m, the overall position on the HRA to be carried forward was £0.002m over budget. All areas of the budget were affected to a greater or lesser extent by the pandemic.

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.

Management costs were £0.901m 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 will be taken to [Cabinet on 15 July 2021](#).

Capital Expenditure

The initial 2020/21 Investment Plan Budget was £67.307m (£40.445m General Fund and £26.862m 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 £61.370m (£39.053m General Fund and £22.317m Housing). The table below summarises these changes.

	£000s
Investment Plan approved by Council 3 Feb 2020	67.307
Reprogramming from 2019/20	6.751
Reprogramming to 2021/22 and future years	(19.642)
Other variations (net)	6.954
Revised Investment Plan	61.370

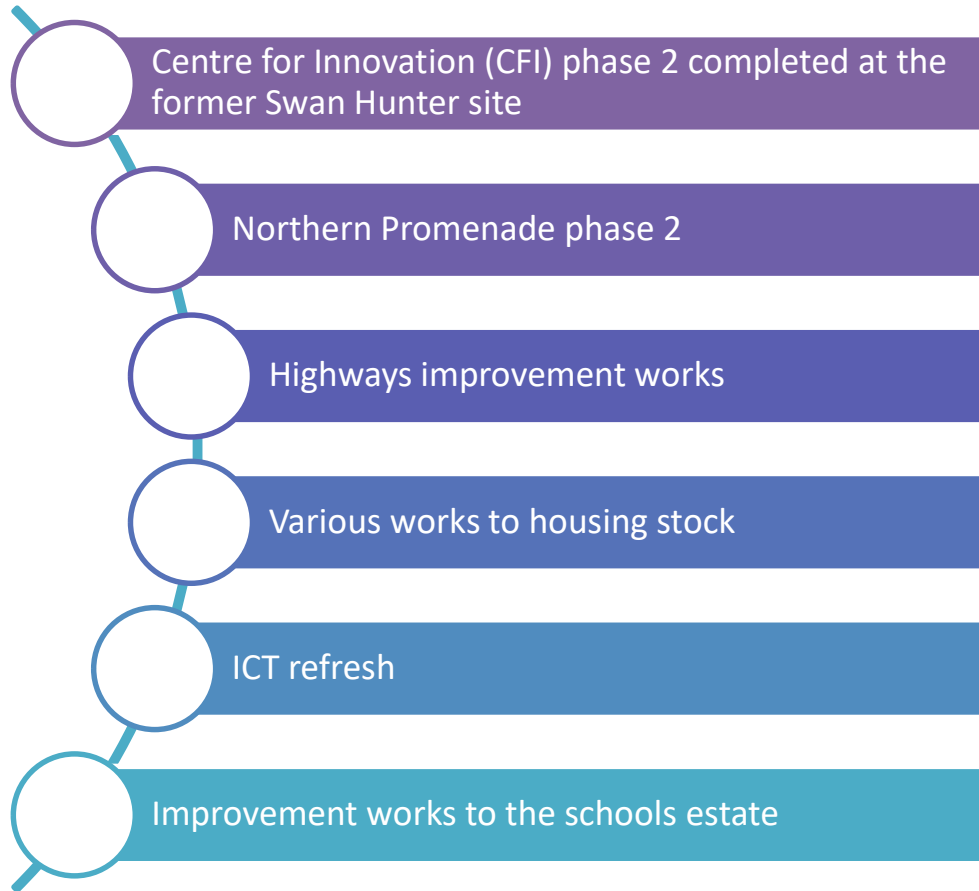
Actual capital expenditure in 2020/21 totalled £53.830m (£59.080m in 2019/20), comprising General Fund expenditure of £33.468m and £20.362m on Housing schemes.

Not all of the expenditure relates to the creation or improvement of fixed assets for the Authority. £13.078m relates to spend on other items, including £1.508m for share capital, £1.125m on loans, £1.141m spent on Disabled Facilities Grants, £2.906m on Trust schools, £2.295m Homes and Communities Agency joint venture agreement and £2.725m Nexus (Tanners Bank).

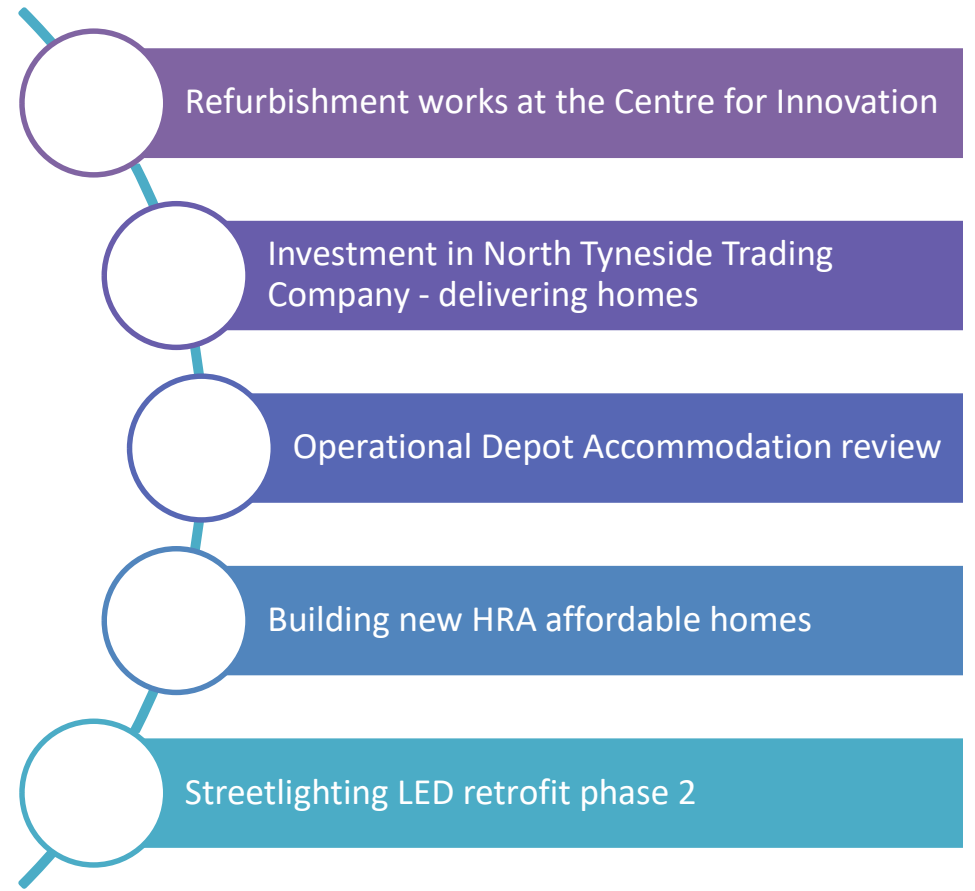
The following table compares the actual capital expenditure with the revised budget for the year.

	Revised Capital Budget 2020/21 £000s	Actual Capital Expenditure 2020/21 £000s	Variation from budget over/(under) £000s
General Fund	39.053	33.468	(5.585)
Housing	22.317	20.362	(1.955)
Total	61.370	53.830	(7.540)

Main projects completed during 2020/21



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 2020/21 at £1,230.000m (£1,250.000m 2019/20) and its Operational Boundary for external debt at £670.000m (£680.000m 2019/20). All transactions were carried out within the Authorised Limit boundaries during 2020/21. As shown in the Balance Sheet, the total liabilities for borrowing, finance lease balances (including Private Finance Initiative (PFI)) and other liabilities are £528.206m (£581.308m 2019/20).

Main points from Financial Statements

Comprehensive Income & Expenditure Statement

The Cost of Services line in the Comprehensive Income & Expenditure Statement represents the net expenditure incurred by the Authority in the direct provision of Services (page 25). The net expenditure of £144.587m (£139.464m 2019/20) is an increase of £5.123m on the previous year. The variations relate in the main to capital accounting adjustments particularly within the Housing Revenue Account and pension accounting adjustments.

In terms of income, Taxation and Non-specific Grant Income, there has been an increase in income of £34.119m from £184.640m in 2019/20 to £218.759m in 2020/21. This mainly relates to capital grants and contributions and funding from central government for COVID-19 costs.

The Group position shows North Tyneside Trading Company net expenditure of (£0.090m) compared to (£1.361m) in 2019/20 (page 26). In the main the variation of (£1.271m) relates to dividend recognition and an increase in running costs.

Balance Sheet

The Balance Sheet is set out on pages 29 to 30. Overall, the Authority has net assets of £56.667m which is a decrease of £72.266m from the 2019/20 figure of £128.933m. The following paragraphs provide additional detail in relation to this decrease.

Current Liabilities are (£97.967m) in 2020/21 compared to (£128.616m) in 2019/20. The decrease of £30.649m relates to a reduction in short term borrowing of (£44.351m) which reflects the reduction in the level of temporary debt held by the Authority (moved to long term debt) and a reduction in PWLB loans. In addition, creditors have increased by £10.372m

Long Term Liabilities have increased by £118.195m to (£1.116.061m) in 2020/21. In the main this is due to an increase in the Pension Liability of £129.950m together with a decrease in long term borrowing of £5.000m and finance leases of £4.548m.

Overall Useable Reserves have seen an increase of £53.673m and stand at (£155.323m), (Note 31 provides more details on these reserves), and Unuseable Reserves have decreased by (£125.939m) (Note 33 provides more details on these reserves).

Non-Financial Performance of the Authority

The Our North Tyneside Plan (Council Plan) continues to set out the overall vision and policy context for the Authority.

The COVID-19 Pandemic has had a significant impact on residents and the economy, particularly during periods of lockdown and local restrictions. The Our North Tyneside Plan

priorities formed the basis of the Framework for COVID-19 Recovery in North Tyneside.

The number of residents claiming unemployment benefits increased in 2020/21, largely attributable to the pandemic. In May 2021, 5.9% residents aged 16-64 claimed unemployment benefits, an increase compared to 3.6%. Figures are in line with national and regional percentages.

At the end of April 2021, there were 9,000 employments on furlough, mostly in the accommodation and food services and wholesale and retail. This is an improvement following lockdown easing, compared to 26,600 employments on furlough in June 2020.

The number of residents claiming universal credit doubled, from 10,290 in January 2020 to 19,310 in May 2021. Some of the increase is due to the widening of eligibility, but there was a sharp increase in the number of claimants during the start of the first lockdown in March/April 2020.

In March 2020, the Authority set up a Local Support Hub to support residents identified by the NHS and general practitioners as clinically extremely vulnerable and a high risk of serious complications from Covid-19. There were 10,000 residents initially, which has since increased to 14,700. The Local Support Hub, in partnership with VODA has provided regular support with shopping, prescriptions and welfare calls to 2,000 clinical extremely vulnerable residents advised to stay at home.

The Prevent and Protect Team provided enhanced support to care homes, as a high risk setting as part of the council's Outbreak Control Management Plan, including embedding of IPC measures (hands and respiratory hygiene, use of PPE), risk assessments and quality assurance. Regular testing for staff and residents was carried out. Mutual aid and workforce capacity was supported and the restriction of care home staff moving between care homes was implemented.

In June 2020, Cabinet agreed the priorities and initiatives funded by the Poverty Intervention Fund to support key groups impacted by poverty; children, older people, and families with children. Initiatives include-

- Poverty proofing the school day
- Benefits take-up campaign and support
- School appropriate clothing
- Holiday food

72% of pupils reach a Good Level of Development at Foundation Stage, which is in line with the North East.

In North Tyneside, 8 in 10 young people attend a school that is ranked as Good or Outstanding.

In March 2020, Ofsted judged Children's Social Care as Outstanding overall.

Since the introduction of the Homeless Reduction Act in 2018, there has been a significant improvement in the number of residents becoming homeless, as the act placed a greater focus on prevention and triage work in order to prevent an individual becoming homeless. During 2020/21 4% of people who

presented as homeless were accepted as priority homeless due to the preventative work being carried out. During the pandemic all rough sleepers have been placed in emergency accommodation throughout and during the winter months a Severe Weather Emergency Protocol (SWEP) was initiated.

Feedback from our Residents' Survey shows around 8 in 10 residents are satisfied with where they live. A key driver in local satisfaction is value for money, the local environment and feeling safe during the day.

North Tyneside is one of the safest areas of the country to live, work and visit with comparatively low levels of crime. For the majority of residents Environmental Crime and Anti-Social Behaviour is not an issue, however the perception of feeling safe after dark is lower in some areas of the borough. The Authority continues to work in partnership with key services represented on the Safer North Tyneside Partnership, which is vital to our commitment to address community and public safety, crime and disorder and environmental crime issues. In October 2020, Cabinet agreed the new Environmental Crime and Anti-Social Behaviour Policy, which provides a consistent approach and framework to tackle ASB and environmental crime. The policy ensures that any enforcement action is clear, concise, proportionate, consistent and targeted to ensure a responsive, effective and value-added service.

At the end of 2020/21 the Authority's carbon footprint had decreased by 49% since the baseline year of 2010/11. In July 2019 Council declared a Climate Emergency, setting a target to reduce the carbon footprint of the Authority and the Borough by 50% by 2023 and to become carbon neutral by 2050.

More and better homes have been delivered across North Tyneside. We have already built 1,650 new affordable homes and at the start of 2021 Cabinet committed to increasing the affordable homes target to 5,000 homes. A quarter of residents are very satisfied with the choice of housing now available to them.

All the council housing stock continues to meet the Decent Homes Standard and 99% of homes are occupied, including the North Tyneside Living Schemes.

Under the Authority's 15 year regeneration plan "Ambition for North Tyneside" plan some highlights include:-

- Completion of the sale of the former Swan Hunter site, bring it back into beneficial economic use.
- Successful opening of the Centre for Innovation, attracting businesses and a range of companies related to offshore/energy sectors
- the restoration of Grade 2 listed Georgian terrace on Northumberland Square
- North Shields Master Plan agreed by Cabinet in August 2020 to improve the appearance of the town centre, highway network, public transport and public realm to enhance visitor experience.
- Major flood alleviation project delivered by the council and Environment Agency at Killingworth Lake.
- Improvement works delivered on the Northern Promenade to renovate the Rendezvous Café, public toilets, and car park. Resurfacing work is underway on the Northern Promenade.

- Completed work on a new vision for Segedunum with Tyne and Wear Archives and Museums, which is now being developed into a 15 year Master Plan and investment programme.
- replacing derelict and eyesore sites along the coastline with attractive high-quality family housing

Three beaches in North Tyneside are among a group of only 42 beaches in the country to win both a Blue Flag and Seaside Award. 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.

This vision and policy context reflects the priorities of the Elected Mayor and Cabinet and the work of the North Tyneside Strategic Partnership, which includes all of the organisations and sectors who work together with the Authority to deliver an improved future for the borough and its residents. Reducing the inequalities between our most deprived and most affluent areas continues to be an area of focus for the Authority and partners.

The Plan continues to provide the context for all financial decisions and the operational delivery of services both at borough level but also increasingly as we work alongside other local authorities across the region, statutory partners and with business through the North East Local Enterprise Partnership.

The Our North Tyneside plan is focused on ensuring that the Authority works better for residents.

The plan has three key themes – Our People, Our Places and Our Economy.

Our People will:

- Be listened to
- Be ready for work and life
- Be ready for school
- Be cared for, protected and supported
- Be healthy and well
- Be more independent, volunteer and do more for themselves and their communities

Our Places will:

- Offer a good choice of quality housing
- Benefit from the completion of North Tyneside Living schemes
- Provide a clean, green, healthy, attractive and safe environment
- Continue to regenerate Wallsend and Whitley Bay and begin new schemes in Forest Hall and Killingworth
- Have effective transport and physical infrastructure
- Be a thriving place of choice for visitors
- Be great places to live

Our Economy will:

- Grow by supporting new businesses and building on our strengths
- Continue to support investment in our business parks, units and town centres
- Be business friendly, ensuring the right skills and conditions are in place to support investment

Following the Mayoral election in May 2021, work is underway to refresh the current Our North Tyneside Council Plan to reflect the policy priorities of the incoming administration and the context of the impact of the COVID-19 pandemic has had on the borough. As per the Council's Budget and Policy Framework set out in the Council Constitution, the Council Plan requires final approval by full Council, following internal and external engagement on initial proposals, as well as consideration by Overview, Scrutiny and Policy Development Committee.

The Council Plan future vision is of a North Tyneside in the following five themes:

- thriving
- family-friendly
- caring
- secure
- green

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. Cabinet and all Members have been kept up to date in terms of the response and approach to recovery that 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 in 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 2020/21. There has been sustained support to the Social Care Sector for both Adults and Children's and this is expected to continue into 2021/22. The Authority has been responsible for acting as an agent for a number of grants to support the businesses in the Borough and again this has continued into 2021/22.

There have been a range of financial interventions introduced by the Government. The Authority received its share of the Government's Local Support Grant of £16.370m, £0.733m of this was allocated to additional costs and income lost in March 2020, meaning £15.636m was available to support council services in 2020/21. Of this, £13.466m was allocated to support revenue activities and a further £0.485m was allocated to capital. The remaining £1.685m has been carried forward to support the identified on-going impact of COVID-19 into 2021/22.

Local authorities were also compensated for losses incurred against their sales, fees and charges budgets. North Tyneside Council received £5.757m from this grant to support services and this was fully allocated.

As mentioned previously the Authority has received grants to support the businesses in the Borough. During 2020/21 £66.072m was received and £54.731m was paid across to businesses. The remaining balance will be paid out during the early stages of 2021/22.

Additional funding of £11.811m 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. Of this funding £4.616m was spent during 2020/21, with £7.195m carried forward to 2021/22. Of the funding carried forward £5.302m of it related to Contain Outbreak Management and the Authority has a range of proposals to spend this funding to help contain outbreaks as the Borough continues to see an easing of restrictions.

The Government provided £5.471m to help support the Care Home market and all of the £5.471m was allocated in 2020/21. The Authority also received £2.264m to support its schools and £2.031m was allocated with the remaining £0.233m anticipated to be allocated in early 2021/22.

There were further indirect impacts of the COVID-19 pandemic which included the delay in the 2020 Spending Review, which was scheduled to be completed by July 2020. Additionally, the Fair Funding and Business Rates Retention (BRR) schemes

review, scheduled for implementation in April 2021, will now not go ahead until April 2022 at the earliest. This led to further significant risk and challenges remain to the Authority's ability to update the four-year Medium-Term Financial Plan.

It has been highlighted previously by the Chief Finance Officer that the Authority has a relatively low level of reserves. Uncertainty with regard to the levels of funding for Local Government Finance beyond 2020/21, alongside the long-term implications of how the Borough and indeed the country will recover from the impacts of COVID-19 is of concern. The financial sustainability of the Authority remains a significant concern, particularly when taken in the context of funding reductions the Authority has managed since 2011/12.

The Strategic Reserve (£14.504m) represents 4.09% of the General Fund 2021/22 gross Budget and 11.46% of the 2021/22 net Budget, with the General Fund balances (£7.000m) added, these represent 6.06% of the 2021/22 gross Budget and 16.99% 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 £65.487m, which is an increase of £33.130m from the 2019/20 position of £32.357m. Of this increase £19.298m relates to COVID-19 grants with specific conditions that have been imposed in spending those grants, and some of which the Authority acts as an agent for the government on. These COVID-19 balances are projected to be spent over the early part of 2021/22.

When setting the 2021/22 Budget reference was made to the impact of reliefs given to business for NNDR and residents for Council Tax on the collection fund which flows through into future years. Grant funding received in 2020/21 in respect of this relief of £15.153m is planned to be used during 2021/22 to mitigate the collection fund deficit and the impact on overall resources.

The net movement in HRA reserves and balances is a decrease of £2.179m. The HRA reserves have increased by £0.623m to £19.725m in 2020/21 and the HRA balances have decreased by £2.802m to a total of £5.001m. Within the HRA reserve total, £12.390m relates to PFI reserves.

School Balances show an increase of £3.556m this is a significant improvement of £10.476m against the planned deficit balance position of £6.755m. As at 31 March 2021, the DSG account is showing a net deficit balance of £7.932m, mainly caused by the increased pressures in High Needs. This compares to a deficit balance of £3.262m in 2019/20. 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 2021/22 and to ensure any COVID-19 related expenditure is appropriately considered and approved in advance of being incurred.

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 25. The group position is presented separately on page 26.

The Movement in Reserves Statement (MIRS) shows the movement from the start of the year to the end on the different reserves held by the Authority and the wider group, analysed into

‘useable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unuseable reserves’.

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

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

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

and funding basis under regulations'. The Balance Sheet is shown on pages 29 to 30.

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

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

Notes to the Accounts

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

Housing Revenue Accounts (HRA)

The Housing Revenue Account (HRA) Income & Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. The HRA is shown on page 151.

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 160.

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

Janice Gillespie
Director of Resources
Date: 2 July 2021

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 2020/21 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 2021, 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 2021.

Signed:

Janice Gillespie, Director of Resources
Date: 2 July 2021

3.2 Comprehensive Income and Expenditure Statement for the year ended 31 March 2021

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:

2019/20				2020/21		
Gross Exp £000s	Gross Inc £000s	Net Exp £000s		Gross Exp £000s	Gross Inc £000s	Net Exp £000s
113	(263)	(150)	Chief Executive Office	123	(297)	(174)
196,499	(168,158)	28,341	Commissioning & Asset Management	193,105	(178,839)	14,266
1,532	(584)	948	Corporate Strategy	2,272	(1,293)	979
73,765	(30,446)	43,319	Environment, Housing & Leisure	78,455	(32,327)	46,128
171,599	(99,947)	71,652	Health, Education, Care & Safeguarding	178,873	(103,622)	75,251
51,407	(69,385)	(17,978)	Housing Revenue Account	43,418	(70,298)	(26,880)
2,330	(1,571)	759	Law & Governance	1,595	(862)	733
2,813	(959)	1,854	Regeneration & Economic Development	6,064	(757)	5,307
65,616	(63,229)	2,387	Resources	64,287	(60,610)	3,677
23,409	(15,077)	8,332	Central Costs (including Support Services)	99,583	(74,283)	25,300
589,083	(449,619)	139,464	Cost of Services	667,775	(523,188)	144,587
12,021	0	12,021	Other Operating Expenditure (Note 10)	12,022	0	12,022
34,755	(1,940)	32,815	Financing and Investment Income and Expenditure (Note 11)	33,357	(586)	32,771
0	(184,640)	(184,640)	Taxation and Non-Specific Grant Income (Note 12)	0	(218,759)	(218,759)
635,859	(636,199)	(340)	(Surplus)/Deficit on Provision of Services	713,154	(742,533)	(29,379)
	(5,589)		Surplus on Revaluation of Non-Current Assets (Note 33a)			(1,887)
	(43,640)		Remeasurement of the net defined benefit liability (Note 33d)			104,090
	3,614		(Surplus)/Deficit on Financial Instruments measured at fair value through OCI&E (Note 33h)			(558)
	(45,615)		Other Comprehensive Income and Expenditure (OCI&E)			101,645
	(45,955)		Total Comprehensive Income and Expenditure			72,266

Comprehensive Income and Expenditure Statement for the year ended 31 March 2021

Group position:

2019/20				2020/21		
Gross Exp £000s	Gross Inc £000s	Net Exp £000s		Gross Exp £000s	Gross Inc £000s	Net Exp £000s
113	(263)	(150)	Chief Executive Office	123	(297)	(174)
196,499	(168,158)	28,341	Commissioning & Asset Management	193,105	(178,839)	14,266
1,532	(584)	948	Corporate Strategy	2,272	(1,293)	979
73,765	(30,446)	43,319	Environment, Housing & Leisure	78,455	(32,327)	46,128
171,599	(99,947)	71,652	Health, Education, Care & Safeguarding	178,873	(103,622)	75,251
51,407	(69,385)	(17,978)	Housing Revenue Account	43,418	(70,298)	(26,880)
2,330	(1,520)	810	Law & Governance	1,595	(810)	785
2,813	(959)	1,854	Regeneration & Economic Development	6,064	(757)	5,307
65,616	(63,182)	2,434	Resources	64,287	(60,563)	3,724
23,409	(14,674)	8,735	Central Costs (including Support Services)	99,583	(73,880)	25,703
895	(2,256)	(1,361)	North Tyneside Trading Company (NTTC)	2,208	(2,298)	(90)
589,978	(451,374)	138,604	Cost of Services	669,983	(524,984)	144,999
12,021	0	12,021	Other Operating Expenditure (Note 10)	12,022	0	12,022
34,755	(1,440)	33,315	Financing and Investment Income and Expenditure (Note 11)	33,357	(586)	32,771
0	(184,640)	(184,640)	Taxation and Non-Specific Grant Income (Note 12)	0	(218,759)	(218,759)
636,754	(637,454)	(700)	(Surplus)/Deficit on Provision of Services	715,362	(744,329)	(28,967)
	(5,589)		Surplus on Revaluation of Non-Current Assets (Note 33a)			(1,887)
	(43,640)		Remeasurement of the net defined benefit liability (Note 33d)			104,090
	3,614		Deficit/(Surplus) on Financial Instruments measured at fair value through OCI&E (Note 33h)			(558)
	(45,615)		Other Comprehensive Income and Expenditure (OCI&E)			101,645
	(46,315)		Total Comprehensive Income and Expenditure			72,678

3.3 Movement in Reserves Statement for the year ended 31 March 2021 – 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 NTCC	Total Group Useable Reserves	Council Unuseable Reserves Note 33	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2020	(55,011)	(26,906)	(10,085)	(3,832)	(5,816)	(101,650)	(553)	(102,203)	(27,283)	(129,486)
<u>Movement in Reserves during 2020/21</u>										
Total Comprehensive Income & Expenditure	(16,831)	(12,548)	0	0	0	(29,379)	412	(28,967)	101,645	72,678
Adjustments between accounting basis & funding basis under regulations (Note 3)	(18,869)	14,727	(766)	(5,270)	(14,116)	(24,294)	0	(24,294)	24,294	0
Decrease/(Increase) in 2020/21	(35,700)	2,179	(766)	(5,270)	(14,116)	(53,673)	412	(53,261)	125,939	72,678
Balance at 31 March 2021	(90,711)	(24,727)	(10,851)	(9,102)	(19,932)	(155,323)	(141)	(155,464)	98,656	(56,808)

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 NTCC	Total Group Useable Reserves	Council Unuseable Reserves Note 33	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance 31 March 2019	(57,008)	(27,154)	(8,351)	(2,231)	(6,969)	(101,713)	(193)	(101,906)	18,735	(83,171)
<u>Movement in Reserves during 2019/20</u>										
Total Comprehensive Income & Expenditure	2,558	(2,898)	0	0	0	(340)	(360)	(700)	(45,615)	(46,315)
Adjustments between accounting basis & funding basis under regulations (Note 3)	(561)	3,146	(1,734)	(1,601)	1,153	403	0	403	(403)	0
Decrease/(Increase) in 2019/20	1,997	248	(1,734)	(1,601)	1,153	63	(360)	(297)	(46,018)	(46,315)
Balance at 31 March 2020	(55,011)	(26,906)	(10,085)	(3,832)	(5,816)	(101,650)	(553)	(102,203)	(27,283)	(129,486)

3.4 Balance Sheet as at 31 March 2021

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

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

Group 31 March 2020 £000s	Council 31 March 2020 £000s		Notes	Group 31 March 2021 £000s	Council 31 March 2021 £000s
1,115,533	1,110,085	Property, Plant & Equipment	19	1,119,772	1,112,884
2,300	2,300	Heritage Assets		2,307	2,307
1,448	1,448	Investment Property		1,288	1,288
4,200	4,200	Intangible Assets		3,703	3,703
7,272	14,840	Long Term Investments	23 & 38	7,830	16,905
1,026	5,025	Long Term Debtors		1,141	6,266
1,131,779	1,137,898	Long Term Assets		1,136,041	1,143,353
100	100	Short Term Investments	38	336	336
3,571	3,571	Assets Held for Sale	20	1,270	1,270
8,117	1,205	Inventories	42	8,349	1,188
75,371	75,792	Short Term Debtors	24	83,385	83,321
37,303	36,849	Cash & Cash Equivalents	25	42,023	41,226
124,462	117,517	Current Assets		135,363	127,341
(67,448)	(67,448)	Short Term Borrowing	26	(23,097)	(23,097)
(50,900)	(50,629)	Short Term Creditors	27	(61,570)	(61,001)
(4,265)	(4,265)	Finance Lease & PFI Creditors	18	(4,590)	(4,590)
(6,080)	(6,080)	Provisions	28	(9,089)	(9,089)
(194)	(194)	Other Short-Term Liabilities		(189)	(189)
(128,887)	(128,616)	Current Liabilities		(98,535)	(97,966)

Group 31 March 2020 £000s	Council 31 March 2020 £000s	Balance Sheet as at 31 March 2021	Notes	Group 31 March 2021 £000s	Council 31 March 2021 £000s
(109,624)	(109,624)	Finance Lease & PFI Creditors	18	(105,076)	(105,076)
(4,015)	(4,015)	Provisions	28	(3,816)	(3,816)
(402,443)	(402,443)	Long Term Borrowing	29	(397,443)	(397,443)
(2,276)	(2,274)	Other Long-Term Liabilities		(2,179)	(2,179)
(2,046)	(2,046)	Other Long-Term Creditors	30	(2,003)	(2,003)
(465,490)	(465,490)	Pension Liability	9	(595,440)	(595,440)
(11,974)	(11,974)	Capital Grants Receipts in Advance	13	(10,104)	(10,104)
(997,868)	(997,866)	Long Term Liabilities		(1,116,061)	(1,116,061)
129,486	128,933	Net Assets		56,808	56,667
		Financed By:			
(101,650)	(101,650)	Useable Reserves	31	(155,323)	(155,323)
(553)	0	Useable Reserves of Group Entity	31	(141)	0
(27,283)	(27,283)	Unuseable Reserves	33	98,656	98,656
(129,486)	(128,933)	Total Reserves		(56,808)	(56,667)

I certify that the Statement of Accounts for the year ended 31 March 2021, required by the Accounts and Audit Regulations 2015 are set out in pages 25 to 31 and that they give a true and fair view of the financial position of the Authority including the Group and its income and expenditure for the year ended 31 March 2021.

Signed:

Janice Gillespie
Director of Resources
Date: 2 July 2021

3.5 Cash Flow Statement for year ended 31 March 2021

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 2019/20	Council 2019/20		Notes	Group 2020/21	Council 2020/21
£000s	£000s			£000s	£000s
700	340	Net surplus/(deficit) on the provision of services		28,967	29,379
68,243	70,145	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	39	78,042	77,103
(34,951)	(34,951)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	39	(39,486)	(39,486)
33,992	35,534	Net cash flows from operating activities		67,523	66,996
(20,483)	(22,083)	Net Cash flow from Investing Activities	40	(5,802)	(5,599)
13,557	13,557	Net Cash flow from Financing Activities	41	(57,001)	(57,020)
27,066	27,008	Net increase/(decrease) in cash and cash equivalents		4,720	4,377
10,237	9,841	Cash and cash equivalents at the beginning of the reporting period	25	37,303	36,849
37,303	36,849	Cash and cash equivalents at the end of the reporting period		42,023	41,226

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.

Note	Title	Page	Note	Title	Page
1	Accounting Policies	34	16	Related Party Transactions	95
2	Accounting Standards that have been issued but not yet adopted	53	17	Audit Costs	96
3	Adjustments between Accounting Basis and Funding Basis under Regulations	54	18	Long Term Contracts – Service Concessions	97
4	Expenditure & Funding Analysis and Segmental Income	60	19	Property, Plant and Equipment	100
5	Nature of Expenses	69	20	Assets Held for Sale	107
6	Critical Judgements in Applying Accounting Policies	71	21	Summary of Capital Expenditure and Sources of Finance	107
7	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	72	22	Capital Commitments	109
8	Leasing	74	23	Long Term Investments	110
9	Pension Schemes	75	24	Short Term Debtors	114
10	Other Operating Expenditure	85	25	Cash and Cash Equivalents	114
11	Financing and Investment Income and Expenditure	86	26	Short Term Borrowing	115
12	Taxation and Non-Specific Grant Income	86	27	Short Term Creditors	115
13	Grants and Contributions Income	87	28	Provisions	116
14	Officers' Remuneration	90	29	Long Term Borrowing	117
15	Members' Allowances and Expenses	94	30	Long Term Creditors	118
			31	Useable Reserves	118
			32	Reserves & Balances	120
			33	Unuseable Reserves	126
			34	Contingent Liabilities	132
			35	School Balances	132
			36	Deployment of Dedicated Schools Grant	134

37	National Health Services Act 2006 Pooled Funds and similar arrangements	135	50	Depreciation for Housing Revenue Account Assets	157
38	Financial Instruments	137	51	Pension Costs	158
39	Notes to the Cash Flow – Operating Activities	146	52	Capital Charges	158
40	Notes to the Cash Flow – Investing Activities	147	53	Revenue Expenditure Funded from Capital under Statute	158
41	Notes to the Cash Flow – Financing Activities	147			
42	Inventories	148	54	Interest	159
43	Events after the Balance Sheet Date	148	55	Capital Charges (Item 8 Debit and Credit)	159
	<u>Notes to the Housing Revenue Account</u>			<u>Notes to the Collection Fund</u>	
44	Housing Stock	153	56	Council Tax	162
45	Balance Sheet Valuation	154	57	Business Rates	164
46	Vacant Possession	154	58	Precepts, Demands and Shares	164
47	Rent Arrears and Bad Debt Allowance	155	59	Distribution of Collection Fund Surplus	165
48	Major Repairs Reserve	156	60	Charges to the Collection Fund	165
49	Housing Capital Expenditure and Financing	156	61	Collection Fund Surplus	165

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 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21 (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).

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).

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a

subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

Amounts received for a disposal in excess of £0.010m are categorised as capital receipts. A proportion of receipts

relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. Capital Receipts may also be used under the Flexible Use of Capital Receipts which allows local authorities to fund revenue expenditure incurred to generate ongoing savings.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Heritage Assets

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

Recognition and Measurement

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

Impairment

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

Disposals

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

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

Investment Property

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

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

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

Intangible Assets

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £0.010m) the Capital Receipts Reserve.

Interests in Companies and Other Entities

The Authority has a material interest in the North Tyneside Trading Company Limited and its subsidiary companies. As a result of this, the financial statements of the group will be consolidated with the Authority's accounts and group accounts will be prepared for 2020/21.

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 2020/21 has introduced changes in accounting policy which will be required from 1 April 2021 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 changes that have been introduced are in relation to the following International Financial Reporting Standard (IFRS) statements:

- **Accounting Policies**

Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. There have been no changes in accounting policies introduced by the Authority in 2020/21 and this amended standard will not have an effect on the financial statements.

- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

IAS 8 has been adapted to limit the impact of standards that have been issued but not yet adopted to those listed in the 2021/22 Code of Practice. This excludes IFRS 16 Leases and IFRS 17 Insurance Contracts from being

included in these reporting requirements. The standards shown below, depending on their impact on the Authority, may need to be disclosed.

The standards introduced by the 2021/22 Code and relevant for additional disclosure that will be required in the 2020/21 financial statements are:

(a) Definition of a Business: Amendments to IFRS 3 Business Combinations;

(b) Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39, and IFRS7; and

(c) Interest Rate benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16.

These amendments are mainly concerned with private sector accounting and reporting and are not expected to impact on the Authority.

3 Adjustments between Accounting Basis and Funding Basis under Regulations

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

	Useable Reserves					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	
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:						
<ul style="list-style-type: none"> Pensions Costs (transferred to (or from) the Pensions Reserve) - Note 33(d) 	(22,354)	(3,506)	0	0	0	25,860
<ul style="list-style-type: none"> Financial Instruments (transferred to the Financial Instruments Adjustment Account) Note 33(c) 	33	0	0	0	0	(33)
<ul style="list-style-type: none"> Council Tax and NDR (transfers to or from the Collection Fund) - Note 33(f) 	(15,720)	0	0	0	0	15,720
<ul style="list-style-type: none"> Holiday Pay (transferred to the Accumulated Absences Reserve) - Note 33(g) 	2,155	82	0	0	0	(2,237)
<ul style="list-style-type: none"> Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure 	(5,289)	(18,028)	0	0	(18,587)	41,904
Total Adjustments to Revenue Resources	(41,175)	(21,452)	0	0	(18,587)	81,214

2020/21

	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	
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3,229	5,637	(8,866)	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,874)	0	1,874	0	0	0
Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve - Note 48	0	12,372	0	(12,372)	0	0
Statutory/Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account) – Note 33(b)	18,982	6,042	2,849	0	0	(27,873)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) – Note 33(b)	1,969	12,128	0	0	0	(14,097)
Total Adjustments between Revenue and Capital Resources	22,306	36,179	(4,143)	(12,372)	0	(41,970)

2020/21

	Useable Reserves					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	
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure – Note 33(b)	0	0	3,377	0	0	(3,377)
Use of the Major Repairs Reserve to finance capital expenditure – Note 48	0	0	0	7,102	0	(7,102)
Application of capital grants to finance capital expenditure – Note 33(b)	0	0	0	0	4,471	(4,471)
Total Adjustments to Capital Resources	0	0	3,377	7,102	4,471	(14,950)
TOTAL ADJUSTMENTS	(18,869)	14,727	(766)	(5,270)	(14,116)	24,294

2019/20

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					
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
(13,494)	(3,988)	0	0	0	17,482
33	0	0	0	0	(33)
(1,138)	0	0	0	0	1,138
(2,549)	(971)	0	0	0	3,520
(547)	(26,498)	0	0	(4,865)	31,910
(17,695)	(31,457)	0	0	(4,865)	54,017

2019/20

	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	
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	673	6,295	(6,968)	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,874)	0	1,874	0	0	0
Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve – Note 48	0	12,401	0	(12,401)	0	0
Statutory/Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account) – Note 33(b)	17,261	3,895	3,003	0	0	(24,159)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) – Note 33(b)	1,074	12,012	0	0	0	(13,086)
Total Adjustments between Revenue and Capital Resources	17,134	34,603	(2,091)	(12,401)	0	(37,245)

2019/20

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 48

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

Total Adjustments to Capital Resources**TOTAL ADJUSTMENTS**

Useable Reserves					
General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
0	0	357	0	0	(357)
0	0	0	10,800	0	(10,800)
0	0	0	0	6,018	(6,018)
0	0	357	10,800	6,018	(17,175)
(561)	3,146	(1,734)	(1,601)	1,153	(403)

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.

2020/21

	Net Expenditure Chargeable to the GF and HRA Balances (After adjustments for Internal Charging) £000s	Adjustments between Funding and Accounting Basis £000s	Net Expenditure in Comprehensive Income & Expenditure Statement £000s
Chief Executive Office	(216)	42	(174)
Commissioning & Asset Management	2,596	11,670	14,266
Corporate Strategy	713	266	979
Environment, Housing & Leisure	26,295	19,833	46,128
Health, Education, Care & Safeguarding	69,342	5,909	75,251
Housing Revenue Account	(11,164)	(15,716)	(26,880)
Law & Governance	396	337	733
Regeneration & Economic Development	1,274	4,033	5,307
Resources	795	2,882	3,677
Central Costs (including support services)	62,865	(37,565)	25,300
Net Cost of Services	152,896	(8,309)	144,587
Other Income & Expenditure	(186,415)	12,449	(173,966)
(Surplus)/Deficit on provision of service	(33,519)	4,140	(29,379)
Opening General Fund & HRA Balance	(14,969)		
Surplus on General Fund & HRA Balance in Year	(33,521)		
Transfers to Earmarked Reserves	32,768		
Closing General Fund and HRA Balance	(15,722)		

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

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 IAS 19 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.

2020/21

	Adjs for Capital Purposes £000s	Pension Adjs £000s	Other Adjs £000s	Total Adjs £000s
Chief Executive Office	0	38	4	42
Commissioning & Asset Management	7,750	6,003	(2,083)	11,670
Corporate Strategy	0	238	28	266
Environment, Housing & Leisure	17,381	2,642	(190)	19,833
Health, Education, Care & Safeguarding	937	4,970	2	5,909
Housing Revenue Account	(17,949)	2,315	(82)	(15,716)
Law & Governance	0	298	39	337
Regeneration & Economic Development	3,904	123	6	4,033
Resources	2,387	455	40	2,882
Central Costs (including support services)	(35,859)	(1,673)	(33)	(37,565)
Net Cost of Services	(21,449)	15,409	(2,269)	(8,309)
Other Operating Expenditure	7,539	0	1,874	9,413
Financing & Investment Income & Expenditure	0	10,450	0	10,450
Taxation & Non-Specific Grant Income	(23,134)	0	15,720	(7,414)
Difference between General Fund and HRA (surplus)/deficit and Comprehensive Income & Expenditure Statement (surplus)/deficit	(37,044)	25,859	15,325	4,140

2019/20

	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
Chief Executive Office	(191)	41	(150)
Commissioning & Asset Management	10,734	17,607	28,341
Corporate Strategy	704	244	948
Environment, Housing & Leisure	26,043	17,276	43,319
Health, Education, Care & Safeguarding	65,351	6,301	71,652
Housing Revenue Account	(9,481)	(8,497)	(17,978)
Law & Governance	420	339	759
Regeneration & Economic Development	1,404	450	1,854
Resources	920	1,467	2,387
Central Costs (Includes support services)	41,684	(33,352)	8,332
Net Cost of Services	137,588	1,876	139,464
Other Income & Expenditure	(135,343)	(4,461)	(139,804)
(Surplus)/Deficit on provision of service	2,245	(2,585)	(340)

Opening General Fund & HRA Balance	(15,707)
Deficit on General Fund & HRA Balance in Year	2,245
Transfers to Earmarked Reserves	(1,507)
Closing General Fund and HRA Balance	(14,969)

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

2019/20	Adjustments for Capital Purposes	Pension Adjustments	Other Adjustments	Total Adjustments
	£000s	£000s	£000s	£000s
Chief Executive Office	0	43	(2)	41
Commissioning & Asset Management	11,787	3,981	1,839	17,607
Corporate Strategy	0	235	9	244
Environment, Housing & Leisure	13,658	3,006	612	17,276
Health, Education, Care & Safeguarding	754	5,425	122	6,301
Housing Revenue Account	(13,456)	3,987	972	(8,497)
Law & Governance	0	347	(8)	339
Regeneration & Economic Development	323	138	(11)	450
Resources	1,036	443	(12)	1,467
Central Costs (includes support services)	(23,212)	(10,107)	(33)	(33,352)
Net Cost of Services	(9,110)	7,498	3,488	1,876
Other Operating Expenditure	5,671	0	1,874	7,545
Financing & Investment Income & Expenditure	0	9,983	0	9,983
Taxation & Non-Specific Grant Income	(23,128)	0	1,139	(21,989)
Difference between General Fund and HRA (surplus)/deficit and Comprehensive Income & Expenditure Statement (surplus)/deficit	(26,567)	17,481	6,501	(2,585)

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:

2019/20 £000s		2020/21 £000s
(86)	Chief Executive Office	(139)
(10,071)	Commissioning & Asset Management	(6,808)
(219)	Corporate Strategy	(167)
(18,583)	Environment, Housing & Leisure	(11,860)
(16,973)	Health, Education, Care & Safeguarding	(16,986)
(61,297)	Housing Revenue Account	(63,782)
(690)	Law & Governance	(396)
(310)	Regeneration and Economic Development	(125)
(1,249)	Resources	(1,679)
(1,549)	Central Costs (including support services)	(1,326)
(111,027)	Total - Authority	(103,268)
(201)	North Tyneside Trading Company	(252)
(111,228)	Total - Group	(103,520)

The variations against Commissioning & Asset Management and Environment, Housing & Leisure have arisen due to the impact of the COVID-19 pandemic which resulted in leisure facilities and schools closing with a subsequent reduction in income from customers.

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.

2020/21

	Cost of Services	Other Income & Expenditure	Total
	£000s	£000s	£000s
Fees and Charges	(134,487)	0	(134,487)
Government Grants & Contributions	(367,702)	(50,017)	(417,719)
Support Services & Recharges	(20,999)	0	(20,999)
Interest and Investment Income	0	(310)	(310)
Income in relation to investment properties	0	(276)	(276)
Income from Council Tax/ Business Rates	0	(168,742)	(168,742)
Total Income	(523,188)	(219,345)	(742,533)
Employee Expenses	238,045	10,450	248,495
Other Service Expenses	360,244	0	360,244
Support Services Recharges	22,978	0	22,978
Depreciation, amortisation, impairment and other capital charges	46,508	0	46,508
Interest Payments	0	22,907	22,907
Precepts & Levies	0	11,475	11,475
Payments to Housing Capital Receipts Pool	0	1,874	1,874
Gain on Disposal of Fixed Assets	0	(1,327)	(1,327)
Total Operating Expenses	667,775	45,379	713,154
Surplus on the provision of services	144,587	(173,966)	(29,379)

2019/20

	Cost of Services	Other Income & Expenditure	Total
	£000s	£000s	£000s
Fees and Charges	(147,210)	0	(147,210)
Government Grants & Contributions	(294,283)	(30,049)	(324,332)
Support Services & Recharges	(8,126)	0	(8,126)
Interest and Investment Income	0	(1,766)	(1,766)
Income in relation to Investment Properties	0	(174)	(174)
Income from Council Tax/ Business Rates	0	(154,591)	(154,591)
Total Income	(449,619)	(186,580)	(636,199)
Employee Expenses	229,174	11,310	240,484
Other Service Expenses	287,645	0	287,645
Support Services Recharges	22,983	0	22,983
Depreciation, amortisation, impairment and other capital charges	49,281	0	49,281
Interest Payments	0	23,445	23,445
Precepts & Levies	0	11,444	11,444
Payments to Housing Capital Receipts Pool	0	1,874	1,874
Gain on Disposal of Fixed Assets	0	(1,297)	(1,297)
Total Operating Expenses	589,083	46,776	635,859
Deficit/(Surplus) on the provision of services	139,464	(139,804)	(340)

6 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in pages 34 to 53, 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;
- 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.

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 2021, 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 £1,217.610m as at 31 March 2021. A 1% change in asset valuation would equate to a £12.176m 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 £0.330m 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 84 for details of sensitivity analysis of the estimations.

Provisions	<p>The Authority has made a number of provisions, in line with the Code, totalling £12.905m. The provisions include estimated insurance liabilities, equal pay, redundancies, and business rates. Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2020/21 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 2021. 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 2021. A provision of £3.342m 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 2020/21 were £3.471m (£3.289m in 2019/20).

Undischarged operating lease rentals at 31 March 2021 amounted to £76.215m (£76.898m in 2019/20), comprising the following elements:

31 March 2020 £000s		31 March 2021 £000s
3,239	Due Year 1	3,478
13,462	Due Years 2-5	14,047
60,197	Due after Year 5	58,690
76,898	Total	76,215

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 2020/21 as being operating leases and the total rental income was £2.916m (£2.673m in 2019/20). The future minimum lease payments expected to be received are:

31 March 2020 £000s		31 March 2021 £000s
2,624	Due Year 1	2,836
3,815	Due Years 2-5	3,207
20,975	Due after Year 5	23,937
27,414	Total	29,980

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 2020/21, the Authority paid £15.138m (£12.677m 2019/20) to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay (20.75% 2019/20). The contributions due to be paid in the next financial year are estimated to be £13.908m. 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	2019/20 £000s				2020/21 £000s			
	TWPF		TPS*	Total	TWPF		TPS*	Total
	Funded	Unfunded			Funded	Unfunded		
Comprehensive Income & Expenditure Statement								
<u>Cost of Services</u>								
Current Service Costs	37,390	0	0	37,390	37,830	0	0	37,830
Past Service Costs	320	0	0	320	0	0	0	0
<u>Financing and Investment Income and Expenditure</u>								
Net Interest Expense	9,610	570	1,130	11,310	8,920	490	1,040	10,450
Total post-employment benefit charged to the Deficit/(Surplus) on the Provision of Services	47,320	570	1,130	49,020	46,750	490	1,040	48,280
Other post-employment benefit charged to the CIES								
Remeasurement of the net defined benefit liability comprising:								
Return on plan assets (excluding the amount included in the net interest expense)	(68,130)	0	0	(68,130)	(156,280)	0	0	(156,280)
Actuarial (gains)/losses arising on changes in demographic assumptions	(20,970)	(590)	(1,050)	(22,610)	0	0	0	0
Actuarial losses/(gains) arising on changes in financial assumptions	(24,220)	(280)	(560)	(25,060)	271,120	1,570	4,160	276,850
Actuarial (gains)/losses due to liability experience	72,500	(110)	(230)	72,160	(15,490)	(310)	(680)	(16,480)
Total post-employment benefit charged to the Other Comprehensive Income & Expenditure	(40,820)	(980)	(1,840)	(43,640)	99,350	1,260	3,480	104,090

*This is an unfunded scheme as detailed on page 75.

Pension Revenue Summary	2019/20 £000s				2020/21 £000s			
	TWPF		TPS*	Total	TWPF		TPS*	Total
	Funded	Unfunded			Funded	Unfunded		
Movement in Reserves Statement								
Reversal of net charges made to the (surplus)/deficit for the Provision of Services for post-employment benefits	(47,320)	(570)	(1,130)	(49,020)	(46,750)	(490)	(1,040)	(48,280)
<u>Actual amount charged against the Cost of Services for pensions in the year</u>								
Employer's contributions payable to the scheme	26,998	0	0	26,998	20,490	0	0	20,490
Retirement benefits payable to pensioners	0	1,740	2,800	4,540	0	1,750	180	1,930

*This is an unfunded scheme as detailed on page 75.

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:

	2019/20 £000s				2020/21 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Present value of the defined benefit obligation	(1,322,570)	(22,280)	(45,110)	(1,389,960)	(1,616,070)	(22,280)	(49,450)	(1,687,800)
Fair Value of plan assets	924,470	0	0	924,470	1,092,360	0	0	1,092,360
Net liability arising from defined benefit obligation	(398,100)	(22,280)	(45,110)	(465,490)	(523,710)	(22,280)	(49,450)	(595,440)

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

	2019/20 £000s				2020/21 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Opening fair value of scheme assets	848,960	0	0	848,960	924,470	0	0	924,470
Interest Income	20,230	0	0	20,230	21,160	0	0	21,160
Remeasurement gain/ (loss):								
• The return on plan assets, excluding the amount included in the net interest expense	68,130	0	0	68,130	156,280	0	0	156,280
Contributions from employer	18,150	1,740	2,800	22,690	20,490	1,750	180	22,420
Contributions from employees into the scheme	6,260	0	0	6,260	6,590	0	0	6,590
Benefits paid	(37,260)	(1,740)	(2,800)	(41,800)	(36,630)	(1,750)	(180)	(38,560)
Closing fair value of scheme assets	924,470	0	0	924,470	1,092,360	0	0	1,092,360

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)

	2019/20				2020/21			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded £000s	Unfunded £000s	£000s	£000s	Funded £000s	Unfunded £000s	£000s	£000s
Opening balance at 1 April	(1,258,710)	(24,430)	(48,620)	(1,331,760)	(1,322,570)	(22,280)	(45,110)	(1,389,960)
Current Service Cost	(37,390)	0	0	(37,390)	(37,830)	0	0	(37,830)
Interest Cost	(29,840)	(570)	(1,130)	(31,540)	(30,080)	(490)	(1,040)	(31,610)
Contributions by participants	(6,260)	0	0	(6,260)	(6,590)	0	0	(6,590)
Remeasurement (gains) and losses:								
• Actuarial (gains)/losses arising from changes in experience assumptions	(72,500)	110	230	(72,160)	15,490	310	680	16,480
• Actuarial (gains)/losses arising from changes in demographic assumptions	20,970	590	1,050	22,610	0	0	0	0
• Actuarial (gains)/losses arising from changes in financial assumptions	24,220	280	560	25,060	(271,120)	(1,570)	(4,160)	(276,850)
Past Service Cost	(320)	0	0	(320)	0	0	0	0
Net Benefits paid	37,260	1,740	2,800	41,800	36,630	1,750	180	38,560
Closing balance at 31 March	(1,322,570)	(22,280)	(45,110)	(1,389,960)	(1,616,070)	(22,280)	(49,450)	(1,687,800)

Local Government Pension Scheme assets comprised

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

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

	Asset Split 31 March 2020	Asset Split 31 March 2021		
	%	%		
	Total	Quoted	Unquoted	Total
Equities	54.8	48.4	7.1	55.5
Property	9.0	0.0	7.9	7.9
Government Bonds	4.1	2.2	0.0	2.2
Corporate Bonds	15.3	19.8	0.0	19.8
Cash	2.3	4.0	0.0	4.0
Other*	14.5	4.7	5.9	10.6
Total Assets	100	79.1	20.9	100.0

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

Basis for estimating assets and liabilities

The Local Government Pension Scheme, Teachers' Pension Scheme and discretionary benefits liabilities have been estimated by Aon Hewitt, an independent firm of actuaries. The latest actuarial valuation of the Authority's liabilities (in respect of the LGPS) took place as at 31 March 2019, whilst the latest actuarial valuation of the discretionary benefits took place as at 31 March 2019. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS19 purposes were:

	TWPF		TPS	
	2019/20	2020/21	2019/20	2020/21
Mortality assumptions				
Future lifetime from age 65 (currently 65)				
• Men	21.8	21.9	21.8	21.9
• Women	25.0	25.1	25.0	25.1
Future lifetime from age 65 (currently 45)				
• Men	23.5	23.6	n/a	n/a
• Women	26.8	26.9	n/a	n/a

	TWPF Funded		TPS/TWPF Unfunded	
	2019/20	2020/21	2019/20	2020/21
Rate of Inflation (CPI)	2.0%	2.7%	2.0%	2.7%
Pensions accounts revaluation rate	2.0%	2.7%	n/a	n/a
Rate of increase in salaries	3.5%	4.2%	n/a	n/a
Rate of increase in pensions	2.0%	2.7%	2.0%	2.7%
Rate for discounting scheme liabilities	2.3%	2.1%	2.3%	2.1%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In

practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period. Sensitivity of unfunded benefits has not been included on materiality grounds. The impact on the Defined Benefit Obligation in the scheme is shown below:

	Increase in Assumption £000s	Decrease in Assumption £000s
Longevity (increase/decrease in 1 year)	(56,560)	58,180
Rate of increase in salaries (increase/decrease by 0.1%)	4,850	(4,850)
Rate of increase in pensions (increase/decrease by 0.1%)	27,470	(27,470)
Rate for discounting scheme liabilities (increase/decrease by 0.1%)	(32,320)	32,320

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 (55.5% of scheme assets) and bonds (22.0%). 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 (7.9%). 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 £21.160m in contributions to the scheme in respect of the LGPS in 2021/22 for the accounting period to 31 March 2022, £1.760m in respect of unfunded benefits and also £0.180m for enhanced teachers' benefits. The weighted average duration of the defined benefit obligation for the LGPS scheme members is 20.1 years 2020/21 (20.1 years 2019/20).

10 Other Operating Expenditure

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

2019/20 £000s		2020/21 £000s
11,444	Levies	11,475
1,874	Payments to the Government Housing Capital Receipts Pool	1,874
(1,297)	(Gains)/Losses on the disposal of non-current assets	(1,327)
12,021	Total	12,022

11 Financing and Investment Income and Expenditure

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

2019/20 £000s		2020/21 £000s
23,445	Interest payable and similar charges	22,907
11,310	Net Interest Expense (Pensions)	10,450
(1,766)	Interest receivable and similar income	(310)
(174)	Income & expenditure in relation to Investment Properties and changes in their fair value	(276)
32,815	Total	32,771
500	Intra-group transactions to be excluded	0
33,315		32,771

12 Taxation and Non-Specific Grant Income

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

2019/20 £000s		2020/21 £000s
(94,914)	Council Tax Income	(99,807)
(42,258)	Retained Business Rates	(13,949)
(17,419)	Business Rates Top Up	(20,505)
0	Grants in lieu of Business Rates	(34,481)
(6,909)	Non-Ringfenced Government Grants	(26,772)
(23,140)	Capital Grants, Contributions & Donated Assets	(23,245)
(184,640)	Total	(218,759)

13 Grants and Contributions Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

2019/20 £000s		2020/21 £000s
	<u>Non-Ringfenced Government Grants</u>	
0	Revenue Support Grant	(11,380)
(6,822)	COVID-19 Local Authority Support Grant	(9,547)
0	COVID-19 Income Compensation for Lost Sales, Fees and Charges	(5,757)
(87)	Other Non-Ringfenced Government Grants (individually under £1.000m)	(88)
(6,909)		(26,772)
	<u>Capital Grants and Receipts in Advance</u>	
(7,913)	Department for Education	(2,881)
(3,259)	North East Local Enterprise Partnership (NELEP) – Local Growth Fund	(420)
(5,058)	Local Transport Plan	(5,032)
(1,678)	Section 278 Highways Act Contributions	0
(1,053)	Environment Agency	(578)
0	Department for Business, energy & Industrial Strategy	(6,479)
(2,067)	Section 106 Contributions	(4,884)
(2,112)	Other Grants and Contributions (individually under £1.000m)	(2,971)
(23,140)		(23,245)

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 2020 £000s		31 March 2021 £000s
	<u>Capital Grants, Contributions and Donations in advance</u>	
(11,926)	Section 106 Agreements	(10,056)
(48)	Other Grants & Contributions (individually under £1.000m)	(48)
(11,974)	Total	(10,104)

31 March 2020 £000s		31 March 2021 £000s
	<u>Revenue Grants & Contributions Receipt in Advance</u>	
(4,916)	Section 31 Business Rates Reliefs	0
(387)	Other Grants & Contributions (individually under £1.000m)	(300)
(5,303)	Total	(300)

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement within the Cost of Services in 2020/21.

2019/20 £000s		2020/21 £000s		2019/20 £000s		2020/21 £000s
	<u>Credited to Services</u>				<u>Credited to Services</u>	
(141,425)	Dedicated Schools Grant	(149,419)		(1,341)	Teachers Pay Grant	(1,573)
(30,244)	Mandatory Rent Allowances Benefit	(27,547)		(871)	Adoption Reform Grant	(1,331)
(24,369)	Rent Rebates Benefit	(22,198)		(808)	Tackling Troubled Families Grant	(746)
(13,372)	Private Finance Initiative	(13,372)		(734)	COVID-19 Local Authority Support Grant	0
(12,317)	Public Health Grant	(12,493)		0	COVID-19 Hardship Fund	(2,024)
(12,422)	Continuing Health Care Contributions	(9,688)		0	COVID-19 Test and Trace Support Grant Income	(902)
(8,882)	Pupil Premium Grant	(9,219)		0	COVID-19 Schools Catch-up Premium	(2,465)
(6,881)	Post 16 Education Grant	(7,062)		0	COVID-19 Infection Control Grant	(4,412)
(8,266)	Improved Better Care Fund Grant	(9,297)		0	COVID-19 Test and Trace Service Support Grant	(1,140)
(2,951)	New Homes Bonus	(3,681)		0	COVID-19 Local Restriction Support Grant Closed	(13,663)
(1,141)	Section 31 Children's Grant	(1,326)		0	COVID-19 Local Restriction Support Grant Open	(1,033)
(2,704)	Teachers' Pension Grant	(4,856)		0	COVID-19 Additional Restrictions Grant	(6,082)
(2,267)	Department for Education	(2,155)		0	COVID-19 Contain Outbreak Management Fund	(5,953)
(4,338)	Small Business Rate Relief Grant	(20,960)		0	COVID-19 Business Rates Top Up Grants	(9,153)
(3,669)	Contributions	(3,401)		(6,139)	Other Grants & Contributions (Individually Under £1.000m)	(11,346)
(1,129)	Physical Education (PE) & Sport	(1,129)		(289,027)	Total	(367,702)
(279)	Assessed & Supported Year in Employment	(1,127)				
(1,761)	Adult Social Care Support Grant	(6,207)				
(717)	Housing Benefit Administration Grant	(742)				

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

2019/20 Restated					Remuneration Band	2020/21				
APT&C	LEA Teachers	VA Teachers	Trust Employees	Total		APT&C	LEA Teachers	VA Teachers	Trust Employees	Total
31	8	2	40	81	£50,000 - £54,999	49	17	4	70	140
31	3	3	20	57	£55,000 - £59,999	26	6	2	20	54
16	3	3	12	34	£60,000 - £64,999	31	2	1	13	47
5	5	3	6	19	£65,000 - £69,999	5	5	7	8	25
1	4	2	10	17	£70,000 - £74,999	2	5	1	9	17
3	1	0	2	6	£75,000 - £79,999	3	3	1	6	13
0	0	0	2	2	£80,000 - £84,999	1	0	0	1	2
1	1	0	2	4	£85,000 - £89,999	1	0	0	4	5
2	1	0	1	4	£90,000 - £94,999	2	0	0	1	3
0	0	0	1	1	£95,000 - £99,999	0	1	0	0	1
0	1	0	1	2	£100,000 - £104,999	0	1	0	1	2
0	0	0	1	1	£105,000 - £109,999	0	0	0	1	1
0	0	0	1	1	£110,000 - £114,999	0	0	0	1	1
0	0	0	0	0	£115,000 - £119,999	1	0	0	0	1
1	0	0	0	1	£130,000 - £134,999	0	0	0	0	0
91	27	13	99	230	Total	121	40	16	135	312

The APT&C figures for 2019/20 have been restated to include numbers erroneously omitted. 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

VA – Voluntary Aided

Trust Employees – shown for information only as they are not employees of the Authority

Table 2

This table sets out the remuneration disclosures for Senior Officers.

2020/21

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

Post Holder Information (2019/20)	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive (Paul Hanson)	153,890	0	0	0	153,890	27,854	181,744
Director of Health, Education, Care and Safeguarding	117,782	0	0	0	117,782	21,319	139,101
Director of Environment, Housing and Leisure	106,359	0	0	0	106,359	19,251	125,610
Director of Law & Governance	93,477	0	0	0	93,477	16,919	110,396
Director of Commissioning & Asset Management	93,477	0	0	0	93,477	16,919	110,396
Director of Resources	93,477	0	0	0	93,477	16,919	110,396
Director of Regeneration & Economic Development	89,635	0	0	0	89,635	16,523	106,158
Director of Corporate Strategy & Customer Services	89,635	0	0	0	89,635	16,224	105,859
Director of Public Health	89,635	0	0	0	89,635	12,890	102,525
Total	927,367	0	0	0	927,367	164,818	1,092,185

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	7	3	21	18	28	21	151	111
£20,001 - £40,000	3	0	3	3	6	3	163	72
£40,001 - £60,000	1	0	1	0	2	0	102	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	2	0	2	0	204	0
Total	11	3	27	21	38	24	620	183

There is a provision for redundancy payments included within the Comprehensive Income and Expenditure Statement of £0.018m (£0.018m 2019/20). These figures have been included in the table above. There is also a reserve for redundancy payments of £1.634m (£1.660m 2019/20) (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:

2019/20 £000s		2020/21 £000s
625	Basic Allowances	624
170	Special Responsibility Allowances	173
5	Expenses	1
800	Total	798

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 2020/21 is shown in Note 15. During 2020/21, the Authority had no material dealings with companies in which one or more Members have an interest. However, the Authority paid grants and other sums totalling £8.703m to voluntary and other statutory bodies in which a number of Members had declared an interest (£8.777m in 2019/20). The grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest open to public inspection at Law and Governance Services, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY.

3 Members of the Council declared an interest in relation to Percy Hedley School, 2020/21 payments totalled £1.297m (2019/20 £1.211m). At the 31 March 2021 the Authority raised a creditor for £0.067m for good/services.

1 Member of the Council declared an interest in relation to North Tyneside Carers' Centre, 2020/21 payments of £0.241m (2019/20 £0.190m). No creditors or debtors were raised at the year-end.

1 Member of the Council declared an interest in relation to North Tyneside Citizens Advice Bureau, 2020/21 payments totalled £0.324m (2019/20 £0.331m). No creditors or debtors were raised at the year-end.

Officers – no related party transactions were declared in 2020/21, (no related party transactions in 2019/20).

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) – 14 Members of the Authority serve as members of NoTCA boards. During 2020/21 the Authority paid a transport levy of £11.075m (£11.061m in 2019/20).

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 2020/21 the Authority incurred the following fees relating to external audit:

2019/20 £000s		2020/21 £000s
85	Fees payable to the appointed auditor under the Local Audit and Accountability Act 2014	58
21	2018/19 additional fee	0
5	Fees payable for the certification of grant claims and returns	7
7	Fees payable for the certification of Housing Benefit grant claims and returns	13
118	Total Authority fees payable	78
4	Fees payable to external audit with regard to audit services for North Tyneside Trading Company Group	26
122	Total Group costs	104

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

2020/21 was the eighteenth 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

2020/21 was the seventeenth 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

2020/21 was the eighth 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)

2020/21 was the fourteenth 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)

2020/21 was the ninth 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 2021 (excluding any estimation of inflation and availability/performance deductions) are on the following page:

2019/20 Total £000s		Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	2020/21 Total £000s
17,554	Payable in one year	5,761	4,591	7,718	18,070
71,023	Payable within 2-5 yrs	23,915	20,967	28,252	73,134
88,515	Payable within 6-10 yrs	29,965	30,761	27,616	88,342
74,776	Payable within 11-15 yrs	24,971	28,987	18,087	72,045
55,754	Payable within 16-20 yrs	19,997	26,850	8,437	55,284
21,642	Payable within 21-25 yrs	3,904	6,392	466	10,762
329,264	Total	108,513	118,548	90,576	317,637

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:

2019/20 £000s		2020/21 £000s
117,805	Balance outstanding at start of year	113,889
(4,005)	Payments made during the year	(4,321)
89	Additional liabilities incurred in the year	98
113,889	Balance outstanding at year-end	109,666

The £4.321m 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 2020/21 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

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

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

2019/20

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	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	£000s
Cost or Valuation									
1 April 2019	654,408	254,801	27,158	225,411	8,420	1,561	11,806	1,183,565	148,551
Additions	20,197	10,409	3,859	13,230	0	952	5,536	54,183	1,164
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(418)	1,193	0	0	0	364	0	1,139	(61)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(18,117)	(5,392)	0	0	0	0	0	(23,509)	(359)
Derecognition - Disposals	(5,518)	(190)	0	0	0	0	0	(5,708)	(77)
Derecognition - Other	0	(72)	(1,623)	(645)	0	0	0	(2,340)	0
Assets reclassified (to)/from Held for Sale	0	(4,035)	0	(1,173)	0	0	(967)	(6,175)	0
Other movements in Cost or Valuation	2,086	(469)	0	5,061	0	536	(7,214)	0	3
At 31 March 2020	652,638	256,245	29,394	241,884	8,420	3,413	9,161	1,201,155	149,221

2019/20

Accumulated Depreciation & Impairments

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	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	£000s
1 April 2019	0	(13,059)	(11,191)	(57,330)	(704)	(3)	0	(82,287)	(11,761)
Depreciation charge	(14,168)	(7,313)	(3,254)	(6,921)	(14)	(3)	0	(31,673)	(3,798)
Depreciation written out to the Revaluation Reserve	361	3,908	0	0	0	0	0	4,269	294
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	13,640	2,337	0	0	0	0	0	15,977	1,473
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	181	0	0	0	0	0	181	0
Impairment (losses)/ reversals recognised in the (Surplus)/Deficit on the Provision of Services	0	75	0	0	0	(62)	0	13	0
Derecognition – Disposals	167	28	0	0	0	0	0	195	0
Derecognition - Other	0	0	1,623	603	0	0	0	2,226	77
Other movements in Depreciation & Impairment	0	0	0	29	0	0	0	29	0
At 31 March 2020	0	(13,843)	(12,822)	(63,619)	(718)	(68)	0	(91,070)	(13,715)
Net Book Value									
At 31 March 2020	652,638	242,402	16,572	178,265	7,702	3,345	9,161	1,110,085	135,506
At 31 March 2019	654,408	241,742	15,967	168,081	7,716	1,558	11,806	1,101,278	136,791

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 41).

	Council Dwellings £000s	Other Land & Buildings £000s	Surplus Assets £000s	Total £000s
Valued at current value as at:				
2017/18	0	32,566	0	32,566
2018/19	0	68,667	216	68,883
2019/20	0	80,231	1,750	81,981
2020/21	652,932	73,444	1,840	728,216
Gross Book Value	652,932	254,908	3,806	911,646

Split of Council Dwellings

Sheltered Housing Accommodation	70,883
Housing with Multiple Occupants	1,839
Homeless Units	866
General Housing Stock	579,344
Total	652,932

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

	£000s
Vacant Possession Value at 31 March 2021	1,316,691
Social Housing Adjustment	(737,347)
Net Book Value after Adjustment for Social Housing	579,344

Note 44 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 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, property markets are mostly functioning again, with transaction volumes and other relevant evidence at 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

Property, Plant and Equipment – Group Position

<u>2019/20</u>	Total Property, Plant and Equipment £000s	<u>2020/21</u>	Total Property, Plant and Equipment £000s
Net Book Value			
Authority - Total Property, Plant and Equipment	1,110,085		1,112,884
North Tyneside Trading Company (NTTC)	5,448		6,888
At 31 March 2020	1,115,533	At 31 March 2021	1,119,772

The 2020/21 NTTC values consists of property £6.865m and land £0.023m (2019/20 property £5.425m, land £0.023m).

20 Assets Held for Sale

31 March 2020 £000s		31 March 2021 £000s
239	Balance at 1 April	3,571
6,146	Additions to assets held for sale	0
(2,770)	Impairment Losses	0
(44)	Assets Sold	(2,301)
3,571	Balance at 31 March	1,270

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 2020 Fair Value £000s	31 March 2021 Fair Value £000s
Level 3	Measurement technique uses significant unobservable inputs to determine the fair value measurements.	3,571	1,270

21 Summary of Capital Expenditure and Sources of Finance

2019/20 £000s		2020/21 £000s
652,431	Opening Capital Financing Requirement	638,964
	Capital Investment	
54,183	Property, Plant & Equipment	41,143
2,409	Share Capital	1,508
458	Intangible Assets	408
1,948	Capital Loans	1,125
8	Heritage Assets	5
6,912	Revenue Expenditure Funded from Capital Under Statute	10,445
65,918		54,634
	Sources of Finance	
(357)	Capital Receipts	(3,377)
(3,003)	Capital Receipts Set Aside	(2,849)
(29,537)	Government Grants and Other Contributions	(16,814)
(10,800)	Major Repairs Reserve	(7,103)
(13,087)	Direct Revenue Contributions	(14,096)
(22,601)	Minimum Revenue Provision	(25,987)
(79,385)		(70,226)
638,964	Closing Capital Financing Requirement	623,372
	Explanation of Movements in Year	
(3,104)	(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(3,104)
(6,521)	(Decrease)/Increase in underlying need to borrow (unsupported by Government financial assistance)	(8,856)
(3,842)	Movement in Assets acquired under PFI or similar Contracts	(3,632)
(13,467)	(Decrease)/ Increase in Capital Financing Requirement	(15,592)

22 Capital Commitments

Council approved the General Fund Investment Plan and the Housing Investment Plan for 2021-2026 on 18 February 2021. The current contractually committed schemes contained within the approved Plan comprise of:

31 March 2020 £000s		31 March 2021 £000s
1,973	Central Services	1,162
57	Children's & Education Services	10
54	Leisure Services	95
7,310	Environment & Regulatory Services	5,384
803	Highways & Transport	998
887	Housing Services	946
225	Planning	95
11,309		8,690

Major schemes within the above totals include:

	£000s
Street Lighting PFI	5,234
HRA Housing Services	851
Local Transport Plan & Highways	545

23 Long Term Investments

31 March 2020 £000s		31 March 2021 £000s
7,272	£1 Ordinary shares in Newcastle Airport Local Authority Holding Company Ltd	7,830
7,568	£1 Ordinary shares in North Tyneside Trading Company	9,075
0	Kier North Tyneside Limited – 200 £1 “A” ordinary shares	0
14,840	Long Term Investments - Authority	16,905
(7,568)	Intra group investments excluded	(9,075)
7,272	Long Term Investments - Group	7,830

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 £7.830m (£7.272m in 2019/20). 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. During 2020/21 air travel to and from the airport was significantly reduced and whilst a vaccine towards the virus has been developed the travel sector has yet to see any significant increases in passenger numbers. As a result, the majority of the impairment recognised last year has been retained.

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

No dividend of was received for the year ended 31 December 2020 (£0.633m was received for the year ended 31 December 2019).

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 £34.025m and a loss after tax of £31.835m for the year ended 31 December 2020. In the previous year, the Group made a profit before tax of £11.007m and a profit after tax of £7.502m.

Significant Observable Inputs – Level 3

The fair value for Newcastle Airport is based on a combination of the discounted cash flow of income method together with

the guideline public company method of the market approach to valuations and other observable and unobservable factors. The last full valuation took place at 31st March 2019.

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

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

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

Kier North Tyneside Limited

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

Kier North Tyneside Limited was incorporated on 8 June 2009 and started a contract with the Authority on 6 September 2009

which ran to 31 March 2019. The Authority decided not to grant the optional 5 year contract extension and the services transferred back to the Authority on 1 April 2019.

The Authority received a dividend of £0.000m during 2020/21 (£0.400m in 2019/20) 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 North Shields recently completed with properties now on sale.
- 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 2020/21, 1,518,000 £1 ordinary shares were purchased in NTTC by the Authority which in turn purchased £1,507,000 of equity in North Tyneside Trading Company (Development) Limited. In addition, £1,125,000 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 2021 (£0.500m was received for the year ended 31 March 2020).

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 2021 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 2021, but which should be repaid within one year. The figures below are net of impairment allowances set aside.

31 March 2020 £000s		31 March 2021 £000s
4,721	Central Government Bodies	10,500
2,704	Other Local Authorities	4,379
6,174	NHS Bodies	5,324
62,193	Other Entities and Individuals	63,118
75,792	Total Authority Debtors	83,321
79	Debtors – North Tyneside Trading Company	64
(500)	Intra-group debtors to be excluded	0
75,371	Total Group Debtors	83,385

This year the Authority set aside a sum of £23.228m (£20.919m 2019/20) to cover bad and doubtful debts. Of this £7.505m (£6.863m 2019/20) relates to the General Fund, £4.744m (£4.286m 2019/20) relates to the Housing Revenue Account and £10.979m (£9.770m 2019/20) relates to the Collection Fund.

25 Cash and Cash Equivalents

31 March 2020 £000s		31 March 2021 £000s
84	Cash held by the Authority	79
11,187	Schools Cash at Bank	15,591
(26,529)	Bank Current Accounts	(20,993)
52,107	Short term deposits	46,549
36,849	Total Authority Cash and Cash Equivalents	41,226
454	Cash & Cash Equivalents – North Tyneside Trading Company	797
37,303	Total Group Cash and Cash Equivalents	42,023

26 Short Term Borrowing

31 March 2020 £000s		31 March 2021 £000s
(3,676)	Public Works Loans Board (PWLB)	(2,820)
(53,610)	Market Loans (including other local authorities)	(20,120)
(10,162)	Lender's Option Borrower's Option (LOBO)	(157)
(67,448)	Total	(23,097)

27 Short Term Creditors

The table below shows an analysis of the Authority's creditors as at the 31 March 2021.

31 March 2020 £000s		31 March 2021 £000s
(9,769)	Central Government Bodies	(19,414)
(6,908)	Other Local Authorities	(950)
(2,511)	NHS Bodies	(2,455)
(31,441)	Other Entities and Individuals	(38,182)
(50,629)	Total Authority Creditors	(61,001)
(771)	Creditors – North Tyneside Trading Company	(569)
500	Intra group creditors to exclude	0
(50,900)	Total Group Creditors	(61,570)

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
Balance at 1 April 2019	(4,374)	(2,138)	(6,512)
Additional provisions made	0	(4,038)	(4,038)
Amounts written off	0	0	0
Amounts used	359	96	455
Balance at 31 March 2020	(4,015)	(6,080)	(10,095)

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

(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 £3.342m.

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 2021 is a principal of £397.443m. The following table analyses the debt by lender and maturity:

31 March 2020 £000s		31 March 2021 £000s
	(a) by lender category	
(377,443)	Public Works Loan Board (PWLB)	(377,443)
(15,000)	Market Loans (including other local authorities)	0
(10,000)	Lender's Option Borrower's Option (LOBO) – Commerzbank	(20,000)
(402,443)		(397,443)
	(b) by maturity	
(15,000)	Maturing between 1 and 2 years	(5,000)
(24,000)	Maturing between 2 and 5 years	(34,000)
(38,475)	Maturing between 5 and 10 years	(43,475)
(324,968)	Maturing more than 10 years	(314,968)
(402,443)		(397,443)

30 Long Term Creditors

The table below shows an analysis of the Authority's creditors as at 31 March 2021.

31 March 2019 £000s		31 March 2021 £000s
(25)	Central Government Bodies	(25)
(2,021)	Other Entities and Individuals	(1,978)
(2,046)	Total	(2,003)

31 Useable Reserves

31 March 2020 £000s		31 March 2021 £000s
(55,011)	General Fund Balances and Reserves (See Note 32)	(90,711)
(26,906)	Housing Revenue Account Balance and Reserves (See Note 32)	(24,727)
(10,085)	Capital Receipts Reserve	(10,851)
(3,832)	Major Repairs Reserve	(9,102)
(5,816)	Capital Grants Unapplied	(19,932)
(101,650)	Total Authority Useable Reserves	(155,323)
(8,111)	Useable Reserves – North Tyneside Trading Company	(9,216)
7,558	Intra group transactions	9,075
(102,203)	Total Group Useable Reserves	(155,464)

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 151 to 152.

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 156 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

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

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

	Balance 1 April 2019 £000s	Transfers out 2019/20 £000s	Transfers in 2019/20 £000s	Balance 31 March 2020 £000s
<u>General Fund Balances</u>				
School Balances	(1,599)	1,434	0	(165)
General Fund	(6,804)	0	(196)	(7,000)
Total General Fund Balances	(8,403)	1,434	(196)	(7,165)
<u>General Fund Reserves</u>				
Strategic Reserve	(14,597)	0	(892)	(15,489)
Insurance Reserve	(7,297)	452	(1,144)	(7,989)
COVID-19 Local Authority Support Grant	0	0	(6,089)	(6,089)
Support Change Fund Programme	(4,894)	1,203	0	(3,691)
Street Lights PFI Reserve	(3,350)	601	(31)	(2,780)
Redundancy & Remuneration Reserve	(2,851)	1,191	0	(1,660)
Schools PFI Lifecycle costs (capital)	(2,865)	902	(269)	(2,232)
Education PFI Reserve	(1,328)	463	(200)	(1,065)
Dudley & Shiremoor Joint Service Centres	(1,202)	86	(146)	(1,262)
Whitley Bay Customer First Centre PFI	(754)	17	(41)	(778)
General Fund Reserves (individually under £1.000m)	(5,670)	1,727	(781)	(4,724)
Other Grants (individually under £1.000m)	(3,051)	1,836	(2,134)	(3,349)
Dedicated Schools Grant *	(746)	746	3,262	3,262
Total General Fund Reserves	(48,605)	9,224	(8,465)	(47,846)
<u>Total General Fund Balances & Reserves</u>	(57,008)	10,658	(8,661)	(55,011)
<u>HRA Balances & Reserves</u>				
HRA Balances	(7,304)	0	(500)	(7,804)
North Tyneside Living PFI Reserve	(12,221)	1,549	(918)	(11,590)
New Build Council Housing	(2,627)	1,185	0	(1,442)
Housing PFI Lifecycle Costs	(3,731)	274	(994)	(4,451)
HRA Reserves (individually under £1.000m)	(1,271)	88	(436)	(1,619)
Total HRA Balances & Reserves	(27,154)	3,096	(2,848)	(26,906)
Total Balances & Reserves	(84,162)	13,754	(11,509)	(81,917)

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**

North Tyneside continues to experience a significant increase in the numbers of children with Special Educational Needs and Disabilities (SEND). Increases since 2018/19 have made the Authority a national outlier in terms of the proportion of Education Health and Care plans maintained and the rate of increase. These plans, in excess of what would be seen to be typical, are placing the services that work with children and young people with additional needs under considerable pressure. All local authorities have a statutory responsibility to keep High Needs provision under review. Officers from the local authority are working with stakeholders to develop a pragmatic four-year recovery plan with a core objective to ensure that all children and young people are enabled to thrive within their local communities. It will continue to involve the Authority working with School's Forum, the Special School Heads Group, Primary Learning Partnership (primary headteachers), Education Improvement Partnership (secondary headteachers), the NTCCG, NHS Foundation Trust Therapeutic Services, the Parent Carer Forum and other stakeholders.

The new SEND Inclusion strategy has a clear focus on enabling children and young people with additional needs to live a 'gloriously ordinary' life and key to that is maintaining them where they will have most success and the evidence shows that this is accessing resource within their local community.

Our initial plans to strengthen the graduated approach in mainstream schools, strengthen the gatekeeping around access to High Needs top-up funding and to improve management of demand for out of borough placements by looking at the reasons behind current requests for an external placement have been impacted by the pandemic. Plans are underway to re-launch and more firmly embed the ambition of this work that will aim to increase the depth and breadth of the universal offer for all children and young people who may need support to have success in their local schools. This work will be ongoing in 2021/22.

33 Unuseable Reserves

31 March 2020 £000s		31 March 2021 £000s
(152,155)	Revaluation Reserve	(150,074)
(343,062)	Capital Adjustment Account	(362,249)
1,201	Financial Instruments Adjustment Account	1,168
465,490	Pensions Reserve	595,440
(1,166)	Deferred Capital Receipts Reserve	(963)
(19)	Collection Fund Adjustment Account	15,701
9,465	Accumulated Absences Account	7,228
(7,037)	Financial Instruments Revaluation Reserve	(7,595)
(27,283)	Total Unuseable Reserves	98,656

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.

2019/20 £000s		2020/21 £000s	
(151,293)	Balance at 1 April		(152,155)
(10,742)	Upward revaluation of assets	(8,426)	
5,153	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	6,539	
(5,589)	Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Services		(1,887)
4,483	Difference between fair value depreciation and historical cost depreciation	3,813	
244	Accumulated gains on assets sold or scrapped	155	
4,727	Amount written off to the Capital Adjustment Account		3,968
(152,155)	Balance at 31 March		(150,074)

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.

2019/20 £000s		2020/21 £000s	
	Balance at 1 April		(343,062)
(315,822)	Reversal of items relating to capital expenditure debited or credited to the CIES		
42,679	Charges for depreciation & impairment of non-current assets	38,069	
(715)	Revaluation losses/(gains) on Property, Plant & Equipment	(3,073)	
814	Amortisation of intangible assets	906	
6,912	Revenue expenditure funded from capital under statute	10,445	
(5,256)	Revenue expenditure funded from capital under statute (Grant Funded)	(7,796)	
5,671	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	7,537	
50,105			46,088
(4,727)	Adjusting amounts written out of the Revaluation Reserve		(3,968)
45,378	Net written out amount of the cost of non-current assets consumed in the year		42,120
	Capital financing applied in the year:		
(357)	Use of the Capital Receipts Reserve to finance new capital expenditure	(3,377)	
(10,800)	Use of the Major Repairs Reserve to finance new capital expenditure	(7,102)	
(18,264)	Capital grants & contributions credited to the CIES that have been applied to capital financing	(4,547)	
(6,017)	Application of grants to capital financing from the Capital Grants Unapplied Account	(4,471)	
(24,159)	Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(27,873)	
(13,086)	Capital expenditure charged against the General Fund & HRA balances	(14,097)	(61,467)
65	Movements in the market value of investment Property debited or credited to the CIES		160
(343,062)	Balance at 31 March		(362,249)

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.

2019/20 £000s	
1,234	Balance at 1 April
(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
1,201	Balance at 31 March

2020/21 £000s	
£000s	£000s
(33)	1,201
0	
	(33)
	1,168

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.

2019/20 £000s		2020/21 £000s
491,648	Balance at 1 April	465,490
(43,640)	Remeasurement of the net defined benefit liability	104,090
49,020	Reversal of net charges made to the surplus/deficit for the Provision of Services for post-employment benefits	48,280
(31,538)	Employer's pensions contributions and direct payments to pensioners payable in the year included in the Provision of Services	(22,420)
465,490	Balance at 31 March	595,440

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.

2019/20 £000s		2020/21 £000s
(1,169)	Balance at 1 April	(1,166)
3	Transfer to the Capital Receipts Reserve upon receipt of cash	203
(1,166)	Balance at 31 March	(963)

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.

2019/20 £000s		2020/21 £000s
(1,157)	Balance at 1 April	(19)
1,138	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	15,720
(19)	Balance at 31 March	15,701

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.

2019/20 £000s		2020/21 £000s	
5,945	Balance at 1 April		9,465
3,817	Adjustment to the accrual required	(2,480)	
(297)	Adjustment to the debtor in respect of leave & flexi taken in advance	243	
3,520	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		(2,237)
9,465	Balance at 31 March		7,228

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.

2019/20 £000s		2020/21 £000s
(10,651)	Balance at 1 April	(7,037)
0	Transfer from Available for Sale Reserve	0
3,614	(Gain)/ Loss on revaluation of Financial Instrument	(558)
(7,037)	Balance at 31 March	(7,595)

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.

35 School Balances

	Schools with Surpluses £000s	Schools with Deficits £000s	Net Surplus £000s
Balance at 1 April 2020	(9,688)	9,523	(165)
Net overspend/(underspend) during year	(4,786)	1,231	(3,555)
Balance at 31 March 2021	(14,474)	10,754	(3,720)

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 2020/21 are as follows:

	Central Expenditure £000s	Individual Schools budget £000s	Total £000s
Final DSG for 2020/21 before Academy recoupment			(165,742)
High Needs direct funding deduction			202
Academy figure recouped for 2020/21			16,121
Total DSG after Academy recoupment for 2020/21			(149,419)
Brought forward from 2019/20 as agreed with the Department for Education			3,262
Agreed initial budgeted distribution in 2020/21	(6,556)	(139,602)	(146,157)
In year adjustments		(12)	(12)
Final budgeted distribution for 2020/21	(6,556)	(139,614)	(146,169)
Less actual central expenditure	7,262	0	7,262
Less actual ISB deployed to schools	0	146,839	146,839
Carry forward to 2021/22	706	7,225	7,932

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 2020/21, 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.

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 2021 the CCG's contribution was £4.141m. 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.

2019/20		2020/21	
£000s		£000s	£000s
	Contributions		
1,647	North Tyneside Council (Non-Pooled)	1,869	
9,297	North Tyneside Council (Pooled)	9,297	
16,604	North Tyneside Clinical Commissioning Group (Pooled)	17,421	
27,548	Total Contributions		28,587
	Spend		
1,493	North Tyneside Council spend in year (Non-Pooled)	1,200	
154	North Tyneside Council – grant carry forward (Non-Pooled)	669	1,869
19,873	North Tyneside Council spend in year (Pooled)		20,394
6,028	North Tyneside Clinical Commissioning Group spend in year (Pooled)		6,324
27,548	Total Spend		28,587

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 2020/21.

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 £23.228m 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 2020 £000s	31 March 2021 £000s	31 March 2020 £000s	31 March 2021 £000s
Financial Assets at Amortised Cost				
Debtors	80	80	24,861	39,501
Cash & Cash Equivalents	0	0	52,100	46,549
	80	80	76,961	84,280
Financial Assets – Fair Value through other Comprehensive Income				
Investments (Level 3)	14,840	16,905	0	0
Total Financial Assets	14,920	16,905	76,961	84,280
Financial Liabilities at Amortised Cost				
Loans principal	402,443	397,443	67,448	23,097
Loans accrued interest	0	0	2,979	3,097
Creditors	0	0	19,238	43,606
	402,443	397,443	89,665	69,800
Other Long-Term Liabilities				
PFI Schemes	109,624	105,075	4,265	4,591
Total Financial Liabilities	512,067	502,518	93,930	74,391

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:

2020/21				
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	(14,839)	0	0	(14,839)
Interest on PFI Schemes	(7,988)	0	0	(7,988)
Total Interest Payable	(22,827)	0	0	(22,827)
Interest Income	0	251	0	251
Net loss/(gain) for the year	0	0	(558)	(558)
Dividend Received	0	0	0	0
Net (loss)/gain for the year	(22,827)	251	(558)	(23,134)

2019/20				
Financial Liabilities		Financial assets		Total
Measured at amortised cost	Loans and Receivables	Fair value through OCI&E		
£000s	£000s	£000s		£000s
Interest on loans	(14,789)	0	0	(14,789)
Interest on PFI Schemes	(8,241)	0	0	(8,241)
Total Interest Payable	(23,030)	0	0	(23,030)
Interest Income	0	175	0	175
Net (loss)/gain for the year	0	0	3,614	3,614
Dividend Received	0	0	1,533	1,533
Net (loss)/gain for the year	(23,030)	175	5,147	(17,708)

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 2020			31 March 2021	
Carrying Amount £000s	Fair Value £000s		Carrying Amount £000s	Fair Value £000s
		Financial Assets at amortised cost		
0	0	Financial Assets measured at amortised cost	0	0
24,941	24,941	Debtors	37,811	37,811
52,100	52,100	Cash and Cash Equivalents	46,549	46,549
77,041	77,041		84,360	84,360
		Financial Assets – Fair Value through other comprehensive income		
0	0	Cash and Cash Equivalents	0	0
0	0	Debtors	0	0
14,840	14,840	Investments*	16,905	16,905
		Financial Assets – Fair value through profit and loss		
0	0	Cash and Cash Equivalents	0	0
0	0	Debtors	0	0
14,840	14,840		16,905	16,905
91,881	91,881	Total Financial Assets	101,265	101,265
		Borrowings		
381,119	451,185	PWLB**	380,263	481,743
63,610	32,050	LOBO	20,157	35,789
25,162	68,446	Market Loans	20,120	20,094
469,891	551,681		420,540	537,626

31 March 2020			31 March 2021	
Carrying Amount £000s	Fair Value £000s		Carrying Amount £000s	Fair Value £000s
19,238	19,238	Creditors	43,606	43,606
		Other Long-Term Liabilities		
113,889	175,235	Service Concession and Finance lease liabilities	109,667	161,734
		PFI Schemes		
603,018	746,154	Total Financial Liabilities	573,813	742,966

* 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 2021 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 2021 is £7.830m (2019/20 £7.272m). 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 2021 is £9.075m (2019/20 £7.568m).

**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.

No credit limits were exceeded during the financial year ended 31 March 2021 and the Authority does not expect any losses from non-performance by any of its counterparties in relation to investments/deposits. No exposure is expected in relation to deposits with financial institutions.

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 2020 £000s	Liabilities outstanding	31 March 2021 £000s
381,119	Public Works Loans Board	380,263
20,162	LOBO	20,157
68,610	Market Loans	20,120
19,238	Creditors	43,606
113,889	PFI liabilities	109,666
603,018		573,812
90,815	Less than 1 year	67,856
21,382	Between 1 and 2 years	10,761
35,305	Between 2 and 5 years	57,915
66,951	Between 5 and 10 years	73,440
388,565	More than 10 years	363,840
603,018		573,812

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 2020/21.

According to this investment strategy, as at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2020 £000s		31 March 2021 £000s
0	Change in fair value of fixed rate investments	(58)
77,327	Increase in fair value of fixed rate borrowing liabilities (which does not have an impact on the Comprehensive Income and Expenditure Statement)	33,541

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 £9.075m 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 £7.505m (£5.635m 2019/20).

39 Notes to the Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

Group 2019/20 £000s	Council 2019/20 £000s		Group 2020/21 £000s	Council 2020/21 £000s
115	115	Interest Received	109	109
(23,808)	(23,808)	Interest Paid	(22,789)	(22,789)
1,033	1,533	Dividends Received	0	0

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

Group 2019/20 £000s	Council 2019/20 £000s		Group 2020/21 £000s	Council 2020/21 £000s
31,672	31,672	Depreciation & Impairment	33,027	33,027
10,289	10,289	Revaluations	1,969	1,969
814	814	Amortisation of intangible assets	906	906
12,937	12,936	Increase/(Decrease) in Creditors	11,446	11,148
(10,149)	(11,933)	(Increase)/Decrease in Debtors	(5,436)	(6,329)
(4,121)	(434)	(Increase)/Decrease in Inventories	(236)	16
17,482	17,482	Movement in the Pension Liability	25,860	25,860
5,671	5,671	Carrying amount of non-current assets sold	7,536	7,536
3,648	3,648	Other non-cash items charged to the surplus/deficit on the provision of services	2,970	2,970
68,243	70,145		78,042	77,103

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

Group 2019/20 £000s	Council 2019/20 £000s		Group 2020/21 £000s	Council 2020/21 £000s
(6,965)	(6,965)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,667)	(8,667)
(27,986)	(27,986)	Any other items for which the cash effects are investing or financing cash flows	(30,819)	(30,819)
(34,951)	(34,951)		(39,486)	(39,486)

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 2019/20 £000s	Council 2019/20 £000s		Group 2020/21 £000s	Council 2020/21 £000s
(58,336)	(56,907)	Purchase of Property, Plant & Equipment, investment property and intangible assets	(42,163)	(42,163)
0	(2,409)	Purchase of short-and long- term investments	(1,743)	(1,743)
(1,458)	(2,078)	Other payments for investing activities	(1,596)	(1,393)
6,968	6,968	Proceeds from the sale of Property, Plant & Equipment investment property and intangible assets	8,670	8,670
0	0	Proceeds from short- and long- term investments	0	0
32,343	32,343	Other receipts from Investing Activities	31,030	31,030
(20,483)	(22,083)	Net Cash Flows from Investing Activities	(5,802)	(5,599)

41 Notes to the Cash Flow – Financing Activities

Group 2019/20 £000s	Council 2019/20 £000s		Group 2020/21 £000s	Council 2020/21 £000s
106,470	106,470	Cash receipts of short- and long-term borrowing	15,000	15,000
(89,801)	(89,801)	Repayment of short- and long-term borrowing	(64,564)	(64,564)
(4,014)	(4,014)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(4,320)	(4,320)
902	902	Other payments for financing activities	(3,117)	(3,136)
13,557	13,557	Net Cash Flows from Financing Activities	(57,001)	(57,020)

42 Inventories

31 March 2020 £000s		31 March 2021 £000s
327	HRA Stock – Construction Contract	329
878	General Fund Stock (libraries, catering)	859
1,205	Authority Total	1,188
6,912	North Tyneside Trading Company (NTTC) Inventories *	7,161
8,117	Group Total	8,349

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

43 Events after the Balance Sheet Date**Going Concern**

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis. The COVID-19 restrictions imposed across the UK have created significant issues for many businesses and residents and as a result from April 2020, the Authority's income has been detrimentally impacted. The Government has provided some support for lost income and for the additional expenditure incurred by authorities due to the financial impact of the pandemic. The Authority received just over £107.000m in additional grant funding during 2020/21, of which £21.393m was for supporting council services.

The Authority's year end balances as reported in these financial statements are as follows: -

Date	General Fund	Earmarked reserves
31 March 2021	£10.720m	£79.991m

The Authority has carried out an assessment of the impact of COVID-19 on its future finances and is satisfied that there is no material uncertainty relating to the Authority's going concern. Through our assessment the Authority has identified the following financial risks in relation to 2021/22: -

Reductions in revenue relating to:

1. Children's Services – £0.4m
2. Environment Housing and Leisure – Highways - £0.3m
3. Environment Housing and Leisure – Leisure and Cultural related - £3.7m
4. Commissioning and Asset Management – Catering and Property - £1.7m
5. Finance, Corporate Services, Strategy and Governance - £0.5m

Additional costs relating to COVID-19 have been estimated at £9.1m. The majority of additional costs are in Adult and Children's Social Care, including £2.2m in provider support payments, £2.2m care market costs and £2.6m relating to supporting looked after children. Other costs are forecast including in Finance, Corporate Services, Strategy and Governance £0.6m, Environmental and Regulatory services of £0.4m, Home to School Transport of £0.2m and support to the Voluntary and Community sector of £0.3m. The remaining £0.6m is made up of smaller amounts across Environment, Housing and Leisure, Commissioning and Asset Management and School Improvement.

Therefore, as set out above the overall financial on-going impact of COVID-19 for 2021/22 is currently estimated at £15.7m. At the date of the 14th round of the MHCLG COVID-19 return, grant income of £10.4m is available to support council services, in relation to the Local Support, Infection Control, Test Track and Trace, Rapid Testing, Clinically Extremely Vulnerable and support from the CCG, resulting in a total forecast COVID-19 pressure of £5.3m. The Authority is currently waiting to receive confirmation of any further grant allocations in relation to income compensation or additional costs following submission of this return. The Senior Leadership Team will continue to monitor the position and considering further mitigating actions to bring the 2021/21 outturn position into balance.

Despite showing a forecast overspend of £5.3m the Authority does not expect to end the year with a material overspend. It is expected that additional pressures can be contained through mitigating actions taken through senior management actions and additional grant funding. The authority has an excellent track record of bringing in a balanced budget and taking actions necessary to achieve that. Any resulting 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.

There are still risks in relation to Business Rates and Council Tax income and any potential impact is being closely monitored. Any changes resulting in an increased deficit position on the Collection Fund would impact 2022/23 and future years. The 2022/23 Budget is being prepared on the basis of a one-year settlement. Whilst the Authority's Medium-Term Financial Plan assumptions have remained

consistent, additional work has been undertaken to look at a number of scenarios relating to the available resources on a best, middle, and worst case.

The mitigating factor underpinning the going concern assessment is that the Authority continues to have available General Fund reserves and balances, and continues to minimise any reliance on the use of reserves in the medium terms financial plan, ensuring appropriate actions are taken to set an annual budget and manage resources over the medium term. At the end of 2020/21 these are estimated to be in the region of £79.991m of reserves in total. A significant amount relates to grants and funds held to respond to the impact of COVID-19 to be used during 2021/22. Setting these aside the General Fund earmarked reserves position is £43.699m, reserves held for specific purposes. 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. The Authority has used surplus cashflow throughout 2020/21 to repay maturing debt which has contributed to an under-borrowed position of £95.166m, as such the Authority will not borrow above the approved Capital Financing Requirement to support the capital strategy and cashflow.

The Authority as part of 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.

5.0 Supplementary Financial Statements and Explanatory Notes

5.1 Housing Revenue Account – Income & Expenditure Statement for year ended 31 March 2021

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.

2019/20 £000s		Note	2020/21	
			£000s	£000s
	<u>Expenditure</u>			
11,467	Repairs & Maintenance		13,723	
13,143	Supervision and Management		10,482	
2,178	PFI Unitary Charge Payments		2,914	
124	Rents, Rates, Taxes and other charges		344	
1,020	Movement in the allowance for bad debts	47	559	
20,673	Capital Charges – including Depreciation, Revaluation and Impairment of non-current assets	52	12,593	40,615
48,605	Total Expenditure			
	<u>Income</u>			
(56,041)	Dwelling rents (Gross)		(56,795)	
(670)	Non-dwelling rents (Gross)		(681)	
(2,998)	Charges for services and facilities		(3,044)	
(1,983)	Contributions towards expenditure		(2,085)	
(7,693)	PFI Credits		(7,693)	(70,298)
(69,385)	Total Income			
(20,780)	Net cost of HRA services as included in the Comprehensive Income & Expenditure Statement			(29,683)

Housing Revenue Account

2019/20 £000s		Note	2020/21	
			£000s	£000s
317	HRA service's share of Central Costs		317	
2,485	HRA share of other amounts included in the whole Authority Cost of Services but not allocated to specific services		2,486	2,803
(17,978)	Net Income for HRA Services			(26,880)
	HRA Share of the operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
(944)	Gain on disposal of HRA non-current assets		(402)	
14,753	Interest payable & similar charges		14,633	
(58)	Interest and investment income		(62)	
1,329	Pensions interest cost & expected return on pensions assets	51	1,191	
0	Capital grants and contributions		(1,028)	(14,332)
(2,898)	Surplus for the year on HRA Services			(12,548)

5.2 Movement on the Housing Revenue Account Statement

2019/20 £000s		2020/21 £000s
(27,154)	Balance on the HRA at the end of the previous year	(26,906)
(2,898)	Surplus for the year on the HRA Services	(12,548)
3,146	Adjustments between accounting basis and funding basis under statute	14,727
248	Decrease/(Increase) in year on the HRA	2,179
(26,906)	Balance on the HRA at the end of the year	(24,727)

5.3 Explanatory Notes to the Housing Revenue Account

44 Housing Stock

The Authority was responsible for managing 14,441 dwellings at 31 March 2021 compared with 14,556 at 31 March 2020. The net reduction of 115 properties is made up of properties sold.

The number of empty properties included in the above figures as at 31 March 2021 stands at 167 compared with 161 at 31 March 2020.

The stock is made up as follows:

1 April 2020		31 March 2021
	Low Rise Flats	
1,546	- 1 Bed	1,543
1,030	- 2 Bed	1,028
111	- 3+ Bed	110
	Medium Rise Flats	
561	- 1 Bed	561
1,139	- 2 Bed	1,132
61	- 3+ Bed	61
	Houses and Bungalows	
1,566	- 1 Bed	1,566
2,971	- 2 Bed	2,945
5,234	- 3 Bed	5,159
337	- 4+ Bed	336
14,556	Total	14,441

45 Balance Sheet Valuation

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

1 April 2020 £000s		31 March 2021 £000s
652,638	Houses	652,933
2,150	Land & Buildings	2,319
4,879	Vehicles, Plant & Equipment	4,394
154	Surplus Assets	154
9	Infrastructure	9
2	Intangibles	1
561	Assets Under Construction	3,354
660,393		663,164

46 Vacant Possession

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

1 April 2020 £ms		31 March 2021 £ms
1,317	Vacant Possession Value of HRA Dwellings	1,317

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 2020/21 (44% 2019/20).

As a consequence, the Authority recognises council dwellings at a value of £579.344m on the Balance Sheet. The value of these properties if vacant would be £1,316.691m, therefore recognising an economic cost to the government of providing council housing at less than open market rents of £737.346m.

47 Rent Arrears and Bad Debt Allowance

Overall rent arrears have increased by £0.510m during 2020/21, from £5.300m at 31 March 2020 to £5.810m at 31 March 2021. These figures include rent, service charge and water rate arrears.

	£000s	£000s
Opening Rent Arrears at 1 April 2020 - consisting of:		
Current Tenant Arrears at 1 April 2020	3,162	
Former Tenant Arrears at 1 April 2020	2,138	5,300
Closing Rent Arrears at 31 March 2021 - consisting of:		
Current Tenant Arrears at 31 March 2021	3,498	5,810
Former Tenant Arrears at 31 March 2021	2,312	

The provision for bad debt required at 31 March 2021 is £4.744m compared with £4.286m at 31 March 2020, an increase of £0.458m. Bad debts of £0.101m were written off during the year, and a contribution of £0.559m was made:

2019/20 £000s		2020/21 £000s
3,451	Opening Provision for Bad Debt at 1 April	4,286
(185)	Bad debts written off during year	(101)
1,020	Additional contributions to bad debt provision during year	559
4,286	Provision for Bad Debts at 31 March	4,744

48 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:

2019/20 £000s		2020/21 £000s
(2,231)	Balance as at 1 April	(3,832)
(12,401)	Depreciation transferred into MRR	(12,372)
10,800	Financing of HRA capital expenditure: Houses	7,102
(3,832)	Balance as at 31 March	(9,102)

49 Housing Capital Expenditure and Financing

Capital expenditure of £20.362m was incurred in the HRA during 2020/21

2019/20 £000s		2020/21 £000s
21,669	Dwellings	20,362
1,500	Revenue Expenditure Funded by Capital under Statute	0
23,169		20,362

This was financed as follows:

2019/20 £000s		2020/21 £000s
10,800	Major Repairs Reserve	7,102
10,238	Revenue Contribution	12,128
357	Usable Capital Receipts – RTB Retained	1,132
274	Use of Reserves	0
1,500	Grants	0
23,169		20,362

Total Gross Capital Receipts:

2019/20 £000s		2020/21 £000s
5,670	Dwellings	5,782
790	Land	30
6,460		5,812

50 Depreciation for HRA Assets

The charges for depreciation within the HRA for 2020/21 were as follows:

2019/20 £000s		2020/21 £000s
13,693	Dwellings	14,128
857	Vehicles, Plant & Equipment	939
44	Land & Buildings	50
3	Other	1
14,597		15,118

51 Pension Costs

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

The amounts charged to the HRA for 2020/21 in accordance with IAS19 were as follows:

2019/20 £000s		2020/21 £000s
2,660	Allocated to Services	2,315
1,329	Interest on Net Defined Benefit Liability	1,191
(3,989)	Movement on Pension Reserve	(3,506)

52 Capital Charges

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

2019/20 £000s		2020/21 £000s
14,597	Depreciation	15,118
2,452	Downwards Revaluations	321
7,401	Impairments	4,129
(5,277)	Revaluation Increases	(6,975)
1,500	Revenue Expenditure funded from Capital under Statute	0
20,673		12,593

53 Revenue Expenditure funded from Capital under Statute

The amount of revenue expenditure funded from capital under statute in 2020/21 is £nil (£1.500m 2019/20).

54 Interest

From 2012/13 under the requirements of the new self-financing regime for HRA, the Authority's long-term loans have been individually split between the General Fund and the HRA. The HRA is therefore charged with the actual interest costs of its long-term borrowing, plus the costs of any short-term borrowing which the HRA may undertake. The method of apportioning the HRA's share of the total interest costs incurred on its share of the debt portfolio complies with general accounting practice, and thus the amount charged to the HRA Income & Expenditure Account represents the statutory charge, totalling £9.261m for 2020/21 (£9.287m 2019/20). This figure is included in interest and other charges in the HRA Income & Expenditure Statement.

55 Capital Charges (Item 8 Debit and Credit)

The cost of capital asset charge to the HRA is prescribed via the Item 8 debit and credit calculations. Depreciation and impairment of property, plant and equipment (details shown in Note 19 of the main accounts) together with debt management expenses (£0.008m in 2020/21 and £0.023m in 2019/20) are included in the Net Cost of Services to reflect the true cost of the use of assets.

Interest payable and similar charges (£14.633m in 2020/21 and £14.753m in 2019/20) are charged after the Net Cost of Services.

5.4 Collection Fund Statement for year ended 31 March 2021

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.

2019/20 £000s		Note	2020/21		
			£000s	£000s	£000s
	Income		Business Rates	Council Tax	Total
(110,501)	Council Tax	55	0	(115,314)	(115,314)
0	Council Tax Benefits		0	1	1
(59,226)	Business Rates Receivable	56	(32,234)	0	(32,234)
	<u>Distribution of Collection Fund Deficit:</u>				
(246)	Central Government		(645)	0	(645)
(241)	North Tyneside Council		(678)	0	(678)
0	Police and Crime Commissioner for Northumbria		0	0	0
(5)	Tyne & Wear Fire & Rescue Authority		(13)	0	(13)
(170,219)	Total Income		(33,570)	(115,313)	(148,883)
	Expenditure				
	<u>Precepts, Demands & Shares:</u>	57			
14,467	Central Government		29,217	0	29,217
137,187	North Tyneside Council Demand		28,633	100,886	129,519
8,084	Police and Crime Commissioner for Northumbria		0	8,476	8,476
5,534	Tyne & Wear Fire & Rescue Authority		584	5,195	5,779
165,272			58,434	114,557	172,991
	<u>Distribution of Collection Fund Surplus:</u>	58			
1,365	North Tyneside Council		0	636	636
99	Police and Crime Commissioner for Northumbria		0	54	54
72	Tyne & Wear Fire & Rescue Authority		0	33	33
1,536			0	723	723

2019/20 £000s	
	<u>Charges to the Collection Fund:</u>
558	Increase/(decrease) in Provision for Appeals
3,385	Increase/(decrease) in Impairment Allowance
233	Cost of Collection
119	Disregarded Amounts
299	Transitional Protection Payment
4,594	
171,402	Total Expenditure
1,183	Deficit for the year
(531)	Deficit/(Surplus) as at 1 April
652	Deficit/(Surplus) as at 31 March

Note
59

2020/21		
£000s	£000s	£000s
2,282	0	2,282
864	1,980	2,844
231	0	231
93	0	93
297	0	297
3,767	1,980	5,747
62,201	117,260	179,461
28,631	1,947	30,578
2,010	(1,358)	652
30,641	589	31,230

60

5.5 Explanatory Notes to the Collection Fund

General

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

56 Council Tax

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

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Authority, the Police and Crime Commissioner for Northumbria and the Tyne & Wear Fire & Rescue Authority for the forthcoming year, and dividing this by the Council Tax base, (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: (61,870 2020/21) (60,179 2019/20).

This basic amount of Council Tax for Band D property (£1,851.59 2020/21) (£1,784.71 2019/20) 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 2020/21.

	Band D Equivalents	Collection Rate	Council Tax Base
Tax Base Calculation	62,761	98.50%	61,820
Add Payments in Lieu			50
2020/21 Council Tax Base			61,870

Council Tax Base Calculation

	BAND A Entitled to Disabled Relief Reduction	BAND A Value Range up to £40,000 (see Note 1)	BAND B Value Range £40,001 to £52,000	BAND C Value Range £52,001 to £68,000	BAND D Value Range £68,001 to £88,000	BAND E Value Range £88,001 to £120,000	BAND F Value Range £120,001 to £160,000	BAND G Value Range £160,001 to £320,000	BAND H Value range over £320,000	TOTAL
Properties as per List 30/11/19	0	50,328	15,768	19,446	8,004	4,096	1,365	362	38	99,407
Demolished Dwellings	0	(1)	0	0	0	0	0	0	0	(1)
Assumed Growth on New Build Properties	0	38	97	120	141	128	56	6	0	586
Disabled Relief Exempt Dwellings or 100% discount.	165	(84)	30	(61)	(22)	(14)	(4)	11	(21)	0
Impact of Council Tax Support Scheme	0	(922)	(221)	(319)	(72)	(32)	(14)	(6)	(4)	(1,590)
	(52)	(10,097)	(1,152)	(656)	(119)	(33)	(5)	(1)	0	(12,115)
	113	39,262	14,522	18,530	7,932	4,145	1,398	372	13	86,287
Less: Discounts at 25%	(15)	(6,290)	(1,510)	(1,317)	(410)	(155)	(50)	(23)	(2)	(9,772)
Add: Council Tax Premium Charge (100%)	0	136	25	32	20	10	2	3	1	229
Add: Council Tax Premium Charge (200%)	0	148	40	22	10	8	2	2	0	232
	98	33,256	13,077	17,267	7,552	4,008	1,352	354	12	76,976
Proportion of Band D Equivalent	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	54	22,171	10,171	15,348	7,552	4,898	1,953	590	24	62,761
Total Number of 25% Discounts	56	25,129	6,029	5,246	1,634	613	188	51	3	38,949
Total Number of 50% Discounts	2	16	6	11	4	4	5	21	3	72

57 Business Rates

The NDR multipliers (the rate in the £) are set annually by Central Government. For 2020/21, 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 2020/21 is £20.505m (2019/20 £17.419m). 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 2021 was £150,261,219 (£149,687,000 at 31 March 2020).

58 Precepts, Demands and Shares

In relation to the changes introduced as part of the Business Rates Retention Scheme and described previously, the amount estimated before the start of the 2020/21 financial year for business rates are set out here. Of these totals, the North Tyneside Council share was 74%, the Government share was 25% 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:

2019/20 £000s		2020/21 £000s
94,364	North Tyneside Council Demand	100,886
8,084	Police and Crime Commissioner for Northumbria Precept	8,476
4,955	Tyne & Wear Fire & Rescue Authority Precept	5,195
107,403		114,557

59 Distribution of Collection Fund Surplus

Under Collection Fund legislation, North Tyneside Council has a statutory requirement to produce an estimated surplus or deficit for the following financial year. For 2020/21, the estimated surpluses were as follows:

2019/20 £000s		2020/21 £000s
1,365	North Tyneside Council	636
99	Police and Crime Commissioner for Northumbria Precept	54
72	Tyne & Wear Fire & Rescue Authority Precept	33
1,536		723

60 Charges to the Collection Fund

As part of the charges to the Collection Fund, North Tyneside Council is required to show amounts written off as uncollectable, which for 2020/21 are £0.275m (£0.558m 2019/20) for Council Tax and (£0.010m) for NDR (£0.494m 2019/20).

In addition, bad debt provisions are re-calculated on an annual basis, and for 2020/21 the Council Tax bad debt provision has been increased by £1.705m (£1.889m 2019/20) and the NDR bad debt provision increased by £0.874m (increase of £0.417m 2019/20).

As shown in the statements, the total charge to the Collection Fund relating to Council Tax is £1.980m and the total charge relating to Business Rates is £0.864m.

The other significant item here is the provision for the NDR appeals as part of the Business Rates System £2.282m in 2020/21 (£3.357m 2019/20).

61 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	15,182	519
Central Government	15,152	0
Police and Crime Commissioner for Northumbria Precept	0	44
Tyne & Wear Fire & Rescue Authority Precept	307	26
	30,641	589

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.

C

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.

Curtailement: 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.

I

Impairment: a reduction in the value of a fixed asset, measured by specific means, below its stated carrying amount in the Balance Sheet.

Income: amounts which the Authority receives or expects to receive from any source, including rents, fees, charges, sales and grants.

Infrastructure Assets: assets such as highways, bridges, street lights and footpaths.

Intangible Asset: identifiable non-monetary asset without physical substance e.g. computer licences.

Interest Cost (pensions): for a defined benefit scheme, the expected increase during the period in the present value of the

scheme liabilities because the benefits are one period closer to settlement.

International Accounting Standards (IAS): international accounting standards issued by the International Accounting Standards Board. They are authoritative statements of how particular types of transactions and other events should be reflected in financial statements.

Inventories: raw materials and consumable items which the Authority has procured to use on a continuing basis and have not been used by the end of the accounting period.

Investment Property: interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

Investments: items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts).

Item 8 Debit and Credit Calculation: this refers to Item 8 of Part I and Item 8 of Part II of Schedule 4 to, the Local Government and Housing Act 1989 in respect of provisions for the treatment of impairment and depreciation in housing revenue accounts of local authorities in England from 1 April 2017.

L

Leasing: a method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright. The two methods are:

- **Operating Leases** – may generally be described as those which do not provide for the property in the asset to transfer to the Authority, only the rental will be taken into account by the lessee; or
- **Finance Leases** – are leases that transfer substantially all of the risks and rewards of ownership of the asset to the lessee. The asset is recorded on the lessee's balance sheet.

Lender Option Borrower Option Loans (LOBO):

borrowing whereby the lender can opt to increase the interest rate payable at the end of the initial period. If the lender opts to increase the interest rate payable, then the borrower can either agree to this increase and continue to repay the loan up to the maturity date or can reject the new terms and repay the loan in full (without penalty).

Levies: similar to precepts, these sums are paid to other bodies. However, these amounts are not collected through Council Tax as with precepting bodies; they are items of expenditure on the face of the Comprehensive Income and Expenditure Statement. The bodies that charge a levy on the Authority are the North East Combined Authority (transport levy), the Environment Agency and the Tyne Port Health Authority and Northumberland Inshore Fisheries and Conservation Authority.

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

Long Term Assets: assets which have value to the Authority for more than one year, e.g. land, buildings, equipment (also known as non-current assets).

M

Material: the concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

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

N

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

Non-Domestic Rates (NDR) (also known as Business Rates): a tax levied on business properties and is a means by which local businesses or organisations contribute to the cost of local authority services. The levy on businesses being based on a notional rate in the pound set by the government multiplied by the rateable value of the premises occupied. This multiplier is set annually by central government and comprises of a standard rates multiplier and a small business multiplier. The Authority can now keep half of this revenue to invest in local services.

Net Book Value: the amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided by depreciation.

Net Realisable Value: the open market value of the asset in its existing use (or open market value in the case of investment Property), less the expenses to be incurred in realising the asset.

Non-Current Asset: assets which have value to the Authority for more than one year e.g. land, buildings, equipment (also known as Long Term Assets).

O

Operational Boundary: this reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Operating Lease: a type of lease where the ownership of the asset remains with the lessor, and rental payments are recorded against services in the Comprehensive Income & Expenditure Statement (see Leasing definition for more information).

P

Pooled Funds: established to support partnership working. A pooled fund will receive funds from a variety of sources and will be administrated by the host partner.

Precept: the charge determined by precepting authorities on billing authorities. It requires the billing authority to collect income from Council taxpayers on their behalf. In the case of North Tyneside Council, the precepting authorities are the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority.

Prior Year Adjustments: material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of prior year errors. A prior year error may include the effect of mathematical mistakes, mistakes in

applying accounting policies, oversights or misinterpretations of fact, and fraud. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions: amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

Private Finance Initiative (PFI): public authority/private sector partnerships designed to procure new major capital investment resources for local authorities.

Property, Plant and Equipment (PPE): Property, Plant and Equipment covers all assets with physical substance (tangible assets) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Prudential Code: The current system on financial controls for capital financing introduced on 1 April 2004 that local authorities are required to operate by.

Prudence: this accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

Public Works Loan Board (PWLB): a central Government agency which lends money to local authorities at lower rates than those generally available from the private sector. Local authorities are able to borrow for their requirements to finance capital expenditure from this source.

R

Related Parties: individuals, or bodies, who have the potential to influence or control the Council or to be influenced or controlled by the Council

Remeasurement of the net defined benefit liability: comprises of

- a) actuarial gains and losses,
- b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and
- c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Remuneration: defined as sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Replacement Cost: cost of replacement of the asset at the balance sheet date.

Reserves: amounts set aside in the accounts to meet expenditure which the Authority may decide to incur in future period, but not allocated to specific liabilities which are certain or very likely to occur. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

Retail Price Index (RPI): measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.

Revaluation Reserve: records unrealised revaluation gains arising (since 1 April 2007) from holding property, plant & equipment. This reserve is matched by fixed assets within the Balance sheet; therefore, they are not resources available to the Authority.

Revenue Contributions: method of financing capital expenditure directly from revenue.

Revenue Expenditure Funded from Capital under Statute: expenditure classified as capital for funding purposes but does not result in the creation of an asset (previously called deferred charges).

Revenue Support Grant: a central Government grant paid to each local authority to help to finance its general expenditure, as opposed to specific grants.

Ring-fenced: this refers to the statutory requirement that certain accounts such as the Collection Fund and Housing Revenue Account must be maintained separately from the General Fund.

S

Section 151 Officer: the Council officer designated under Section 151 of the Local Government Act 1972 to take overall responsibility for the financial administration of the Council.

Service Concession: an arrangement whereby the Authority contracts with a private operator to develop (or upgrade), operate

and maintain infrastructure assets (in this case Schools and Street Lighting). The Authority controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the contract.

Strain on the Fund: An early payment of retirement benefits for members aged 55 or over and under 65 generates a 'Strain on the Fund' cost. This results in the Authority reimbursing the Tyne & Wear Pension Fund for the loss of employer and employee contributions and investment income which results from the employee retiring early.

T

Treasury Management: this is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS): a strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

U

Unuseable Reserves: reserves earmarked for specific accounting treatments which are not available to fund general expenditure (see Reserves definition for more information).

Useable Reserves: reserves that can be applied to fund expenditure or reduce local taxation (see Reserves definition for more information).