Appendix A

North Tyneside Council

ANNUAL FINANCIAL REPORT

2018/19

Table of Contents

1.0 Preface

1.1 Message from Head of Resources

The financial year has seen the Authority continue to manage its finances despite ongoing funding reductions and continuing cost pressures in respect of Adult and Children's social care services.

The "Our North Tyneside Plan 2016-2019" continued to set the vision and a clear context for the setting of the 2018-2020 Financial Plan and for the financial decisions and operational delivery of services for the financial year 2018/19. The Authority has been required to make significant efficiency savings in recent years and it is anticipated this requirement will continue at least over the period of the current Parliament presenting an increasing challenge.

At the end of 2018/19 a reduction in Central Government core funding of approximately 51% from 2013/14 has been seen and is in common with other local authorities. The Authority is experiencing budget pressures as a result of this level of reduction in funding alongside increasing demand for services. However, the Authority continues to seek to make the best possible use of available resources, this responsibility is shared by Members and senior officers of the Authority.

Despite the financial challenges the Authority has still continued to deliver a high standard of services in 2018/19 and continues to work with all our partners to ensure that we continue to look forward in order to deliver the best possible services to the residents of North Tyneside. The Finance Service itself operates in an environment of continuous change, and this year the Service has demonstrated a strong team approach of all staff both within the Authority and our partners to ensure the delivery of the Annual Financial Report on time.

This Financial Report sets out the results of the Authority's financial activities for the year ended 31 March 2019. The Narrative Statement provides more information on the performance (financial and non-financial) of the Authority during this period together with an overview of any significant issues facing the Authority in future years.

We hope that this document is both informative and of interest to readers, by providing information about the money that the Authority has received and spent, and to also provide assurance that the governance arrangements in place ensure that the financial standing of the Authority is secure.

The Authority is keen to try to improve both the quality and suitability of information provided and your feedback would be welcome.

Janice Gillespie
Head of Resources
Date: 31 July 2019

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 final position for 2018/19; 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 2018 to 31 March 2019. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code). The Code of Practice constitutes "proper accounting practice" under the terms of the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989 and, for audit, the Local Audit and Accountability Act 2014.

Governance

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. Further information is available in the Annual Governance Statement which was approved by the Audit Committee on 29 May 2019. The Statement explains how the Authority has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015. The Statement can be found on the Authority's website – https://my.northtyneside.gov.uk/meeting/24286

The purpose of this Annual Financial Report is to provide a summary of the financial position of the Authority as at 31 March 2019 together with details of the non-financial performance of the Authority during 2018/19. 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 2018/19;
- Non-Financial Performance of the Authority 2018/19;
- Significant Issues for 2019/20 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 1.4 million people.

- The borough covers an area of approximately 6,026 square miles (2,326.5 square km) and 203,300 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, 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.

- Regeneration both in terms of employment opportunities and physical redevelopment is recognised as being very important to the future of the borough. Alongside that, the delivery of a great housing, cultural and heritage offer are ongoing priorities of the current administration. There are 5,070 enterprises that operate within the borough.

- Nine in ten residents consider their area to be safe during the day and North Tyneside remains one of the safest Metropolitan areas in England and the safest across the North East after the largely rural area of Northumberland.

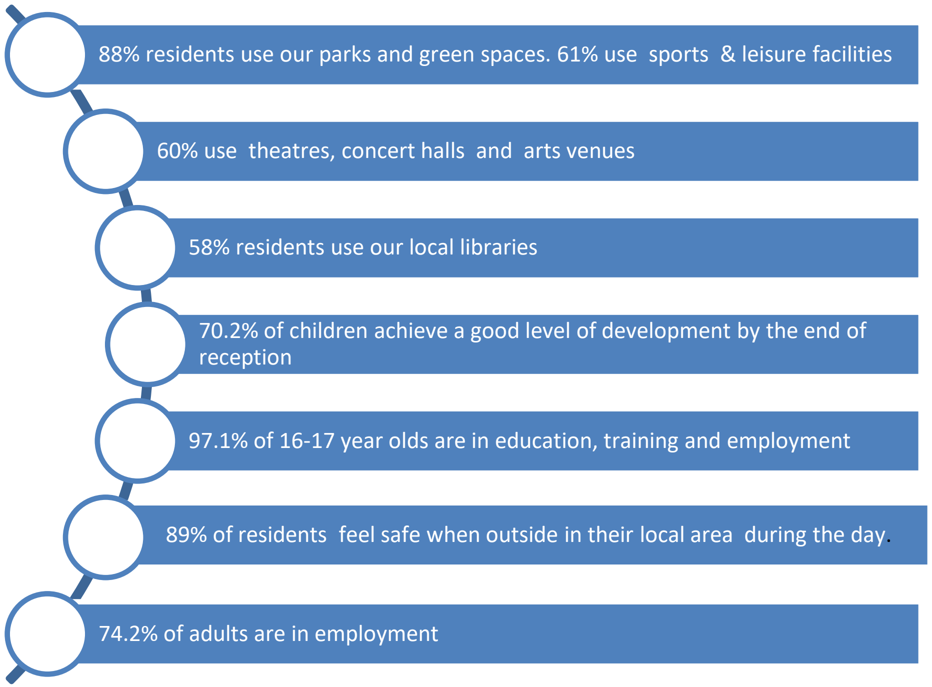
- The borough attracts around 5.8 million visitors, who contribute around £289 million to the local economy. Tourism supports almost 3,700 jobs and this trend is expected to improve in the future through the coastal regeneration programme.

- North Tyneside has a great education system that ensures the majority of children and young people are ready for school, work and life. Over nine in ten schools are rated as ‘Good’ or ‘Outstanding’ by Ofsted.

- In recent years, North Tyneside has been voted top local authority for cost, connectivity, quality of life and commercial premises by the Municipal Journal and Local Futures Investment Guide.

- Cobalt Business Park is the UK’s largest commercial office park, currently employing around 12,000 people. Following full occupation of the park, it is anticipated that this will increase to 20,000 people – around 13,200 vehicle trips each day.

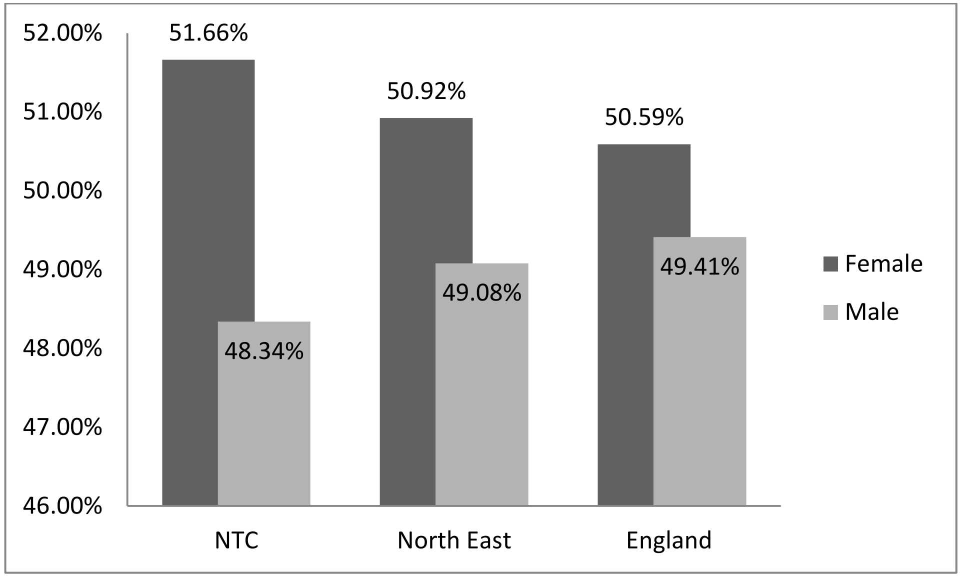
Positive Factors – Thriving in North Tyneside



Source: Residents Survey (Sept/ October 2018)

Population

The following graph shows population estimates as at March 2018 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 Management Team (SMT) and officers of the council.

Political structure in 2018/19

North Tyneside has 20 wards and the Authority consists of 60 Councillors and an Elected Mayor. Following the local election in May 2018 the political make-up of the Authority was:

- Labour Party - 52 Councillors plus a Labour Elected Mayor
- Conservative Party - 6 Councillors
- Liberal Democrat Party - 1 Councillor
- Independent - 1 Councillor

The Mayor has responsibility for the appointment of the Cabinet, allocations of portfolios and the delegation of Executive function. Cabinet Members are held to account by a system of scrutiny which is set out in the Constitution. Scrutiny of executive decisions for 2018/19, including the setting of the 2019/20 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 SMT, led by the Chief Executive, Paul Hanson. Paul Hanson was formally appointed to the role in November 2018, following a period acting into the role, after the departure of Patrick Melia in July 2018.

During 2018/19 the Senior Leadership team comprised the Chief Executive, Director of Public Health and 7 Heads of Service. The post of Head of Human Resources became vacant in October 2017 following the resignation of the post holder. Since that time transitional arrangements have been in place to manage the Human Resources Service during the transition. The Human Resources Service now comes under the remit of the Head of Resources.

The Head of Resources attends SMT not only as a senior officer of the Authority but in her role as the Council's Chief Finance Officer (the officer responsible under statute for the administration of the Council's financial affairs).

The SMT 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 2018/19

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 2018/19 was approved by full Council at its meeting of 15 February 2018. The net General Fund revenue budget was set at £154.726m including Efficiency Programme savings of £10.143m. The following table summarises the financial position of the Authority as at 31 March 2019. 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 2019

Service	Budget £000s	Final Outturn £000s	Variance £000s	Accounting Adjustments £000s	Adjusted Variance £000s
Chief Executive Office	(19)	(35)	(16)	0	(16)
Business & Economic Development	1,205	24,107	22,902	(22,517)	385
Commercial & Business Redesign	1,432	3,112	1,680	(491)	1,189
Corporate Strategy	202	444	242	0	242
Finance	(645)	(903)	(258)	(35)	(293)
Human Resources & Organisational Development	(130)	(109)	21	0	21
Law & Governance	(110)	221	331	0	331
Health, Education, Care & Safeguarding	63,441	70,828	7,387	(1,953)	5,434
Commissioning & Asset Management	18,772	9,442	(9,330)	9,665	335
Environment, Housing & Leisure	40,400	39,063	(1,337)	1,363	26
Central Items	10,335	(12,318)	(22,653)	13,968	(8,685)
Sub Total Services	**134,883**	**133,852**	**(1,031)**	**0**	**(1,031)**
Support Services	19,843	19,843	0	0	0
Transfers to/(from) specific reserves	0	1,031	1,031	0	1,031
Total Net Expenditure	**154,726**	**154,726**	**0**	**0**	**0**

	Budget £000s	Final Outturn £000s	Variance £000s
Funded By:			
Revenue Support Grant	(16,915)	(16,915)	0
Council Tax Receipts	(89,902)	(89,902)	0
Business Rates	(47,509)	(47,509)	0
Transfer from Collection Fund	(400)	(400)	0
Total Funding	**(154,726)**	**(154,726)**	**0**
Reduction to Balances	0	1,757	1,757
Balances brought forward	(10,160)	(10,160)	0
Balances carried forward	**(10,160)**	**(8,403)**	**1,757**

The reduction in balances above relates to a reduction in school balances. School balances have reduced by £1.757m in 2018/19. Whilst some individual school balances have increased, the value of individual school deficits has increased which contributes to the reduction in overall balances.

The table above is the final position for the Authority after a transfer to the Support Change Fund Programme Reserve for £1.031m.

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 to Cabinet.

Cabinet 28-May-2019 | North Tyneside Council

Housing Revenue Account (HRA)

The overall position on the HRA improved significantly between January and March, with a £0.678m improvement in in-year balances increasing the overall in- year position to £3.191m better than budgeted.

Rent and Service charge income projections improved significantly during the year, as empty home numbers dropped dramatically from 236 at the start of the financial year to 135 at 31 March 2019. This led to rental income exceeding budget by £0.668m. In addition, income from temporary dispersed accommodation was £0.080m above budget, and service charge income was £0.431m ahead of budget, also reflecting the drop in the number of empty homes particularly in the North Tyneside Living schemes.

There were significant improvements in most areas of spend across the budget. Debt Interest and Capital Financing showed a small under-spend against budget of £0.027m. There was an increase against budget of £0.517m reflecting the calculation of a true Depreciation charge into the HRA introduced from 2017/18, this was offset by a £0.517m reduction in the budgeted revenue contributions to fund the investment plan. Management costs ended up £1.817m under budget, which was a combination of a range of savings, some, notably linked to the delivery of the insourcing of the Kier Joint Venture (£0.946m), as well as Water Rates Commission and windfall income (£0.359m) and vacancy savings (£0.168m).

Full details of the HRA position is detailed in the Outturn Report to Cabinet: Cabinet 28-May-2019 | North Tyneside Council

Capital Expenditure

The initial 2018/19 Investment Plan budget was £84.059m (£56.145m General Fund and £27.914m 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 £77.962m (£47.760m General Fund and £30.202m Housing). The Table below summarises these changes.

	£000s
Investment Plan approved by Council 15 Feb 2018	84,059
Reprogramming from 2017/18	8,500
Reprogramming to 2019/20 and future years	(27,339)
Other variations (net)	12,742
Revised Investment Plan	**77,962**

Actual capital expenditure in 2018/19 totalled £69.359m (£76.687m in 2017/18), comprising General Fund expenditure of £41.708m and £27.651m on Housing Schemes.

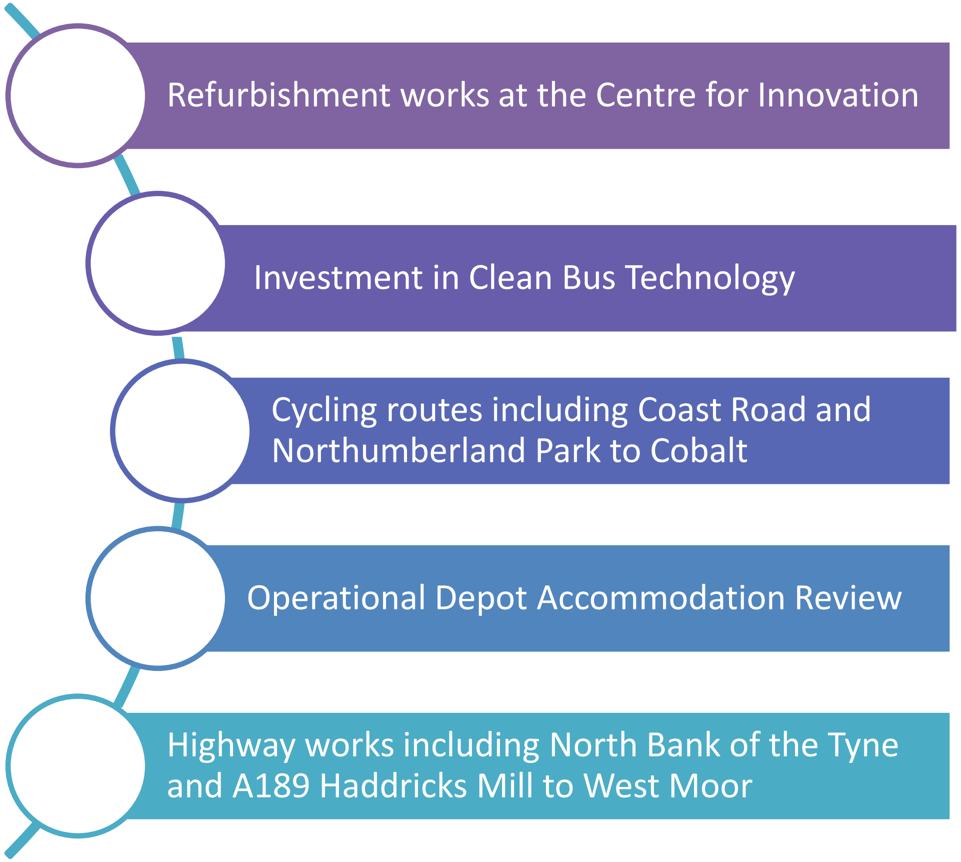
Not all of the expenditure relates to the creation or improvement of fixed assets for the Authority. £6.139m relates to spend on other items, with £2.179m for share capital, £1.784m on loans, £1.285m spent on Disabled Facilities grants and £0.844m for Clean Bus Technology. The table below compares the actual capital expenditure with the revised budget for the year.

	Revised Capital Budget 2018/19 £000s	Actual Capital Expenditure 2018/19 £000s	Variation from budget over/(under) £000s
General Fund	47,760	41,708	(6,052)
Housing	30,202	27,651	(2,551)
Total	**77,962**	**69,359**	**(8,603)**

Main projects completed during 2018/19

- Spanish City Dome
- Lower Central Promenade reconstruction
- New Backworth Park Primary School
- Forest Hall Regeneration
- Investment in North Tyneside Trading Company - delivering homes
- Highways improvement works including completion of Norham Road bridge
- Installation of energy efficient LED street lighting

Projects Underway



Further details can be found in Outturn Report presented to Cabinet: Cabinet 28-May-2019 | North Tyneside Council

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 2018/19 at £1,280.000m (£1,280.000m 2017/18) and its Operational Boundary for external debt at £700.000m (£700.000m 2017/18). All transactions were carried out within the Authorised Limit boundaries during 2018/19. As shown in the Balance Sheet, the total liabilities for borrowing, finance lease balances (including Private Finance Initiative (PFI)) and other liabilities are £573.878m (£588.508m 2017/18).

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 £165.476m (£108.145m 2017/18) is an increase of £57.331m on the previous year. The variations relate in the main to capital accounting adjustments particularly within the Housing Revenue Account and pension accounting adjustments.

Other operating expenditure has decreased from £14.975m in 2017/18 to £11.515m during 2018/19. This mainly relates to a gain of (£1.869m) on disposal of assets, previously a loss of £1.357m in 2017/18.

In terms of income, Taxation and Non-specific Grant Income, there has been a decrease in income of £1.417m from £177.982m in 2017/18 to £176.565m in 2018/19. This reflects the fact that a number of infrastructure schemes have completed in 2018/19.

Balance Sheet

The Balance Sheet is set out on pages 28 to 29. Overall, the Authority has net assets of £82.978m which is an increase of £3.646m from the 2017/18 figure of £79.332m. The increase is mainly around Long Term Assets, in particular Property, Plant and Equipment.

Current Liabilities are (£125.962m) in 2018/19 compared to (£191.048m) in 2017/18. The decrease of £65.086m relates to short term borrowing and reflects the reduction in the level of temporary debt held by the Authority (moved to long term debt) and a reduction in PWLB loans.

Long Term Liabilities have increased by £71.325m to (£987.922m) in 2018/19. In the main this is due to an increase in the Pension Liability of £16.660m and an increase in long term borrowing of £55.000m.

Overall Useable Reserves have increased by £1.318m, (Note 31 provides more details on these reserves), and Unuseable Reserves have decreased by £2.328m (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.

It builds upon the progress that has been achieved since the start of the plan in 2013. 73% of pupils reach a Good Level of Development at Foundation Stage.

Across the borough more people are now in work compared to 2013. The number of young people who are not in education, employment or training has reduced. 4% of residents are on out of work benefits (the alternative claimant count) which is better than the regional average.

Strong and effective services are in place to support people if they become vulnerable. This includes a focus on prevention and early help. As examples, there were 1,526 Early Help Assessments carried out in Children's Services and a 64% reduction in people being accepted as priority homeless, due to the preventative work that had taken place from the service.

Feedback from our Residents' Survey shows around 8 in 10 residents are satisfied with where they live. A key driver in local satisfaction is the local environment. In the past year, due to a number of changes, the Authority has reduced the amount of municipal waste that it has collected by 9%. In addition, compared to a baseline, carbon emissions have been reduced by 45%, which is 5% points better than the target.

More and better homes have been delivered across North Tyneside. We have already built 1,380 new affordable homes, which is in line with the Cabinet priority of 3,000. This included 250 new affordable homes in the last year. Over a quarter of residents are very satisfied with the choice of housing now available to them.

The Borough is also attractive for the 5.8 million visitors who contribute around £289 million to the local economy. Tourism supports almost 3,700 jobs and this trend is expected to continue to improve following the opening of Spanish City in 2018 following the £10m refurbishment.

The borough is attracting more businesses and creating more job opportunities at every skills level. Between August 2017 and September 2018, a total of 1,493 jobs (net) were reported as being created in North Tyneside. This includes both companies relocating to the borough and jobs created by existing firms. In addition North Tyneside is home to two significant business parks. Cobalt Business Park is the UK's largest commercial office park, currently employing around 12,000 people. There are now over 5,000 businesses based in North Tyneside - an increase from 3,890 over the last five years. Those businesses provide 81,900 jobs, which is over 10,000 more jobs than in 2012.

Opportunities for our young people have never been better. 88% of young people achieve qualifications at Key Stage 5 (A-Levels) and 90% of them, more than the national average, go on to higher education or employment.

This vision and policy context reflects the updated 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 so that their experience helps the Council work better for residents.
- Be ready for school – giving our children and their families the best start in life.
- Be ready for work and life – with the right skills and abilities to achieve their full potential, economic independence and meet business needs.
- Be healthy and well – with the information, skills and opportunities to maintain and improve their health, well-being and independence, especially if they are carers.
- Be cared for, protected and supported if they become vulnerable including if they become homeless.
- Be encouraged and enabled to, whenever possible, be more independent, to volunteer and to do more for themselves and their local communities.

Our Places will:

- Be great places to live by focusing on what is important to local people, such as by tackling the derelict properties that are blighting some of our neighbourhoods.
- Offer a good choice of quality housing appropriate to need, including affordable homes that will be available to buy or rent.
- Benefit from the completion of the North Tyneside Living project and by North Tyneside Council's housing stock being decent, well managed and its potential use maximised.
- Provide a clean, green, healthy, attractive, safe and sustainable environment. This will involve creating a cycle friendly borough, investing in energy efficiency schemes and by encouraging more recycling.
- Have an effective transport and physical infrastructure - including our roads, pavements, street lighting, drainage and public transport.
- Continue to be regenerated in Wallsend and Whitley Bay, through effective public, private and community partnerships, while ambitious plans will be developed for North Shields, Forest Hall and Killingworth.
- Be a thriving place of choice for visitors through the promotion of our award winning parks, beaches, festivals and seasonal activities.

Our Economy will:

- Grow by supporting new businesses and building on our strengths, including our existing world class companies, and small and growing enterprises.
- Be business friendly, ensuring the right skills and conditions are in place to support investment, and create and sustain new high quality jobs and apprenticeships for working age people.
- Continue to support investment in our business parks, units and Town Centres.

Significant issues relating to 2019/20 and beyond

The Council continues to face significant government funding cuts in future years. Combined with cost pressures arising from increased demand for services and unfunded new burdens means that savings totalling £10.533m are required in 2019/20 (6.66% of the 2018/19 net revenue budget). The Authority has a relatively low level of reserves and the level of uncertainty with regard to the levels of funding for local government finance beyond 2019/20 is of significant concern. The Fair Funding Review is underway, however whilst it is correct that the funding formula of local government is refreshed and updated the more significant question has to remain regarding the quantum of funding available to Local Government.

For 2019/20 North Tyneside will be part of the pooling arrangements following the successful bid to be a 75% Business Rate pilot. A key feature of becoming a 75% business rates pilot is that Business Rate income above the current 49%/50% retention arrangements will be pooled across the pilot, and the three local authorities would be regarded as one entity in Business Rates terms.

It is anticipated that further significant savings and efficiencies will be required annually for the foreseeable future.

The Council's agreed 2019/20 capital programme is £62.758m (General Fund £36.944m and HRA £25.814m), £4.287m of the total planned capital expenditure will be financed from capital receipts, £17.016m will be financed from grants/contributions and £21.586m will be financed from revenue (mainly HRA) and up to £19.869m financed by borrowing.

The Medium Term Financial Plan (MTFP) sets the approach to the redirection of resources in order to deliver the priority-led spending plans and deliver the outcomes shaped by Our North Tyneside Plan. The Cabinet is aware it must keep under review its Medium-term Financial Strategy and two-year Financial Plan, in the context of the 2018-2020 'Our North Tyneside Plan' and known key financial risks.

Devolution

The strength of the economic climate can impact locally in terms of impact on our residents and local businesses and can have a wider impact of growth and strength of the region as a whole. The three North of the Tyne Authorities - North Tyneside, Northumberland and Newcastle have been in discussion with Government regarding the devolution of a number of powers. On 26 April 2018, a decision was made by the current North East Combined Authority that allowed the three North of Tyne Authorities to move further towards agreement of a devolution deal.

The Secretary of State for Housing, Communities and Local Government laid the necessary order in Parliament on 24 July 2018. The Order was made on 1 November and came into effect on the following day, which meant that the North of Tyne Combined Authority came into existence on 2 November 2018.

The inaugural meeting of the Authority took place on 8 November 2018 when the Cabinet agreed the Authority's vision – Home of Ambition. At that meeting the Cabinet also agreed the governance arrangements for the Authority including the allocation of six Cabinet Portfolios, and the appointment of the Chair and Statutory Officer. The portfolio areas are:

1. Economic Growth – Councillor Bruce Pickard (portfolio lead)
2. Business Competitiveness – Councillor Nick Forbes (portfolio lead)
3. Employability and Inclusion – Councillor Joyce McCarty (portfolio lead)
4. Housing and Land – Elected Mayor Norma Redfearn (portfolio lead)
5. Education Improvement – Councillor Wayne Daley (portfolio lead)
6. Place and Productivity – Councillor Peter Jackson (portfolio lead)

The 2019/20 Budget was agreed by cabinet on 12th March 2019 and on 2nd May 2019, following Mayoral elections, Jamie Driscoll (Labour) was elected Mayor of the North of Tyne Combined Authority.

Brexit

The implications of leaving the European Union (EU) are not fully known but there could be a potential impact for the borough due to reductions in EU funding, a change in interest rates, and an increase in the cost of basic goods which could all impact on residents. There could be positive outcomes resulting from different trade opportunities. As there is still a degree of doubt the risk associated with leaving the EU is not measurable. The impact will be closely monitored and any adverse effects considered and reported through the appropriate channels within the Authority's governance structure.

Construction Options Project 2019

At its meeting of 27 September 2017 Cabinet made a decision not to extend the current agreement for construction and housing repairs and maintenance services with Kier Group PLC. This means the contract ended on 31 March 2019 and service delivery will return to the direct management of the Authority from 1 April 2019.

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 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, 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 26.

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. 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 28 to 29.

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 is shown on page 30.

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.

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 149.

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 158.

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

Janice Gillespie
Head of Resources
Date: 31 July 2019

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 Responsibilities

The Authority is 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 Head 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 Head of Resources Responsibilities

The Head of Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practice as set out in the 2018-19 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 Head 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 Head 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 2019, 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 and its income and expenditure for the year ended 31 March 2019.

Signed:

Janice Gillespie
Head of Resources
Date 31 July 2019

3.2 Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

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

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

2017/18 Restated*				2018/19		
Gross Exp £000s	Gross Inc £000s	Net Exp £000s		Gross Exp £000s	Gross Inc £000s	Net Exp £000s
1,922	(740)	1,182	Chief Executive Office	2,802	(1,768)	1,034
2,361	(784)	1,577	Business & Economic Development	25,039	(902)	24,137
4,297	(1,231)	3,066	Commercial & Business Redesign	4,093	(1,097)	2,996
1,796	(513)	1,283	Corporate Strategy	1,917	(520)	1,397
74,917	(75,174)	(257)	Finance	67,402	(67,955)	(553)
849	(455)	394	Human Resources & Organisational Development	1,572	(1,355)	217
1,646	(1,208)	438	Law & Governance	1,562	(879)	683
154,262	(84,451)	69,811	Health, Education, Care & Safeguarding	163,400	(92,844)	70,556
166,408	(151,413)	14,995	Commissioning & Asset Management	166,833	(154,574)	12,259
64,314	(27,421)	36,893	Environment, Housing & Leisure	71,791	(28,558)	43,233
36,899	(71,172)	(34,273)	Housing Revenue Account	49,777	(71,113)	(21,336)
25,022	(11,986)	13,036	Central Costs (including Support Services)	42,470	(11,617)	30,853
534,693	**(426,548)**	**108,145**	**Cost of Services**	**598,658**	**(433,182)**	**165,476**
14,975	0	14,975	Other Operating Expenditure (Note 10)	11,515	0	11,515
34,463	(1,406)	33,057	Financing and Investment Income and Expenditure (Note 11)	35,276	(525)	34,751
0	(177,982)	(177,982)	Taxation and Non Specific Grant Income (Note 12)	0	(176,565)	(176,565)
584,131	**(605,936)**	**(21,805)**	**Deficit/(Surplus) on Provision of Services**	**645,449**	**(610,272)**	**35,177**
		(66,016)	Surplus on Revaluation of Non-Current Assets (Note 33a)			(15,148)
		19,310	Remeasurement of the net defined benefit liability (Note 33e)			(23,570)
		0	Surplus on Financial Instruments Revaluation Reserve (Note 33i)			(102)
		(46,706)	**Other Comprehensive Income and Expenditure**			**(38,820)**
		(68,511)	**Total Comprehensive Income and Expenditure**			**(3,643)**

3.3 Movement in Reserves Statement for the year ended 31 March 2019

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

	General Fund Balances £000s	Housing Revenue Account Balances £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Total Useable Reserves £000s	Unuseable Reserves Note 33 £000s	Total Authority Reserves £000s
Balance at 31 March 2018	**(58,035)**	**(28,903)**	**(7,015)**	**(2,231)**	**(4,211)**	**(100,395)**	**21,063**	**79,332**
<u>Movement in Reserves during 2018/19</u>								
Total Comprehensive Income & Expenditure	41,808	(6,631)	0	0	0	35,177	(38,820)	(3,643)
Adjustments between accounting basis & funding basis under regulations (Note 3)	(40,781)	8,380	(1,336)	0	(2,758)	(36,495)	36,945	0
Decrease/ (Increase) in 2018/19	1,027	1,749	(1,336)	0	(2,758)	(1,318)	(2,325)	(3,643)
Balance at 31 March 2019	**(57,008)**	**(27,154)**	**(8,351)**	**(2,231)**	**(6,969)**	**(101,713)**	**18,735**	**(82,978)**

Restated*	General Fund Balances £000s	Housing Revenue Account Balances £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Total Useable Reserves £000s	Unuseable Reserves Note 33 £000s	Total Authority Reserves £000s
Balance 1 April 2018	**(51,380)**	**(27,633)**	**(5,501)**	**(2,231)**	**(5,521)**	**(92,266)**	**81,446**	**(246,676)**
Movement in Reserves during 2017/18								
Total Comprehensive Income & Expenditure	(2,242)	(19,563)	0	0	0	(21,805)	(46,706)	(68,511)
Adjustments between accounting basis & funding basis under regulations (Note 3)	(4,416)	18,293	(1,514)	0	1,310	13,673	(13,670)	0
Increase/(decrease) in 2017/18	(6,658)	(1,270)	(1,514)	0	1,310	(8,132)	(60,379)	(68,511)
Balance at 31 March 2018	**(58,035)**	**(28,903)**	**(7,015)**	**(2,231)**	**(4,211)**	**(100,395)**	**21,063**	**(79,332)**

* See Note A for further details on the restatement.

3.4 Balance Sheet as at 31 March 2019

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. 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'. For details of the restatement see Note A.

1 April 2017 £000s	**31 March 2018 £000s**		**Notes**	**31 March 2019 £000s**
995,770	1,096,673	Property, Plant & Equipment	19	1,101,278
2,024	2,153	Heritage Assets		2,293
1,720	1,721	Investment Property		1,513
791	2,003	Intangible Assets		4,557
12,134	13,764	Long Term Investments	23 & 38	16,045
771	1,763	Long Term Debtors		2,969
1,013,210	**1,118,077**	**Long Term Assets**		**1,128,655**
619	919	Short Term Investments		486
5,096	239	Assets Held for Sale	20	239
699	689	Inventories		771
60,240	52,643	Short Term Debtors	24	56,870
4,109	14,410	Cash & Cash Equivalents	25	9,841
70,763	**68,900**	**Current Assets**		**68,207**
(117,028)	(146,267)	Short Term Borrowing	26	(80,043)
(36,260)	(39,154)	Short Term Creditors	27	(39,612)
(3,525)	(3,677)	Finance Lease & PFI Creditors	18	(3,955)
(1,796)	(1,750)	Provisions	28	(2,138)
(212)	(200)	Other Short Term Liabilities		(214)
(158,821)	**(191,048)**	**Current Liabilities**		**(125,962)**

Balance Sheet as at 31 March 2019

1 April 2017 £000s	31 March 2018 £000s		Notes	31 March 2019 £000s
(120,868)	(117,444)	Finance Lease & PFI Creditors	18	(113,850)
(3,474)	(3,833)	Provisions	28	(4,374)
(323,443)	(318,443)	Long Term Borrowing	29	(373,443)
(2,584)	(2,477)	Other Long Term Liabilities		(2,373)
(3,021)	(2,157)	Other Long Term Creditors	30	(2,091)
(455,000)	(466,140)	Pension Liability	9	(482,800)
(5,942)	(6,103)	Capital Grants Receipts in Advance	13	(8,991)
(914,332)	**(916,597)**	**Long Term Liabilities**		**(987,922)**
10,820	**79,332**	**Net Assets**		**82,978**
		Financed By:		
(92,266)	(100,395)	Useable Reserves	31	(101,713)
81,446	21,063	Unuseable Reserves	33	18,735
(10,820)	**(79,332)**	**Total Reserves**		**(82,978)**

I certify that the Statement of Accounts for the year ended 31 March 2019, required by the Accounts and Audit Regulations 2015 are set out in pages 25 to 30 and that they give a true and fair view of the financial position of the Authority and its income and expenditure for the year ended 31 March 2019.

Signed:

Janice Gillespie
Head of Resources
Date: 31 July 2019

3.5 Cash Flow Statement for year ended 31 March 2019

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.

Restated* 2017/18 £000s		Notes	2018/19 £000s
21,805	Net (deficit)/surplus on the provision of services		(35,177)
39,941	Adjustments to net (deficit)/surplus on the provision of services for non cash movements	39	105,602
(35,036)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	39	(31,395)
26,710	**Net Cash Flows from Operating Activities**		**39,030**
(36,198)	Net Cash flow from Investing Activities	40	(28,138)
19,789	Net Cash flow from Financing Activities	41	(15,461)
10,301	**Net Increase/(decrease) in cash and cash equivalents**		**(4,569)**
4,109	Cash and cash equivalents at the beginning of the reporting period	25	14,410
14,410	**Cash and cash equivalents at the end of the reporting period**		**9,841**

*See Note A for details of the restatement

4.0 Index to the Notes to the Financial Statements

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

A Prior Period Adjustment

There has been a requirement to restate the Authority's previous published accounts in respect of Foundation Schools. Foundation Schools have been previously included on the Authority's balance sheet, however following a review it has been established that legal ownership has transferred to the School Trustees' in previous years. In addition it has been identified that the School Trustee's now make all significant decisions regarding the School assets. As a result a decision has been taken to remove the assets from the Authority's balance sheet and a prior period adjustment has been made to reflect this.

As per the requirements of the Code, the Authority has restated the accounts at the earliest practicable period which has been deemed as the 1 April 2017. The tables below summarise the adjustments that have been made to the 1 April 2017 opening balances (where appropriate) and to the 2017/18 published accounts main Financial Statements. The tables below only show the lines that have been amended not the complete Statement or Note – thus they are not intended to cast. Amendments have also been made to the supplementary notes of these Financial Statements. Each Financial Statement or note that has been restated is clearly identified throughout the document.

Statement/Note	Original 2017/18 Published Figure £000s	Restated 2017/18 Figure £000s	Movement £000s
Comprehensive Income & Expenditure Statement			
Net Cost of Services	108,323	108,145	(178)
Surplus on Provision of Services	(14,798)	(21,805)	(7,007)
Surplus on Revaluation of Non-Current Assets	(118,425)	(66,016)	52,409
Total Comprehensive Income & Expenditure	(113,913)	(68,511)	45,402
Movement in Reserves Statement			
Total Comprehensive Income & Expenditure (GF)	4,765	(2,242)	(7,007)
Total Comprehensive Income & Expenditure (Unuseable Reserves)	(99,115)	(46,706)	52,409
Adjustments between Accounting Basis & Funding Basis (GF)	(11,420)	(4,416)	7,004
Adjustments between Accounting Basis & Funding Basis (Unuseable Reserves)	(6,669)	(13,673)	(7,004)
Unuseable Reserves Balance 31 March 2018	(260,194)	21,067	281,261
Total Authority Reserves Balance 31 March 2018	(360,589)	(79,331)	281,258

Balance Sheet	Original Published Figure		Restated Figure		Movement	
	1 April 2017 £000s	31 March 2018 £000s	1 April 2017 £000s	31 March 2018 £000s	1 April 2017 £000s	31 March 2018 £000s
Property, Plant & Equipment	1,231,626	1,377,930	995,770	1,096,673	(235,856)	(281,257)
Net Assets	246,676	360,589	10,820	79,332	(235,856)	(281,257)
Unuseable Reserves	(154,410)	(260,194)	81,446	21,063	235,856	281,257
Total Reserves	**246,676**	**360,589**	**10,820**	**79,332**	**(235,856)**	**(281,257)**

Statement/Note	Original 2017/18 Published Figure £000s	Restated 2017/18 Figure £000s	Movement £000s
Cash Flow Statement			
Net surplus/(deficit) on the provision of services	14,798	21,805	7,007
Adjustments to net surplus/deficit on the provision of services for non cash movements	46,948	39,941	(7,007)
Cash and cash equivalents at the end of the reporting period	14,410	14,410	0
Adjustments between Accounting Basis and Funding Basis under Regulations Note			
Reversal of entries included in the surplus/deficit on the provision of services in relation to capital expenditure:			
- General Fund Balances	(6,801)	203	7,004
- Movement in Unuseable Reserves	(6,669)	(13,673)	(7,004)
Total Adjustments to Revenue Resources			
- General Fund Balances	(14,373)	(7,369)	7,004
- Movement in Unuseable Reserves	35,598	28,594	(7,004)
Total Adjustments			
- General Fund Balances	(11,420)	(4,416)	7,004
- Movement in Unuseable Reserves	(6,669)	(13,673)	(7,004)

Statement/Note	Original 2017/18 Published Figure £000s	Restated 2017/18 Figure £000s	Movement £000s
Property, Plant & Equipment Note			
Cost or Valuation			
Balance at 1 April 2017 (other land & buildings)	461,003	217,663	(243,340)
Additions (other land & buildings)	5,663	2,846	(2,817)
Revaluations increases/(decreases) recognised in the Revaluation Reserve (other land & buildings)	57,290	19,616	(37,674)
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services (other land & buildings)	4,230	(205)	(4,435)
Derecognition – other (other land & buildings)	(10,446)	(3,189)	7,257
As at 31 March 2018	**516,879**	**235,870**	**(281,009)**
Accumulated Depreciation & Impairments			
Balance at 1 April 2017 (other land & buildings)	(24,322)	(16,435)	7,887
Depreciation charge (other land & buildings)	(17,846)	(8,207)	9,639
Depreciation written out to the Revaluation Reserve (other land & buildings)	27,655	12,919	(14,736)
Depreciation written out to the Surplus/Deficit on the Provision of Services (other land & buildings)	5,117	2,755	(2,362)
Derecognition – other (other land & buildings)	936	508	(428)
As at 31 March 2018	**(7,675)**	**(7,675)**	**0**
Net Book Value 31 March 2018 (other land & buildings)	509,204	228,195	(281,009)
Net Book Value 31 March 2017 (other land & buildings)	436,681	201,228	(235,453)
Net Book Value 31 March 2018 (total PPE)	1,377,930	1,096,670	(281,260)
Net Book Value 31 March 2017 (total PPE)	1,231,626	995,770	(235,856)

Statement/Note	Original 2017/18 Published Figure £000s	Restated 2017/18 Figure £000s	Movement £000s
Revaluation Reserve			
Balance at 1 April 2017	(145,300)	(80,051)	65,249
Upward revaluation of assets	(125,558)	(73,148)	52,410
Surplus on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(118,425)	(66,015)	52,410
Difference between fair value depreciation and historical cost depreciation	6,651	3,629	(3,022)
Amount written off to the Capital Adjustment Account	7,925	4,903	(3,022)
Balance at 31 March 2018	(255,800)	(141,163)	114,637
Capital Adjustment Account			
Balance at 1 April 2017	(458,099)	(287,492)	170,607
Charges for depreciation & impairment of non-current assets	50,252	40,407	(9,845)
Revaluation gains/(losses) on Property, Plant & Equipment	(21,427)	(14,629)	6,798
Revenue expenditure funded from capital under statute	1,149	4,020	2,871
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	18,202	11,372	(6,830)
Adjusting amounts written out of the Revaluation Reserve	(7,925)	(4,902)	3,023
Balance at 31 March 2018	(481,197)	(314,573)	166,624

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 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19 (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

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- 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; and
- 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.
- 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.

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 the Housing Revenue Account and will not impact on housing rents.

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 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 pensions liability is analysed into the following components:

<u>Service cost</u>

- 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.

<u>Remeasurements comprising</u>

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

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

- Contributions paid to the Tyne and Wear Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of Council Tax.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price; and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, where the increase reverses a revaluation decrease on the same asset that was previously charged to the Surplus or Deficit on Provision of Services, all or part of the revaluation gain is credited to the Surplus or Deficit on Provision of Services up to the amount of the previously recognised loss, net of depreciation that would have been charged had the loss not been recognised.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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

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

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

<u>Impairment</u>

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Deprecation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. For buildings valued over £0.500m consideration will be given as to whether or not 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

In the Authority’s own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The Authority does not have material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require it to prepare group accounts.

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 amounts 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.

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)

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 2018/19 has introduced changes in accounting policy which will be required from 1 April 2019 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:

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. CIPFA/LASAAC has deferred implementation of IFRS 16 for local authorities to 1 April 2020.

- **IAS 40 Investment Property: Transfers of Investment Property**. The amendment to IAS 40 provides clarification on transfers to or from the investment property classification. The change to IAS 40 means that an Authority transfers a property, to or from, the investment property classification, when, and only when, there is evidence of a change in use. A change of use occurs if a property meets, or ceases to meet, the definition of an investment property. It is not expected that this change will impact on the Authority as it already follows the required guidance.

- **IFRIC 22 Foreign Currency Transactions & Advance Considerations** provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. This standard will not impact on the Authority as such transactions are rare for a local authority.

- **IFRIC 23 Uncertainty over Income Tax Treatments**, the standard provides guidance on the accounting treatment of uncertainties in income tax. This standard will not apply to the accounts of the Authority as it is mainly concerned with private sector accounting.

- **Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation**. The IASB (International Accounting Standards Board) has amended IFRS 9 to allow financial assets with negative compensation prepayment features to be measured at amortised cost or fair value through other comprehensive income. This standard is not expected to have an impact on the Authority as prepayment features are not part of the financial instruments currently held.

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.

2018/19	Useable Reserves					
	General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments to the Revenue Resources Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
• Pensions Costs (transferred to (or from) the Pensions Reserve) - Note 33(e)	(30,349)	(1,033)	0	0	0	31,382
• Financial Instruments (transferred to the Financial Instruments Adjustment Account) Note 33(d)	33	0	0	0	0	(33)
• Council Tax and NDR (transfers to or from the Collection Fund) - Note 33(g)	28	0	0	0	0	(28)
• Holiday Pay (transferred to the Accumulated Absences Reserve) - Note 33(h)	(1,355)	(41)	0	0	0	1,396
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(23,164)	(26,812)	0	0	(6,776)	56,752
Total Adjustments to Revenue Resources	**(54,807)**	**(27,886)**	**0**	**0**	**(6,776)**	**89,469**

2018/19	Useable Reserves: General Fund Balances £000s	Useable Reserves: Housing Revenue Account £000s	Useable Reserves: Capital Receipts Reserve £000s	Useable Reserves: Major Repairs Reserve £000s	Useable Reserves: Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,100	6,782	(7,882)	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 46	0	12,489	0	(12,489)	0	0
Statutory/Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account) – Note 33(c)	14,542	3,570	2,934	0	0	(21,046)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) – Note 33(c)	258	13,425	0	0	0	(13,683)
Total Adjustments between Revenue and Capital Resources	**14,026**	**36,266**	**(3,074)**	**(12,489)**	**0**	**(34,729)**

2018/19	Useable Reserves General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure – Note 33(c)	0	0	1,738	0	0	(1,738)
Use of the Major Repairs Reserve to finance capital expenditure – Note 46	0	0	0	12,489	0	(12,489)
Application of capital grants to finance capital expenditure – Note 33(c)	0	0	0	0	4,018	(4,018)
Total Adjustments to Capital Resources	**0**	**0**	**1,738**	**12,489**	**4,018**	**(18,245)**
TOTAL ADJUSTMENTS	**(40,781)**	**8,380**	**(1,336)**	**0**	**(2,758)**	**36,495**

Restated*

2017/18

	Useable Reserves					
	General Fund Balances £000s	**Housing Revenue Account £000s**	**Capital Receipts Reserve £000s**	**Major Repairs Reserve £000s**	**Capital Grants Unapplied £000s**	**Movement in Unuseable Reserves £000s**
Adjustments to the Revenue Resources Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
• Pensions Costs transferred to or from the Pensions Reserve) – Note 33(e)	(8,615)	(911)	0	0	0	9,526
• Financial Instruments (transferred to the Financial Instruments Adjustment Account) – Note 33(d)	33	(27)	0	0	0	(6)
• Council Tax and NDR (transfers to or from the Collection Fund) – Note 33(g)	1,429	0	0	0	0	(1,429)
• Holiday Pay (transferred to the Accumulated Absences Reserve) – Note 33(h)	(419)	8	0	0	0	411
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	203	(16,725)	0	0	(3,570)	27,096
Total Adjustments to Revenue Resources	**(7,369)**	**(17,655)**	**0**	**0**	**(3,570)**	**28,594**

* See Note A for further details on the restatement

2017/18	Useable Reserves: General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,889	8,128	(10,017)	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 46	0	12,026	0	(12,026)	0	0
Statutory/Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account) – Note 33(c)	2,686	5,777	4,202	0	0	(12,665)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) – Note 33(c)	252	10,017	0	0	0	(10,269)
Total Adjustments between Revenue and Capital Resources	**2,953**	**35,948**	**(3,941)**	**(12,026)**	**0**	**(22,934)**

2017/18	Useable Reserves General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure – Note 33(c)	0	0	2,427	0	0	(2,427)
Use of the Major Repairs Reserve to finance capital expenditure – Note 46	0	0	0	12,026	0	(12,026)
Application of capital grants to finance capital expenditure – Note 33(c)	0	0	0	0	4,880	(4,880)
Total Adjustments to Capital Resources	**0**	**0**	**2,427**	**12,026**	**4,880**	**(19,333)**
TOTAL ADJUSTMENTS	**(4,416)**	**18,293**	**(1,514)**	**0**	**1,310**	**(13,673)**

4(a) Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis 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 8 within the Narrative Statement.

2018/19	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	998	36	1,034
Business & Economic Development	1,362	22,775	24,137
Commercial & Business Redesign	1,574	1,422	2,996
Corporate Strategy	1,209	188	1,397
Finance	(789)	236	(553)
Human Resources & Organisational Development	80	137	217
Law & Governance	419	264	683
Health, Education, Care & Safeguarding	63,027	7,529	70,556
Commissioning & Asset Management	4,400	7,858	12,258
Environment, Housing & Leisure	26,223	17,010	43,233
Housing Revenue Account	(13,383)	(7,953)	(21,336)
Central Costs (including support services)	37,893	(7,039)	30,854
Net Cost of Services	**123,013**	**42,463**	**165,476**
Other Income & Expenditure	(120,237)	(10,062)	(130,299)
Surplus on Provision of Service	**2,776**	**32,401**	**35,177**

General Fund & HRA Balances at 31 March 2018	**(86,938)**
Deficit on General Fund & HRA Balances in Year	2,776
General Fund and HRA Balances at 31 March 2019	**(84,162)**

Analysed between General Fund and HRA Balances

	General Fund £000s	HRA £000s	Total £000s
Balances at 31 March 2018	(58,035)	(28,903)	(86,938)
Deficit on Balance in Year	1,027	1,749	2,776
Balances at 31 March 2019	**(57,008)**	**(27,154)**	**(84,162)**

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 statue and include:

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

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

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

2018/19	**Adjs for Capital Purposes £000s**	**Pension Adjs £000s**	**Other Adjs £000s**	**Total Adjs £000s**
Chief Executive Office	0	33	3	36
Business & Economic Development	22,656	105	14	22,775
Commercial & Business Redesign	1,336	82	4	1,422
Corporate Strategy	0	172	16	188
Finance	66	140	30	236
Human Resources & Organisational Development	0	109	28	137
Law & Governance	0	245	19	264
Health, Education, Care & Safeguarding	2,980	3,971	578	7,529
Commissioning & Asset Management	5,731	2,165	(37)	7,859
Environment, Housing & Leisure	14,040	2,267	703	17,010
Housing Revenue Account	(8,580)	586	41	(7,953)
Central Costs (including support services)	(16,641)	9,636	(35)	(7,040)
Net Cost of Services	**21,588**	**19,511**	**1,364**	**42,463**
Other Operating Expenditure	1,869	0	(1,874)	(5)
Financing & Investment Income & Expenditure	0	11,870	0	11,870
Taxation & Non Specific Grant Income	(21,899)	0	(28)	(21,927)
Difference between General Fund and HRA surplus/deficit and Comprehensive Income & Expenditure Statement surplus/deficit	**1,558**	**31,381**	**(538)**	**32,401**

* Restated
2017/18

	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	1,158	24	1,182
Business & Economic Development	1,325	252	1,577
Commercial & Business Redesign	838	2,228	3,066
Corporate Strategy	1,119	164	1,283
Finance	(437)	180	(257)
Human Resources & Organisational Development	283	111	394
Law & Governance	188	250	438
Health, Education, Care & Safeguarding	64,534	5,277	69,811
Commissioning & Asset Management	4,279	3,887	8,166
Environment, Housing & Leisure	26,790	10,103	36,893
Housing Revenue Account	(16,794)	(17,479)	(34,273)
Central Costs (Includes support services)	27,324	(14,288)	13,036
Net Cost of Services	**110,607**	**(9,291)**	**101,316**
Other Income & Expenditure	(118,532)	(4,589)	(123,121)
Surplus on provision of Service	**(7,925)**	**(13,880)**	**(21,805)**

* See Note A for further details on the restatement

General Fund & HRA Balances at 31 March 2017	**(79,013)**
Surplus on General Fund & HRA Balances in Year	(7,925)
General Fund and HRA Balances at 31 March 2018	**(86,938)**

Analysed between General Fund and HRA Balances

	General Fund	HRA	Total
Balances at 31 March 2017	(51,380)	(27,633)	(79,013)
Surplus on Balances in Year	(6,655)	(1,270)	(7,925)
Balances at 31 March 2018	**(58,035)**	**(28,903)**	**(86,938)**

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

* Restated – see Note A for further details

2017/18	**Adjustments for Capital Purposes £000s**	**Pension Adjustments £000s**	**Other Adjustments £000s**	**Total Adjustments £000s**
Chief Executive Office	0	29	(5)	24
Business & Economic Development	158	106	(12)	252
Commercial & Business Redesign	2,135	104	(11)	2,228
Corporate Strategy	0	178	(14)	164
Finance	122	72	(14)	180
Human Resources & Organisational Development	0	108	3	111
Law & Governance	0	271	(21)	250
Health, Education, Care & Safeguarding	1,845	3,567	(135)	5,277
Commissioning & Asset Management	1,246	2,116	525	3,887
Environment, Housing & Leisure	7,791	2,206	106	10,103
Housing Revenue Account	(18,025)	527	19	(17,479)
Central Costs (includes support services)	(3,607)	(10,648)	(33)	(14,288)
Net Cost of Services	**(8,335)**	**(1,364)**	**408**	**(9,291)**
Other Operating Expenditure	8,187	0	1,874	10,061
Financing & Investment Income & Expenditure	0	10,890	0	10,890
Taxation & Non Specific Grant Income	(24,111)	0	(1,429)	(25,540)
Difference between General Fund and HRA surplus/deficit and Comprehensive Income & Expenditure Statement surplus/deficit	**(24,259)**	**9,526**	**853**	**(13,880)**

4(b) Segmental Income

Revenue received from external customers is analysed on a segmental basis below:

2017/18 £000s		2018/19 £000s
(121)	Chief Executive Office	(124)
(228)	Business & Economic Development	(283)
(245)	Commercial & Business Redesign	(289)
(195)	Corporate Strategy	(198)
(1,683)	Finance	(1,014)
(21)	Human Resources & Organisational Development	(32)
(12,514)	Health, Education, Care & Safeguarding	(14,810)
(9,158)	Commissioning & Asset Management	(9,257)
(17,134)	Environment, Housing & Leisure	(17,813)
(60,971)	Housing Revenue Account	(60,941)
(703)	Law & Governance	(651)
(877)	Central Costs (including support services)	(1,491)
(103,850)	**Total**	**(106,903)**

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.

2018/19

	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges	(145,344)	0	(145,344)
Government Grants & Contributions	(283,350)	(38,896)	(322,246)
Support Services & Recharges	(4,557)	0	(4,557)
Interest and Investment Income	0	(406)	(406)
Income in relation to investment properties	0	(119)	(119)
Income from Council Tax/NDR	0	(137,669)	(137,669)
Total Income	**(433,251)**	**(177,090)**	**(610,341)**
Employee Expenses	207,832	31,930	239,762
Other Service Expenses	280,293	0	280,293
Support Services Recharges	22,633	0	22,633
Depreciation, amortisation, impairment and other capital charges	67,909	0	67,909
Interest Payments	0	23,406	23,406
Precepts & Levies	0	11,510	11,510
Payments to Housing Capital Receipts Pool	0	1,874	1,874
Gain on Disposal of Fixed Assets	0	(1,869)	(1,869)
Total Operating Expenses	**578,667**	**66,851**	**645,518**
Deficit on the provision of services	**145,416**	**(110,239)**	**35,177**

* Restated
2017/18

	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges	(139,906)	0	(139,906)
Government Grants & Contributions	(282,996)	(46,788)	(329,784)
Support Services & Recharges	(3,646)	0	(3,646)
Interest and Investment Income	0	(1,282)	(1,282)
Income in relation to Investment Properties	0	(124)	(124)
Income from Council Tax/NDR	0	(131,194)	(131,194)
Total Income	**(426,548)**	**(179,388)**	**(605,936)**
Employee Expenses	203,607	10,890	214,497
Other Service Expenses	278,038	0	278,038
Support Services Recharges	22,881	0	22,881
Depreciation, amortisation, impairment and other capital charges	30,167	0	30,167
Interest Payments	0	23,573	23,573
Precepts & Levies	0	11,744	11,744
Payments to Housing Capital Receipts Pool	0	1,874	1,874
Loss on Disposal of Fixed Assets	0	1,357	1,357
Total Operating Expenses	**534,693**	**49,438**	**584,131**
Surplus on the provision of services	**108,145**	**(129,950)**	**(21,805)**

* Restated – see Note A for further details.

6 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in pages 37-56, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Service Concessions

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

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

Pension Fund Guarantors

The Authority, together with the other Tyne & Wear district 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:

- Kier North Tyneside;
- ENGIE;
- Capita; 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.

Pension Fund Advance Payment

The Authority has prepaid pension fund deficit contributions of £26.544m for the three year period covered by the Rates and Adjustments Certificate. The Authority has prepaid as this reduces the total deficit contribution payable compared to paying each of the three years as is normally due. It has been classed as a critical judgement as it is an unusual material transaction. As a result of the pension's prepayment, there is a difference between the pension's liability and reserve on the balance sheet of £8.848m (one year of the prepayment). This difference will reduce to zero at 31 March 2020.

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 2019, 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 £1,183.565m as at 31 March 2019. A 1% change in asset valuation would equate to a £11.836m 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 £0.314m movement. See Note 19 for more details on PPE.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Pension Fund engages a firm of specialist actuaries to provide the Authority with expert advice about the assumptions to be applied. See Note 9 page 88 for details of sensitivity analysis of the estimations.
Provisions	The Authority has made a number of provisions, in line with the Code, totalling £6.512m. 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 2018/19 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 2019. 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 2019. A provision of £1.950m has been set up in recognition of this. See Note 28.
Debtors arrears	At 31 March 2019, the Authority had a gross balance of £75.376m. A review of significant balances suggested that an impairment of doubtful debts of £18.506m was appropriate leaving a net balance of £56.870m. However, in the current economic climate there is an inherent risk that such an allowance would not be sufficient. See Note 24.

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 2018/19 were £3.403m (£3.170m in 2017/18).

Undischarged operating lease rentals at 31 March 2019 amounted to £82.001m (£83.424m in 2017/18), comprising the following elements:

31 March 2018 £000s		31 March 2019 £000s
3,179	Due Year 1	3,323
12,725	Due Years 2-5	13,257
67,520	Due after Year 5	65,421
83,424	**Total**	**82,001**

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 2018/19 as being operating leases and the total rental income was £3.186m (£3.123m in 2017/18). The future minimum lease payments expected to be received are:

31 March 2018 £000s		31 March 2019 £000s
3,071	Due Year 1	3,144
6,547	Due Years 2-5	6,326
18,810	Due after Year 5	20,353
28,428	**Total**	**29,823**

9 Pension Schemes

Pension schemes accounted for as defined contribution schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, 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 2018/19, the Authority paid £9.658m (£9.630m 2017/18) to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay (16.48% 2017/18). The contributions due to be paid in the next financial year are estimated to be £9.658m. 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 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate; and

- 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 is 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	2017/18 £000s				2018/19 £000s			
	TWPF		TPS*	Total	TWPF		TPS*	Total
	Funded	Unfunded			Funded	Unfunded		
Comprehensive Income & Expenditure Statement								
Cost of Services								
Current Service Costs	26,670	0	0	26,670	27,930	0	0	27,930
Past Service Costs	130	0	0	130	20,230	0	0	20,230
Financing and Investment Income and Expenditure								
Net Interest Expense	8,830	670	1,390	10,890	9,830	660	1,380	11,870
Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	35,630	670	1,390	37,690	57,990	660	1,380	60,030
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)	(10,560)	0	0	(10,560)	(35,510)	0	0	(35,510)
Actuarial (gains)/losses arising on changes in demographic assumptions	0	0	0	0	(50,480)	(1,180)	(2,180)	(53,840)
Actuarial (gains)/ losses arising on changes in financial assumptions	19,930	270	620	20,820	67,280	650	1,540	69,470
Actuarial (gains)/losses due to liability experience	8,280	250	520	9,050	200	(150)	(3,740)	(3,690)
Total Post Employment Benefit Charged to the Other Comprehensive Income & Expenditure	17,650	520	1,140	19,310	(18,510)	(680)	(4,380)	(23,570)

Pension Revenue Summary	2017/18 £000s				2018/19 £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	(35,630)	(670)	(1,390)	(37,690)	(57,990)	(660)	(1,380)	(60,030)
Actual amount charged against the Cost of Services for pensions in the year								
Employer's contributions payable to the scheme	23,534	0	0	23,534	44,298	0	0	44,298
Retirement benefits payable to pensioners	0	1,800	2,830	4,630	0	1,770	2,810	4,580

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

Pension Assets and Liabilities recognised in the Balance Sheet

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

	2017/18 £000s				2018/19 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Present value of the defined benefit obligation	(1,192,660)	(26,220)	(54,430)	(1,273,310)	(1,258,710)	(24,430)	(48,620)	(1,331,760)
Fair Value of plan assets	807,170	0	0	807,170	848,960	0	0	848,960
Sub Total	(385,490)	(26,220)	(54,430)	(466,140)	(409,750)	(24,430)	(48,620)	(482,800)
Other movements in the liability (asset) if applicable	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(385,490)	(26,220)	(54,430)	(466,140)	(409,750)	(24,430)	(48,620)	(482,800)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2017/18 £000s				2018/19 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Opening fair value of scheme assets	764,060	0	0	764,060	807,170	0	0	807,170
Interest Income	20,370	0	0	20,370	20,800	0	0	20,800
Remeasurement gain/ (loss):								
• The return on plan assets, excluding the amount included in the net interest expense	10,560	0	0	10,560	35,510	0	0	35,510
Contributions from employer	41,230	1,800	2,830	45,860	15,220	1,770	2,810	19,800
Contributions from employees into the scheme	5,080	0	0	5,080	5,210	0	0	5,210
Benefits paid	(32,830)	(1,800)	(2,830)	(37,460)	(34,950)	(1,770)	(2,810)	(39,530)
Net increase in assets from disposals/acquisitions	(1,300)	0	0	(1,300)	0	0	0	0
Closing fair value of scheme assets	807,170	0	0	807,170	848,960	0	0	848,960

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

Active members	36%
Deferred Pensioners	14%
Pensioners	50%

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

	2017/18				2018/19			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded £000s	Unfunded £000s	£000s	£000s	Funded £000s	Unfunded £000s	£000s	£000s
Opening balance at 1 April	(1,137,500)	(26,830)	(54,730)	(1,219,060)	(1,192,660)	(26,220)	(54,430)	(1,273,310)
Current Service Cost	(26,670)	0	0	(26,670)	(27,930)	0	0	(27,930)
Interest Cost	(29,200)	(670)	(1,390)	(31,260)	(30,630)	(660)	(1,380)	(32,670)
Contributions by participants	(5,080)	0	0	(5,080)	(5,210)	0	0	(5,210)
Remeasurement (gains) and losses:								
• Actuarial (gains)/losses arising from changes in experience assumptions	(8,280)	(250)	(520)	(9,050)	(200)	150	3,740	3,690
• Actuarial (gains)/losses arising from changes in demographic assumptions	0	0	0	0	50,480	1,180	2,180	53,840
• Actuarial (gains)/losses arising from changes in financial assumptions	(19,930)	(270)	(620)	(20,820)	(67,280)	(650)	(1,540)	(69,470)
Past Service Cost	(130)	0	0	(130)	(20,230)	0	0	(20,230)
Net increase in liabilities from disposals/acquisitions	1,300	0	0	1,300	0	0	0	0
Net Benefits paid	32,830	1,800	2,830	37,460	34,950	1,770	2,810	39,530
Closing balance at 31 March	**(1,192,660)**	**(26,220)**	**(54,430)**	**(1,273,310)**	**(1,258,710)**	**(24,430)**	**(48,620)**	**(1,331,760)**

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 2018 %	Asset Split 31 March 2019 %		
	Total	Quoted	Unquoted	Total
Equities	67.0	58.0	7.0	65.0
Property	8.5	0.0	8.8	8.8
Government Bonds	4.0	4.1	0.0	4.1
Corporate Bonds	11.7	11.7	0.0	11.7
Cash	3.7	2.7	0.0	2.7
Other*	5.1	3.5	4.2	7.7
Total Assets	100	80	20	100

*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

Both the Local Government 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 2016, 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	
	2017/18	2018/19	2017/18	2018/19
Mortality assumptions				
Future lifetime from age 65 (currently 65)				
• Men	22.9	22.2	22.9	22.9
• Women	26.4	25.3	26.4	25.3
Future lifetime from age 65 (currently 45)				
• Men	25.1	23.9	n/a	n/a
• Women	28.7	27.2	n/a	n/a

	TWPF Funded		TPS/TWPF Unfunded	
	2017/18	2018/19	2017/18	2018/19
Rate of Inflation (RPI)	3.2%	3.3%	3.2%	3.3%
Rate of Inflation (CPI)	2.1%	2.2%	2.1%	2.2%
Pensions accounts revaluation rate	2.1%	2.2%	n/a	n/a
Rate of increase in salaries	3.6%	3.7%	n/a	n/a
Rate of increase in pensions	2.1%	2.2%	2.1%	2.2%
Rate for discounting scheme liabilities	2.6%	2.4%	2.6%	2.4%

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)	(39,630)	40,030
Rate of increase in salaries (increase/decrease by 0.1%)	6,050	(5,980)
Rate of increase in pensions (increase/decrease by 0.1%)	17,650	(17,380)
Rate for discounting scheme liabilities (increase/decrease by 0.1%)	(23,310)	23,750

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 edge 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 (65.0% of scheme assets) and bonds (15.8%). These percentages are materially the same as the comparative year. The scheme also invests in properties as part of the diversification of the scheme's investments (8.8%). 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 2016.

The Authority anticipates to pay £15.510m expected contributions to the scheme in respect of the LGPS in 2019/20 for the accounting period to 31 March 2020, £1.810m in respect of unfunded benefits and also £2.880m for enhanced teachers' benefits. The weighted average duration of the defined benefit obligation for the LGPS scheme members is 18.7 years 2018/19 (18.7 years 2017/18).

10 Other Operating Expenditure

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

2017/18 £000s *	*Restated, see Note A	2018/19 £000s
11,744	Levies	11,510
1,874	Payments to the Government Housing Capital Receipts Pool	1,874
1,357	(Gains)/ Losses on the disposal of non current assets	(1,869)
14,975	**Total**	**11,515**

11 Financing and Investment Income and Expenditure

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

2017/18 £000s		2018/19 £000s
23,573	Interest payable and similar charges	23,406
10,890	Net Interest Expense (Pensions)	11,870
(1,282)	Interest receivable and similar income	(406)
(124)	Income & expenditure in relation to Investment Property and changes in their fair value	(119)
33,057	**Total**	**34,751**

12 Taxation and Non Specific Grant Income

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

2017/18 £000s		2018/19 £000s
(85,342)	Council Tax Income	(91,218)
(26,663)	Retained Business Rates	(26,767)
(19,189)	Business Rates Top Up	(19,684)
(22,677)	Non Ring fenced Government Grants	(16,997)
(24,111)	Capital Grants, Contributions & Donated Assets	(21,899)
(177,982)	**Total**	**(176,565)**

13 Grants and Contributions Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

2017/18 £000s		2018/19 £000s
	Non-Ring fenced Government Grants	
(22,596)	Revenue Support Grant	(16,915)
(81)	Other Non-Ring fenced Government Grants (individually under £1.000m)	(82)
(22,677)		(16,997)
	Capital Grants and Receipts in Advance	
(4,159)	Department for Education	(5,749)
(7,194)	North East Local Enterprise Partnership (NELEP) – Local Growth Fund	(2,454)
(4,795)	Local Transport Plan	(6,063)
(1,336)	Environment Agency	(100)
(2,314)	Heritage Lottery	(605)
(1,849)	Section 106 Contributions	(6,328)
(2,464)	Other Grants and Contributions (individually under £1.000m)	(600)
(24,111)		(21,899)

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 2018 £000s		31 March 2019 £000s
	Capital Grants, Contributions and Donations in advance	
(5,985)	Section 106 Agreements	(8,943)
(118)	Other Grants & Contributions (individually under £1.000m)	(48)
(6,103)	**Total**	**(8,991)**

31 March 2018 £000s		31 March 2019 £000s
	Revenue Grants & Contributions Receipt In Advance	
(372)	Other Grants & Contributions (individually under £1.000m)	(361)
(372)	**Total**	**(361)**

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement within the Cost of Services in 2018/19.

2017/18 £000s		2018/19 £000s
	Credited to Services	
(133,593)	Dedicated Schools Grant	(136,981)
(36,908)	Mandatory Rent Allowances Benefit	(33,651)
(31,520)	Rent Rebates Benefit	(28,738)
(13,372)	Private Finance Initiative	(13,372)
(12,758)	Public Health Grant	(12,488)
(12,198)	Continuing Health Care Contributions	(12,558)
(8,709)	Pupil Premium Grant	(8,703)
(8,337)	Post 16 Education Grant	(7,314)
(5,043)	Improved Better Care Fund Grant	(6,773)
(3,012)	New Homes Bonus	(2,321)
(788)	Education Services Grant	0
(2,168)	Department for Education	(2,300)
(2,246)	Small Business Rate Relief Grant	(4,194)
(892)	Physical Education (PE) & Sport	(1,128)
(286)	Assessed & supported Year in Employment	(1,110)
(1,036)	Adult Social Care Support Grant	(1,676)
(870)	Housing Benefit Administration Grant	(795)
0	Teachers Pay Grant	(593)
(9,260)	Other Grants and Contributions (individually under £1.000m)	(8,073)
(282,996)	**Total**	**(282,768)**

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 £150,000. There are no Senior Officers whose salary is £150,000 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

2017/18					Remuneration Band	2018/19				
APT&C	**LEA Teachers**	**VA Teachers**	**Trust Employees**	**Total**		**APT&C**	**LEA Teachers**	**VA Teachers**	**Trust Employees**	**Total**
32	5	4	44	**85**	£50,000 - £54,999	32	5	4	36	**77**
18	4	3	26	**51**	£55,000 - £59,999	13	5	3	23	**44**
6	6	4	14	**30**	£60,000 - £64,999	10	6	5	18	**39**
0	5	1	9	**15**	£65,000 - £69,999	5	6	2	8	**21**
5	2	1	6	**14**	£70,000 - £74,999	4	2	1	6	**13**
0	1	1	4	**6**	£75,000 - £79,999	0	0	0	4	**4**
0	0	0	2	**2**	£80,000 - £84,999	1	1	0	4	**6**
0	0	0	2	**2**	£85,000 - £89,999	1	0	0	3	**4**
0	0	0	1	**1**	£90,000 - £94,999	0	1	0	1	**2**
0	0	0	3	**3**	£95,000 - £99,999	0	1	0	2	**3**
0	0	0	0	**0**	£100,000 - £104,999	0	0	0	1	**1**
0	0	0	0	**0**	£105,000 - £109,999	0	0	0	0	**0**
0	0	0	1	**1**	£110,000 - £114,999	0	0	0	0	**0**
61	**23**	**14**	**112**	**210**	**Total**	**66**	**27**	**15**	**106**	**214**

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

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

2018/19

Post Holder Information (2018/19)	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 £
Director of Health, Education, Care and Safeguarding	104,124	0	0	0	104,124	18,874	**122,998**
Chief Executive [1]	101,398	0	0	0	101,398	18,353	**119,751**
Head of Environment, Housing and Leisure	99,666	0	0	0	99,666	18,067	**117,733**
Head of Commissioning & Investment	91,494	0	0	0	91,494	16,644	**108,138**
Head of Finance	91,285	0	0	0	91,285	16,550	**107,835**
Head of Corporate Strategy	87,034	0	0	0	87,034	15,780	**102,814**
Director of Public Health	84,224	0	0	0	84,224	12,133	**96,357**
Acting Head of Regeneration & Economic Development [2]	70,150	0	0	0	70,150	12,697	**82,847**
Acting Head of Regeneration & Economic Development [2]	62,841	0	0	0	62,841	11,254	**74,095**
Acting Head of Law & Governance [3]	59,017	0	0	0	59,017	10,709	**69,726**
Chief Executive [4]	50,820	0	0	0	50,820	9,103	**59,923**
Head of Law & Governance [5]	39,218	0	0	0	39,218	7,212	**46,430**

Post Holder Information (2018/19)	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 £
Head of Law & Governance [6]	8,703	0	0	0	8,703	1,580	**10,283**
Total	**949,974**	**0**	**0**	**0**	**949,974**	**168,956**	**1,118,930**

[1] New appointment made in November 2018 (post holder was previously the Deputy Chief Executive from April to October 2018).
[2] Original post holder left at the end of March 2018. Joint Acting Heads of Regeneration from April 2018 to mid-March 2019. New post holder appointed March 2019.
[3] Acting Head of Law & Governance in post until February 2019.
[4] Post holder left August 2018.
[5] Post holder left August 2018.
[6] New post holder appointed February 2019.

Post Holder Information (2017/18)	**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	147,765	0	0	0	147,765	26,773	**174,538**
Deputy Chief Executive	122,262	0	0	0	122,262	22,157	**144,419**
Director of Health, Education, Care and Safeguarding	102,079	0	0	0	102,079	18,503	**120,582**
Director of Public Health	82,570	0	0	0	82,570	11,895	**94,465**
Head of Environment, Housing and Leisure	97,709	0	0	0	97,709	17,712	**115,421**
Head of Law & Governance	93,599	0	0	0	93,599	16,969	**110,568**
Head of Commissioning & Investment	89,697	0	0	0	89,697	15,471	**105,168**
Head of Commercial Services & Business Redesign	86,004	0	0	0	86,004	14,783	**100,787**
Head of Finance	84,495	0	0	0	84,495	15,321	**99,816**
Head of Business & Economic Development	82,570	0	0	0	82,570	14,972	**97,542**

Post Holder Information (2017/18)	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 £
Head of Corporate Strategy	79,292	0	0	0	79,292	14,379	**93,671**
Head of Human Resources & Organisational Development [1]	43,345	0	0	0	43,345	7,861	**51,206**
Acting Head of Environment, Housing & Leisure [2]	74,253	0	0	0	74,253	13,467	**87,720**
Acting Head of Environment, Housing & Leisure [2]	61,568	0	0	0	61,568	11,171	**72,739**
Total	**1,247,208**	**0**	**0**	**0**	**1,247,208**	**221,434**	**1,468,642**

[1] Post Holder left October 2017.
[2] Current post holder of Head of Environment, Housing & Leisure was on long term sick leave – duties were shared out.

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	
£	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	10	1	52	50	62	51	538	426
£20,001 - £40,000	0	0	17	8	17	8	472	202
£40,001 - £60,000	0	0	4	3	4	3	197	98
£60,001 - £80,000	0	0	3	1	3	1	202	75
£80,001 - £100,000	0	0	1	0	1	0	96	0
£100,001 - £150,000	0	0	2	1	2	1	232	145
Total	**10**	**1**	**79**	**63**	**89**	**64**	**1,737**	**946**

There is a provision for redundancy payments (see Note 28) included within the Comprehensive Income and Expenditure Statement of £0.018m (£0.107m 2017/18). These figures have been included in the table above. There is also a reserve for redundancy payments of £2.851m (£2.195m 2017/18) (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:

2017/18 £000s		2018/19 £000s
604	Basic Allowances	617
165	Special Responsibility Allowances	166
5	Expenses	6
774	**Total**	**789**

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. Note 13 – Grant Income details grant income reported in the Comprehensive Income & Expenditure Statement.

Members of the Council have direct control over the Authority's financial and operating policies. The total of Members' allowances paid in 2018/19 is shown in Note 15. During 2018/19, 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 £10.062m to voluntary and other statutory bodies in which a number Members had declared an interest (£9.123m in 2017/18). 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.

Officers – no related party transactions for 2018/19, payment of £0.063m in 2017/18 made by the Authority to a regional body with an interest in learning and education (Northern Grid for Learning).

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 East Combined Authority (NECA) – 16 Members of the Authority served as members of NECA boards up to 2 November 2018. During 2018/19 the Authority paid grants and other sums totalling £0.259m (£0.264m in 2017/18) to the organisation, together with a transport levy of £11.131m (£11.375m in 2017/18) (see Note 10).

North of Tyne Combined Authority (NoTCA) – 8 Members of the Authority serve as members of NoTCA boards, there have been no related party transactions declared in 2018/19.

17 Audit Costs

In 2018/19 the Authority incurred the following fees relating to external audit:

2017/18 £000s		2018/19 £000s
136	Fees payable to the appointed auditor under the Local Audit and Accountability Act 2014	85
17	Fees payable for the certification of grant claims and returns	7
9	Fees payable for the certification of Housing Benefit grant claims and returns	7
162	Total fees payable	99

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

2018/19 was the sixteenth 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

2018/19 was the fifteenth 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

2018/19 was the sixth 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)

2018/19 was the twelfth 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)
2018/19 was the seventh 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.

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

<u>Payments</u>
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 2019 (excluding any estimation of inflation and availability/performance deductions) are on the following page:

2017/18 Total £000s		Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	2018/19 Total £000s
16,917	Payable in one year	4,830	3,955	8,291	17,076
68,784	Payable within 2-5 yrs	24,572	22,331	36,698	83,601
88,800	Payable within 6-10 yrs	27,292	29,493	30,705	87,490
77,168	Payable within 11-15 yrs	19,982	30,434	20,843	71,259
55,651	Payable within 16-20 yrs	13,770	26,831	10,409	51,010
37,498	Payable within 21-25 yrs	5,135	12,326	1,364	18,825
344,818	**Total**	**95,581**	**125,370**	**108,310**	**329,261**

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:

2017/18 £000s		2018/19 £000s
124,393	Balance outstanding at start of year	121,121
(3,525)	Payments made during the year	(3,676)
253	Additional liabilities incurred in the year	360
121,121	**Balance outstanding at year-end**	**117,805**

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An additional £0.360m has been recognised on the Authority’s Balance Sheet as the value added to the PFI lease liability in relation to the purchase of new equipment under the contract and paid for via the unitary charge payment.

Other than this, there have been no renewals or terminations of the above schemes during 2018/19 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

2018/19	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Cost or Valuation									
1 April 2018	656,411	235,870	23,239	207,526	8,420	1,198	36,266	1,168,930	135,392
Additions	21,829	7,268	7,555	11,118	0	105	11,347	59,222	1,216
Revaluations increases/(decreases) recognised in the Revaluation Reserve	(909)	14,496	0	0	0	138	0	13,725	11,230
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(19,752)	(25,382)	0	0	0	0	0	(45,134)	832
Derecognition - Disposals	(6,093)	0	0	0	0	0	0	(6,093)	0
Derecognition - Other	0	0	(3,636)	(703)	0	(105)	0	(4,444)	(119)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	2,922	22,549	0	7,470	0	225	(35,807)	(2,641)	0
At 31 March 2019	**654,408**	**254,801**	**27,158**	**225,411**	**8,420**	**1,561**	**11,806**	**1,183,565**	**148,551**

	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 2018	0	(7,675)	(12,195)	(51,699)	(690)	0	0	(72,259)	(9,845)
Depreciation charge	(14,192)	(8,180)	(2,632)	(6,334)	(14)	0	0	(31,352)	(3,737)
Depreciation written out to the Revaluation Reserve	402	983	0	0	0	0	0	1,385	336
Depreciation written out to the Surplus/Deficit on the Provision of Services	13,605	680	0	0	0	0	0	14,285	1,367
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	39	0	0	0	0	0	39	0
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	0	938	0	0	0	0	0	938	0
Derecognition – Disposals	185	0	0	0	0	0	0	185	0
Derecognition - Other	0	0	3,636	703	0	0	0	4,339	119
Other movements in Depreciation & Impairment	0	156	0	0	0	(3)	0	153	0
At 31 March 2019	**0**	**(13,059)**	**(11,191)**	**(57,330)**	**(704)**	**(3)**	**0**	**(82,287)**	**(11,760)**
Net Book Value									
At 31 March 2019	654,408	241,742	15,967	168,081	7,716	1,558	11,806	1,101,278	136,791
At 31 March 2018	656,411	228,195	11,044	155,827	7,730	1,198	36,266	1,096,671	125,547

Restated* 2017/18	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Cost or Valuation									
1 April 2017	634,163	217,663	22,100	182,920	8,420	1,198	22,212	1,088,676	124,125
Additions	20,252	2,846	3,424	16,557	0	16	23,390	66,485	1,996
Revaluations increases/(decreases) recognised in the Revaluation Reserve	5,743	19,616	0	0	0	(4,460)	0	20,899	5,738
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3,014	(205)	0	0	0	460	0	3,269	3,533
Derecognition - Disposals	(7,131)	(636)	0	0	0	(16)	0	(7,783)	0
Derecognition - Other	0	(3,189)	(2,285)	(795)	0	0	0	(6,269)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	4,000	0	4,000	0
Other movements in Cost or Valuation	370	(225)	0	8,844	0	0	(9,336)	(347)	0
At 31 March 2018	**656,411**	**235,870**	**23,239**	**207,526**	**8,420**	**1,198**	**36,266**	**1,168,930**	**135,392**

* See Note A for further details on the restatement

2017/18	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 2017	(18,892)	(16,435)	(10,130)	(46,773)	(676)	0	0	(92,906)	(10,054)
Depreciation charge	(13,635)	(8,207)	(4,350)	(5,721)	(14)	0	0	(31,927)	(3,493)
Depreciation written out to the Revaluation Reserve	21,553	12,919	0	0	0	0	0	34,472	1,791
Depreciation written out to the Surplus/Deficit on the Provision of Services	6,221	2,755	0	0	0	0	0	8,976	1,911
Impairment (losses)/ reversals recognised in the Revaluation Reserve	9,897	747	0	0	0	0	0	10,644	0
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	(5,361)	10	0	0	0	0	0	(5,351)	0
Derecognition – Disposals	216	28	0	0	0	0	0	244	0
Derecognition - Other	0	508	2,285	795	0	0	0	3,588	0
Other movements in Depreciation & Impairment	0	0	0	0	0	0	0	0	0
At 31 March 2018	**(1)**	**(7,675)**	**(12,195)**	**(51,699)**	**(690)**	**0**	**0**	**(72,260)**	**(9,845)**
Net Book Value									
At 31 March 2018	656,410	228,195	11,044	155,827	7,730	1,198	36,266	1,096,670	125,547
At 31 March 2017 (restated)	615,271	201,228	11,970	136,147	7,744	1,198	22,212	995,770	114,071

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

	Council Dwellings £000s	Other Land & Buildings £000s	Surplus Assets £000s	Total £000s
Valued at current value as at:				
2015/16	0	29,255	0	29,255
2016/17	0	9,816	0	9,816
2017/18	0	76,112	0	76,112
2018/19	654,408	139,618	1,561	795,587
Gross Book Value	**654,408**	**254,801**	**1,561**	**910,770**

<u>Split of Council Dwellings</u>

Sheltered Housing Accommodation	70,688
Housing with Multiple Occupants	1,811
Homeless Units	857
General Housing Stock	581,052
Total	**654,408**

(i) General Housing Stock within Council Dwellings are valued at current cost less a reduction of 56% for Social Housing use:

	£000s
Vacant Possession Value at 31 March 2019	1,320,573
Social Housing Adjustment	(739,521)
Net Book Value after Adjustment for Social Housing	**581,052**

Note 42 provides more details of the housing stock.

20 Assets Held For Sale

31 March 2018 £000s		31 March 2019 £000s
5,096	Balance at 1 April	239
1,041	Additions to assets held for sale	0
(744)	Impairment Losses	0
(4,000)	Assets declassified as held for sale	0
(1,154)	Assets Sold	0
239	Balance at 31 March	**239**

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 2018 Fair Value £000s	31 March 2019 Fair Value £000s
Level 3	Quoted prices in active markets for identical assets	239	239

21 Summary of Capital Expenditure and Sources of Finance

*Restated – see Note A

2017/18 £000s *		2018/19 £000s
639,853	**Opening Capital Financing Requirement**	**653,085**
	Capital Investment	
66,485	Property, Plant & Equipment	59,222
0	Investment Properties	0
1,630	Share Capital	2,179
1,236	Intangible Assets	803
1,041	Assets Held for Sale	0
2,410	Capital Loans	1,784
130	Heritage Assets	139
4,020	Revenue Expenditure Funded from Capital Under Statute	5,699
76,952		**69,826**
	Sources of Finance	
(2,427)	Capital Receipts	(1,738)
(800)	Capital Receipts Set Aside - GF	0
(3,402)	Capital Receipts Set Aside - HRA	(2,934)
(26,332)	Government Grants and Other Contributions	(21,190)
(12,026)	Major Repairs Reserve	(12,489)
(10,269)	Direct Revenue Contributions	(13,684)
(8,464)	Minimum Revenue Provision	(18,445)
(63,720)		**(70,480)**
653,085	**Closing Capital Financing Requirement**	**652,431**
	Explanation of Movements in Year	
7,491	(Decrease)/Increase in underlying need to borrow (supported by Government financial assistance)	(3,104)
9,276	Increase in underlying need to borrow (unsupported by Government financial assistance)	5,994
(3,535)	Movement in Assets acquired under PFI or similar Contracts	(3,544)
13,232	**(Decrease)/ Increase in Capital Financing Requirement**	**(654)**

22 Capital Commitments

Council approved the General Fund Investment Plan and the Housing Investment Plan for 2019-2023 on 21 February 2019. The current contractually committed schemes contained within the approved plan comprise of:

31 March 2018 £000s		31 March 2019 £000s
2,830	Central Services	4,870
2,230	Children's & Education Services	53
0	Leisure Services	682
9,018	Environment & Regulatory Services	7,446
2,686	Highways & Transport	2,347
8,292	Housing Services	1,237
2,230	Planning	77
27,286		**16,712**

Major schemes within the above totals include:

	£000s
Street Lighting PFI	7,446
HRA Housing Services	1,072
Local Transport Plan & Highways	2,347
Operational Depot Accommodation Review	4,099

23 Long Term Investments

31 March 2018 £000s		31 March 2019 £000s
10,784	£1 Ordinary shares in Newcastle Airport Local Authority Holding Company Ltd	10,886
2,980	£1 Ordinary shares in North Tyneside Trading Company	5,159
0	Kier North Tyneside Limited – 200 £1 "A" ordinary shares	0
13,764		**16,045**

Newcastle Airport Local Authority Holding Company Ltd

The Council has decided to redesignate its Newcastle Airport equity instrument, previously held as available for sale assets under IAS39, as fair value through other comprehensive income under IFRS9 classifications. 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, has been 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 the new company.

On 4 May 2001, the seven local authority shareholders of NIAL (the ‘LA7’) created NIAL Holdings Ltd which is 51% owned by LA7 and 49% owned by AMP Capital Investors Limited following their purchase on 16 November 2012. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Ltd, a company wholly owned by the seven authorities. The Newcastle Airport Local Authority Holding Company Ltd has a called up share capital of 10,000 shares with a nominal value of £1 each. North Tyneside Council holds a 12.41% interest in the company valued at £10.886m (£10.784m in 2017/18). 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. No such events have occurred. The shares have been revalued in year using a combination of the discounted cash flow of income method together with the guideline public company method of the market approach to derive a fair value measurement that complies with IFRS13 and IFRS9.

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

No dividend was received for the year ended 31 December 2018 (£0.886m was received for the year ended 31 December 2017).

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

NIAL Group Ltd made a profit before tax of £10.443m and a profit after tax of £7.435m for the year ended 31 December 2018. In the previous year, the Group made a profit before tax of £6.884m and a profit after tax of £4.408m.

Significant Observable Inputs – Level 3

The fair value for Newcastle Airport has been assessed at 31st March 2019 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. This represents a change from previous years where the value was based on the last active trading of shares in 2012.

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. Between 1 April 2018 and 31 March 2019, Kier North Tyneside Limited invoiced the Authority £43.743m (net of VAT) (£40.895m in 2017/18) for completed works and services.

In respect of revenue works, the Authority paid monthly cash-flow payments to Kier North Tyneside Limited of £13.101m from April 2018 through to March 2019. Other service streams within the contract are based on monthly invoices for work done. The net balance outstanding to Kier North Tyneside Limited in respect of these as at 31 March 2019 was £0.670m (net of VAT).

The Authority received a dividend of £0.250m during 2018/19 (£0.250m in 2017/18) from Kier North Tyneside Limited.

A full set of audited accounts for Kier North Tyneside Limited is available for their accounting period ended 30 June 2018. These can be obtained from Head of Finance, Kier North Tyneside Limited, Block C, Harvey Combe, Killingworth, Newcastle Upon Tyne NE12 6UB.

North Tyneside Trading Company

North Tyneside Trading Company Limited along with a (currently dormant) subsidiary, North Tyneside Trading Company (Consulting) Limited, were incorporated as wholly owned companies of North Tyneside Council on 11 December 2012 with the objective to provide services to other public bodies, and any other customers (whether public bodies or not) as considered appropriate. In order to deliver part of the Authority’s Affordable Homes programme, a further subsidiary, North Tyneside Trading Company (Development) Limited was incorporated on 22 June 2015.

The intention was that this company would develop sites across the borough within the first three years of trading to provide around 100 homes. Construction of the first project for North Tyneside Trading Company (Development) Limited was completed during the 2016/17 financial year. This involved the construction of 13 new homes on the Reed Avenue site in Camperdown, to be let at an affordable rent. Late in 2016/17, North Tyneside Trading Company (Development) Limited agreed a purchasing strategy to acquire homes on the open market to then let at an affordable rent and since then an additional 22 homes have been purchased and rented out.

During 2016/17, two further subsidiaries of North Tyneside Trading Company Limited were incorporated, Aurora Properties (Sale) Limited, which is currently operational, and Aurora Properties (Rental) Limited, which is currently dormant. The purpose of Aurora Properties (Sale) Limited is to provide homes for sale on the open market while the purpose of Aurora Properties (Rental) Limited is to provide homes to be let at a market rent. Aurora Properties (Sale) completed its first project in 2018/19 at Wallington Court and its second and third projects are underway at the Avenue site (Empress Point) in Whitley Bay and Northumberland Square in North Shields respectively.

Funding for the purchase and construction of homes is provided to North Tyneside Trading Company (Development) Limited and Aurora Properties (Sale) Limited by the parent company, North Tyneside Trading Company and ultimately by the Authority in the form of equity and loan funding. For the 2018/19 financial year, 2,179,000 £1 Ordinary Shares were purchased in North Tyneside Trading Company by the Authority which in turn purchased £1,619,000 of equity in North Tyneside Trading Company (Development) Limited and £560,000 of equity in Aurora Properties (Sale) Limited. In addition, £1,090,000 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 full set of audited accounts for the North Tyneside Trading Company and subsidiaries for their accounting period ending 31 March 2019 will be available from the Company Directors at North Tyneside Trading Company, Quadrant, Silverlink North, Cobalt Business Park, Newcastle Upon Tyne, NE27 0BY.

24 Short Term Debtors

This table shows the amounts owed to the Authority for which payments have not been received by 31 March 2019, but which should be repaid within one year. The figures below are net of impairment allowances set aside.

31 March 2018 £000s		31 March 2019 £000s
6,369	Central Government Bodies	7,033
596	Other Local Authorities	900
3,262	NHS Bodies	4,237
42,416	Other Entities and Individuals	44,700
52,643	**Total**	**56,870**

This year the Authority set aside a sum of £18.506m (£17.176m 2017/18) to cover bad and doubtful debts. Of this £7.900m (£7.874m 2017/18) relates to the General Fund, £3.451m (£2.845m 2017/18) relates to the Housing Revenue Account and £7.155m (£6.458m 2017/18) relates to the Collection Fund.

25 Cash and Cash Equivalents

31 March 2018 £000s		31 March 2019 £000s
107	Cash held by the Authority	89
9,632	Schools Cash at Bank	11,063
(11,729)	Bank Current Accounts	(13,611)
16,400	Short term deposits	12,300
14,410	**Total**	**9,841**

26 Short Term Borrowing

31 March 2018 £000s		31 March 2019 £000s
(18,126)	Public Works Loans Board (PWLB)	(9,181)
(117,981)	Market Loans (including other local authorities)	(70,862)
(10,160)	Lender's Option Borrower's Option (LOBO)	0
(146,267)	**Total**	**(80,043)**

27 Short Term Creditors

The table below shows an analysis of the Authority's creditors as at the 31 March 2019.

31 March 2018 £000s		31 March 2019 £000s
(6,107)	Central Government Bodies	(5,127)
(756)	Other Local Authorities	(4,403)
(182)	NHS Bodies	(1,198)
(32,109)	Other Entities and Individuals	(28,884)
(39,154)	**Total**	**(39,612)**

28 Provisions

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

	Long Term Estimated Insurance Liabilities (a) £000s	Short Term General Provisions (b) £000s	Total £000s
Balance at 1 April 2017	(3,474)	(1,796)	(5,270)
Additional provisions made	(700)	(106)	(806)
Amounts written off	0	0	0
Amounts used	341	152	493
Balance at 31 March 2018	**(3,833)**	**(1,750)**	**(5,583)**

	Long Term Estimated Insurance Liabilities (a) £000s	Short Term General Provisions (b) £000s	Total £000s
Balance at 1 April 2018	(3,833)	(1,750)	(5,583)
Additional provisions made	(978)	(640)	(1,618)
Amounts written off	0	145	145
Amounts used	437	107	544
Balance at 31 March 2019	**(4,374)**	**(2,138)**	**(6,512)**

(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 £1.950m.

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. Note 34 contains details of a Contingent Liability in respect of Business Rates,

There is also a provision set aside for redundancies £0.018m.

Long term provisions have not been discounted as this 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 2019 is a principal of £373.443m. The following table analyses the debt by lender and maturity:

31 March 2018 £000s		31 March 2019 £000s
	(a) by lender category	
(308,443)	Public Works Loan Board (PWLB)	(353,443)
(10,000)	Lender's Option Borrower's Option (LOBO) – Europaise Hypothekenbank	(20,000)
(318,443)		(373,443)
	(b) by maturity	
(6,000)	Maturing between 1 and 2 years	(11,000)
(16,000)	Maturing between 2 and 5 years	(19,000)
(20,575)	Maturing between 5 and 10 years	(21,575)
(275,868)	Maturing more than 10 years	(321,868)
(318,443)		**(373,443)**

30 Long Term Creditors

The table below shows an analysis of the Authority's creditors as at 31 March 2019.

31 March 2018 £000s		31 March 2019 £000s
(25)	Central Government Bodies	(25)
(2,132)	Other Entities and Individuals	(2,066)
(2,157)	**Total**	**(2,091)**

31 Useable Reserves

31 March 2018 £000s		31 March 2019 £000s
(58,035)	General Fund Balances and Reserves (See Note 32)	(57,008)
(28,903)	Housing Revenue Account Balance and Reserves (See Note 32)	(27,154)
(7,015)	Capital Receipts Reserve	(8,351)
(2,231)	Major Repairs Reserve	(2,231)
(4,211)	Capital Grants Unapplied	(6,969)
(100,395)	**Total Useable Reserves**	**(101,713)**

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 149-157.

31 (c) Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. There is also an option to use these receipts to finance certain revenue expenditure under the flexible use of capital receipts guidance. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

31 (d) Major Repairs Reserve (MRR)

The Authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end. See page 154 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 2018 £000s	Transfers out 2018/19 £000s	Transfers in 2018/19 £000s	Balance 31 March 2019 £000s
General Fund Balances				
School Balances	(3,356)	1,757	0	(1,599)
General Fund	(6,804)	0	0	(6,804)
Total General Fund Balances	(10,160)	1,757	0	(8,403)
General Fund Reserves				
Strategic Reserve	(14,472)	0	(125)	(14,597)
Insurance Reserve	(7,018)	48	(327)	(7,297)
Support Change Fund Programme	(4,019)	156	(1,031)	(4,894)
Street Lights PFI Reserve	(3,715)	365	0	(3,350)
Redundancy & Remuneration Reserve	(2,195)	814	(1,470)	(2,851)
Schools PFI Lifecycle costs (capital)	(2,704)	106	(267)	(2,865)
Education PFI Reserve	(2,024)	696	0	(1,328)
MRP Reserve	(2,000)	2,000	0	0
Dudley & Shiremoor Joint Service Centres	(1,137)	0	(65)	(1,202)
Whitley Bay Customer First Centre PFI	(693)	0	(61)	(754)
General Fund Reserves (individually under £1.000m)	(5,131)	1,086	(1,625)	(5,670)
Other Grants (individually under £1.000m)	(2,767)	1,705	(2,735)	(3,797)
Total General Fund Reserves	(47,875)	6,976	(7,706)	(48,605)
Total General Fund Balances & Reserves	(58,035)	8,733	(7,706)	(57,008)
HRA Balances & Reserves				
HRA Balances	(6,083)	0	(1,221)	(7,304)
North Tyneside Living PFI Reserve	(14,116)	2,491	(596)	(12,221)
New Build Council Housing	(4,508)	1,881	0	(2,627)
Housing PFI Lifecycle Costs	(3,012)	0	(719)	(3,731)
HRA Reserves (individually under £1.000m)	(1,184)	87	(174)	(1,271)
Total HRA Balances & Reserves	(28,903)	4,459	(2,710)	(27,154)
Total Balances & Reserves	**(86,938)**	**13,192**	**(10,416)**	**(84,162)**

	Balance 1 April 2017 £000s	Transfers out 2017/18 £000s	Transfers in 2017/18 £000s	Balance 31 March 2018 £000s
General Fund Balances				
School Balances	(4,987)	1,631	0	(3,356)
General Fund	(6,604)	0	(200)	(6,804)
Total General Fund Balances	(11,591)	1,631	(200)	(10,160)
General Fund Reserves				
Strategic Reserve	(13,930)	396	(938)	(14,472)
Insurance Reserve	(6,883)	0	(135)	(7,018)
Support Change Fund Programme	(4,194)	175	0	(4,019)
Schools PFI Lifecycle costs (capital)	(338)	223	(3,600)	(3,715)
Dudley & Shiremoor Joint Service Centres	(1,500)	916	(1,611)	(2,195)
Redundancy Reserve	(2,470)	31	(265)	(2,704)
Education PFI Reserve	(1,790)	0	(234)	(2,024)
Whitley Bay Customer First Centre PFI	0	0	(2,000)	(2,000)
General Fund Reserves (individually under £1.000m)	(2,172)	1,035	0	(1,137)
Dedicated Schools Grant	(1,587)	894	0	(693)
Weekly Waste Collection Grant	(2,775)	405	(2,761)	(5,131)
Transformation Challenge Grant	(432)	432	0	0
Other Grants (individually under £1.000m)	(1,718)	1,461	(2,510)	(2,767)
Total General Fund Reserves	(39,789)	5,968	(14,054)	(47,875)
Total General Fund Balances & Reserves	(51,380)	7,599	(14,254)	(58,035)
HRA Balances & Reserves				
HRA Balances	(5,966)	0	(117)	(6,083)
North Tyneside Living PFI Reserve	(13,363)	0	(753)	(14,116)
New Build Council Housing	(4,930)	422	0	(4,508)
Housing PFI Lifecycle Costs	(2,232)	0	(780)	(3,012)
HRA Reserves (individually under £1.000m)	(1,142)	83	(125)	(1,184)
Total HRA Balances & Reserves	(27,633)	505	(1,775)	(28,903)
Total Balances & Reserves	**(79,013)**	**8,104**	**(16,029)**	**(86,938)**

Purpose of main General Reserves

Reserve	Purpose
Dudley & Shiremoor Joint Service Centres	Established to provide a mechanism which takes account of project cash-flows over a 25-year period to enable the yearly equalisation of the additional costs of the Joint Service Centre.
Education PFI Reserve	Established to provide a mechanism which takes account of project cash-flows over a 30-year period to enable the yearly equalisation of the additional costs of the PFI schools.
Insurance Reserve	Risks covered by the reserve are fire, employer and third party liability, contract guarantee bonds, motor cars, personal accident.
New Build Council Housing	Established to support the provision of New Build Council Housing.
North Tyneside Living PFI	Set up to equalise cash flows relating to the Council’s North Tyneside Living PFI scheme.
Redundancy & Remuneration Reserve	Reserve to meet the expected cost of redundancies arising from the Change Programme.
Schools PFI Lifecycle Costs (Capital)	Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the contract.
Strategic Reserve	Established to address future potential significant external pressures on the Council’s budget.
Street Lights PFI Reserve	Established to provide a mechanism which takes account of project cash-flows over a 25 year period to enable the yearly equalisation of the additional costs of the Street Lighting PFI.
Support Change Fund Programme	Reserve to support the implementation of the Change Programme.
Whitley Bay Customer First Centre PFI Reserve	Established to provide a mechanism which takes account of project cash-flows over a 25-year period to enable the yearly equalisation of the additional costs of the Customer First Centre.

33 Unuseable Reserves

*Restated 31 March 2018 £000s		31 March 2019 £000s
(141,163)	Revaluation Reserve	(151,293)
(10,549)	Available for Sale Reserve	(0)
(314,573)	Capital Adjustment Account	(315,812)
1,267	Financial Instruments Adjustment Account	1,234
483,836	Pensions Reserve	491,648
(1,171)	Deferred Capital Receipts Reserve	(1,169)
(1,129)	Collection Fund Adjustment Account	(1,157)
4,549	Accumulated Absences Account	5,945
0	Financial Instruments Revaluation Reserve	(10,651)
21,067	**Total Unuseable Reserves**	**18,745**

* See Note A for further details on the restatement

33(a) <u>Revaluation Reserve</u>

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.

Restated*

2017/18 £000s		2018/19 £000s	
(80,051)	**Balance at 1 April**		(141,163)
(73,148)	Upward revaluation of assets	(37,490)	
7,133	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	22,343	
(66,015)	Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Services		(15,147)
3,629	Difference between fair value depreciation and historical cost depreciation	5,017	
1,274	Accumulated gains on assets sold or scrapped	0	
4,903	Amount written off to the Capital Adjustment Account		5,017
(141,163)	**Balance at 31 March**		**(151,293)**

* See Note A for further details

33(b) Available for Sale Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. 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.

2017/18 £000s		2018/19 £000s
(10,549)	**Balance at 1 April**	(10,549)
0	Financial Instruments Revaluation Reserve (IFRS9) transfer	10,549
(10,549)	**Balance at 31 March**	**0**

33(c) 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.

Restated* 2017/18 £000s		2018/19 £000s	2018/19 £000s
(287,492)	**Balance at 1 April**		(314,571)
	Reversal of items relating to capital expenditure debited or credited to the CIES		
40,407	Charges for depreciation & impairment of non current assets	40,126	
(14,629)	Revaluation losses/(gains) on Property, Plant & Equipment	21,138	
371	Amortisation of intangible assets	737	
4,020	Revenue expenditure funded from capital under statute	5,699	
(911)	Revenue expenditure funded from capital under statute (Grant Funded)	(2,049)	
11,372	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	6,013	
40,630			71,664
(4,902)	Adjusting amounts written out of the Revaluation Reserve		(5,016)
35,728	**Net written out amount of the cost of non current assets consumed in the year**		**66,648**
	Capital financing applied in the year:		
(2,427)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,738)	
(12,026)	Use of the Major Repairs Reserve to finance new capital expenditure	(12,489)	
(20,541)	Capital grants & contributions credited to the CIES that have been applied to capital financing	(15,123)	
(4,880)	Application of grants to capital financing from the Capital Grants Unapplied Account	(4,019)	
(12,665)	Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(21,045)	
(10,269)	Capital expenditure charged against the General Fund & HRA balances	(13,683)	(68,097)
(1)	Movements in the market value of investment Property debited or credited to the CIES		208
(314,573)	**Balance at 31 March**		**(315,812)**

* See Note A for further details

33(d) 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.

2017/18 £000s		**2018/19 £000s**	**2018/19 £000s**
1,273	**Balance at 1 April**		1,267
(33)	Proportion of premiums incurred in previous financial years to be charged in accordance with statutory requirements	(33)	
27	Proportion of discounts received in previous financial years to be credited in accordance with statutory requirements	0	
(6)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(33)
1,267	**Balance at 31 March**		**1,234**

33(e) 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.

2017/18 £000s		2018/19 £000s
455,000	**Balance at 1 April**	483,836
19,310	Remeasurement of the net defined benefit liability	(23,570)
37,690	Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits	60,030
(28,164)	Employer's pensions contributions and direct payments to pensioners payable in the year included in the Provision of Services	(28,648)
483,836	**Balance at 31 March**	**491,648**

33(f) 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.

2017/18 £000s		2018/19 £000s
(1,173)	**Balance at 1 April**	(1,171)
2	Transfer to the Capital Receipts Reserve upon receipt of cash	2
(1,171)	**Balance at 31 March**	**(1,169)**

33(g) 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.

2017/18 £000s		2018/19 £000s
300	**Balance at 1 April**	(1,129)
(1,429)	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	(28)
(1,129)	**Balance at 31 March**	**(1,157)**

33(h) 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.

2017/18 £000s		2018/19 £000s	2018/19 £000s
4,138	**Balance at 1 April**		4,549
244	Adjustment to the accrual required	1,543	
167	Adjustment to the debtor in respect of leave & flexi taken in advance	(147)	
411	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1,396
4,549	**Balance at 31 March**		**5,945**

33(i) 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

2017/18 £000s		2018/19 £000s
0	**Balance at 1 April**	0
0	Transfer from Available for Sale Reserve	(10,549)
0	Surplus on revaluation of Financial Instrument Revaluation Reserve	(102)
0	**Balance at 31 March**	**(10,651)**

34 Contingent Liabilities

Business Rate Retention Scheme

1 April 2013 saw a number of significant changes to the current system of Local Government Finance. One of those changes was the introduction of the Business Rate Retention Scheme. The aim of this scheme is to provide an incentive effect by allowing local authorities to retain an element of income generated by Business Rate Growth, however this also means the Authority is subject to the risk of income reducing following the outcome of any rating appeals. As at 31 March 2019, a number of appeals remained outstanding, the outcome of which could create a further liability for the Authority. Note 28 provides details of a provision in respect of Business Rates appeals.

35 School Balances

	Schools with Surpluses £000s	Schools with Deficits £000s	Net Surplus £000s
Balance at 1 April 2018	(9,071)	5,716	(3,356)
Net overspend/(underspend) during year	42	1,714	1,757
Balance at 31 March 2019	**(9,029)**	**7,430**	**(1,599)**

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 2018/19 are as follows:

	Central Expenditure £000s	Individual Schools budget £000s	Total £000s
Final DSG for 2018/19 before Academy recoupment			151,753
Academy figure recouped for 2018/19			(14,772)
Total DSG after Academy recoupment for 2018/19			136,981
Brought forward from 2017/18 as agreed with the Department for Education			120
Agreed initial budgeted distribution in 2018/19	5,382	131,719	137,101
In year adjustments	0	320	320
Final budgeted distribution for 2018/19	5,382	132,039	137,421
Less actual central expenditure	(5,830)	0	(5,830)
Less actual ISB deployed to schools	0	(130,844)	(130,844)
Carry forward to 2019/20	**(448)**	**1,195**	**747**

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 2018/19, the North Tyneside Council Pooled contribution represents the Improved Better Care Fund Grant which is paid to the Authority on the condition that it is pooled in the local Better Care Fund Plan.

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

2017/18 £000s		2018/19 £000s	2018/19 £000s
	Contributions	1,527	
1,417	North Tyneside Council (Non Pooled)	6,773	
5,043	North Tyneside Council (Pooled)		
15,539	North Tyneside Clinical Commissioning Group (Pooled)	16,276	
21,999	**Total Contributions**		**24,576**
	Spend		
894	North Tyneside Council spend in year (Non Pooled)	1,270	
523	North Tyneside Council – grant carry forward (Non Pooled)	257	1,527
14,507	North Tyneside Council spend in year (Pooled)		16,859
0	North Tyneside Council carry forward (Pooled)		0
6,075	North Tyneside Clinical Commissioning Group spend in year (Pooled)		6,190
21,999	**Total Spend**		**24,576**

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 new 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 2018/19.

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 £18.506m 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 2018 £000s	**31 March 2019 £000s**	**31 March 2018 £000s**	**31 March 2019 £000s**
Financial Assets at Amortised Cost				
Investments	13,764	0	0	0
Debtors	80	80	26,445	18,282
Cash & Cash Equivalents	0	0	14,410	9,841
	13,844	80	40,855	28,123
Financial Assets – Fair Value through other Comprehensive Income				
Investments (Level 3)	0	16,045	0	0
Financial Assets – Fair Value through Profit & Loss				
Cash & Cash Equivalents	0	0	0	0
Debtors	0	0	0	0
Total Financial Assets	**13,844**	**16,045**	**40,855**	**28,123**
Financial Liabilities at Amortised Cost				
Loans principal	318,443	373,443	146,267	76,702
Loans accrued interest	0	0	3,556	3,341
	318,443	373,443	149,823	80,043
Other Long Term Liabilities				
PFI Schemes	117,444	113,850	3,677	3,955
Creditors	0	0	19,694	19,468
Total Financial Liabilities	**435,887**	**487,293**	**173,194**	**103,466**

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:

	2018/19			
	Financial Liabilities	Financial assets		Total
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale financial assets £000s	£000s
Interest on loans	(14,799)	0	0	(14,799)
Interest on PFI Schemes	(8,514)	0	0	(8,514)
Total Interest Payable	(23,313	0	0	(23,313)
Interest Income	0	87	0	87
Dividend Received	0	0	250	250
Net (loss)/ gain for the year	**(23,313)**	**87**	**250**	**(22,976)**

	2017/18			
	Financial Liabilities	Financial assets		Total
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale financial assets £000s	£000s
Interest on loans	(14,798)	0	0	(14,798)
Interest on PFI Schemes	(8,678)	0	0	(8,678)
Total Interest Payable	(23,476)	0	0	(23,476)
Interest Income	0	103	0	103
Dividend Received	0	0	1,136	1,136
Net (loss)/ gain for the year	**(23,476)**	**103**	**1,136**	**(22,237)**

Fair value of Financial Assets & Liabilities

Financial liabilities and financial assets classed as loans and receivables 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 2018			31 March 2019	
Carrying Amount £000s	**Fair Value £000s**		**Carrying Amount £000s**	**Fair Value £000s**
		Loans and receivables		
13,764	13,764	Investments	0	0
26,525	26,525	Debtors	18,362	18,362
14,410	14,410	Cash and Cash Equivalents	9,841	9,841
54,699	54,699		28,203	28,203
		Financial Assets – Fair Value through other comprehensive income		
0	0	Cash and Cash Equivalents	0	0
0	0	Debtors	0	0
0	0	Investments*	16,045	16,045
		Financial Assets – Fair value through profit and loss		
0	0	Cash and Cash Equivalents	0	0
0	0	Debtors	0	0
0	0		16,045	16,045
54,699	**54,699**	**Total Financial Assets**	**44,248**	**44,248**
		Borrowings		
326,569	412,175	PWLB**	359,443	456,902
20,160	33,064	LOBO***	20,000	33,572
117,981	117,982	Other	70,486	70,732
464,710	563,221		449,929	561,206

31 March 2018			31 March 2019	
Carrying Amount £000s	**Fair Value £000s**		**Carrying Amount £000s**	**Fair Value £000s**
19,694	19,694	**Creditors**	19,468	19,468
		Other Long Term Liabilities		
		Service Concession and Finance lease liabilities		
121,121	121,121	PFI Schemes+	117,805	117,805
605,525	**704,036**	**Total Financial Liabilities**	**587,202**	**698,479**

* 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 31st March 2019 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. This represents a change from previous years where the value was based on the last active trading of shares in 2012. The fair value of shares as at 31 March 2019 is £10.886m (2017/18 £10,784m).
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 trading company. The value of the shares as at 31 March 2019 is £5,159m (2017/18 £2,980m).

**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.

***For market debt estimated interest rates at 31 March 2019 for loans based on the market rate for an instrument with the same duration and no early repayment or impairment is recognised.

+The fair value of the PFI liabilities are taken to be the same as the carrying value as the loans that make up the PFI contract. Liabilities are held by and are under the control of the PFI provider. The Authority does not have the option to refinance the debt.

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

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. 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 2019 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.

The maturity analysis of the financial loans is as follows:

31 March 2018 £000s		31 March 2019 £000s
146,267	Less than 1 year	80,043
6,000	Between 1 and 2 years	11,000
16,000	Between 2 and 5 years	19,000
20,575	Between 5 and 10 years	21,575
275,868	More than 10 years	321,868
464,710		**453,486**

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 2018/19.

According to this investment strategy, as at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2018 £000s		31 March 2019 £000s
0	Change in fair value of fixed rate investments	0
61,782	Decrease in fair value of fixed rate borrowing liabilities (which does not have an impact on the Comprehensive Income and Expenditure Statement)	79,482

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 £5.159m 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 debtors figure is net of the provision for bade debt of £7.900m (£7.874m 2017/18).

39 Notes to the Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

2017/18 £000s		2018/19 £000s
146	Interest Received	156
(23,591)	Interest Paid	(23,621)
1,136	Dividends Received	250

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

2017/18 £000s		2018/19 £000s
40,407	Depreciation & Impairment	40,126
(14,629)	Revaluations	21,138
371	Amortisation of intangible assets	737
1,066	(Decrease)/Increase in Creditors	(1,650)
0	Donated Assets	0
6,334	(Increase)/Decrease in Debtors	(5,535)
10	(Increase)/Decrease in Inventories	(82)
(8,171)	Movement in the Pension Liability	40,230
11,372	Carrying amount of non-current assets sold	6,013
3,181	Other non-cash items charged to the surplus/deficit on the provision of services	4,625
39,941		**105,602**

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

2017/18 £000s		2018/19 £000s
(10,014)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,880)
(25,022)	Any other items for which the cash effects are investing or financing cash flows	(23,515)
(35,036)		**(31,395)**

40 Notes to the Cash Flow – Investing Activities

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

2017/18 £000s		2018/19 £000s
(70,576)	Purchase of Property, Plant & Equipment, investment property and intangible assets	(61,450)
(1,930)	Purchase of short and long term investments	(2,179)
(995)	Other payments for investing activities	(1,209)
10,016	Proceeds from the sale of Property, Plant & Equipment, investment property and intangible assets	7,882
2	Deferred Capital Receipts received	2
27,285	Other receipts from Investing Activities	28,816
(36,198)	**Net Cash Flows from Investing Activities**	**(28,138)**

41 Notes to the Cash Flow – Financing Activities

2017/18 £000s		2018/19 £000s
202,493	Cash receipts of short and long term borrowing	200,486
(178,343)	Repayment of short and long term borrowing	(211,590)
(3,525)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,676)
(836)	Other payments for financing activities	(681)
19,789	**Net Cash Flows from Financing Activities**	**(15,461)**

5.0 Supplementary Financial Statements and Explanatory Notes

5.1 Housing Revenue Account – Income & Expenditure Statement for year ended 31 March 2019

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.

2017/18 £000s		**Note**	**2018/19 £000s**	**2018/19 £000s**
	Expenditure			
11,546	Repairs & Maintenance		11,550	
10,115	Supervision and Management		11,432	
1,629	PFI Unitary Charge Payments		1,933	
654	Rents, Rates, Taxes and other charges		264	
366	Movement in the allowance for bad debts	45	904	
9,796	Capital Charges – including Depreciation, Revaluation and Impairment of non current assets	50	20,904	
34,106	Total Expenditure			46,987
	Income			
(57,076)	Dwelling rents (Gross)		(56,811)	
(645)	Non-dwelling rents (Gross)		(678)	
(2,783)	Charges for services and facilities		(3,010)	
(2,975)	Contributions towards expenditure		(2,921)	
(7,693)	PFI Credits		(7,693)	(71,113)
(71,172)	Total Income			
(37,066)	**Net cost of HRA services as included in the Comprehensive Income & Expenditure Statement**			**(24,126)**

2017/18 £000s		Note	2018/19 £000s	2018/19 £000s
317	HRA service's share of Central Costs		317	
2,476	HRA share of other amounts included in the whole Authority Cost of Services but not allocated to specific services		2,473	2,790
(34,273)	**Net Income for HRA Services**			**(21,336)**
	HRA Share of the operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
(1,197)	Gain on disposal of HRA non-current assets		(874)	
15,575	Interest payable and similar charges		15,185	
(52)	Interest and investment income		(53)	
384	Pensions interest cost and expected return on pensions assets	49	447	14,705
(19,563)	**(Surplus) for the year on HRA Services**			**(6,631)**

5.2 Movement on the Housing Revenue Account Statement

2017/18 £000s		2018/19 £000s
(27,633)	Balance on the HRA at the end of the previous year	(28,903)
(19,563)	Surplus for the year on the HRA Services	(6,631)
18,293	Adjustments between accounting basis and funding basis under statute	8,380
(1,270)	Decrease/(Increase) in year on the HRA	1,749
(28,903)	**Balance on the HRA at the end of the year**	**(27,154)**

5.3 Explanatory notes to the Housing Revenue Account

42 Housing Stock

The Authority was responsible for managing 14,656 dwellings at 31 March 2019 compared with 14,767 at 31 March 2018. The net reduction of 111 properties is made up of 137 properties sold, and the addition of 26 new build properties.

The number of empty properties included in the above figures as at 31 March 2019 stands at 135 compared with 236 at 31 March 2018.

The stock is made up as follows:

1 April 2018		31 March 2019
	Low Rise Flats	
1,539	- 1 Bed	1,543
1,032	- 2 Bed	1,027
114	- 3+ Bed	112
	Medium Rise Flats	
562	- 1 Bed	561
1,149	- 2 Bed	1,146
61	- 3+ Bed	61
	Houses and Bungalows	
1,566	- 1 Bed	1,566
3,028	- 2 Bed	3,000
5,369	- 3 Bed	5,298
347	- 4+ Bed	342
14,767	**Total**	**14,656**

43 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 also analyses the movement in the balance sheet value during the year.

1 April 2018 £000s		31 March 2019 £000s
656,410	Houses	654,408
1,977	Land & Buildings	1,667
1,498	Vehicles, Plant & Equipment	4,814
0	Surplus Assets	157
9	Infrastructure	9
3	Intangibles	2
2,930	Assets Under Construction	2,098
662,827		**663,155**

44 Vacant Possession

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

1 April 2018 £ms		31 March 2019 £ms
1,331	Vacant Possession Value of HRA Dwellings	1,321

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 2018/19 (44% 2017/18).

As a consequence the Authority recognises council dwellings at a value of £581.052m on the Balance Sheet. The value of these properties if vacant would be £1,320.573m, therefore recognising an economic cost to the government of providing council housing at less than open market rents of £739.521m.

45 Rent Arrears and Bad Debt Allowance

Overall rent arrears have increased by £0.627m during 2018/19, from £3.749m at 31 March 2018 to £4.376m at 31 March 2019. These figures include rent, service charge and water rate arrears.

	£000s	£000s
Opening Rent Arrears at 1 April 2018 - consisting of:		
Current Tenant Arrears at 1 April 2018	2,112	
Former Tenant Arrears at 1 April 2018	1,637	3,749
Closing Rent Arrears at 31 March 2019 - consisting of:		4,376
Current Tenant Arrears at 31 March 2019	2,650	
Former Tenant Arrears at 31 March 2019	1,726	

The provision for bad debt required at 31 March 2019 is £3.451m compared with £2.845m at 31 March 2018, an increase of £0.606m. Bad debts of £0.298m were written off during the year, and a contribution of £0.904m was made:

2017/18 £000s		2018/19 £000s
2,749	Opening Provision for Bad Debt at 1 April	2,845
(270)	Bad debts written off during year	(298)
366	Additional contributions to bad debt provision during year	904
2,845	**Provision for Bad Debts at 31 March**	**3,451**

46 Major Repairs Reserve

Prior to 2012 the housing subsidy system included a grant called the Major Repairs Allowance (MRA) which was required to be transferred to the MRR to finance HRA capital projects. From 2012 self-financing required 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:

2017/18 £000s		2018/19 £000s
(2,231)	Balance as at 1 April	(2,231)
(12,026)	Depreciation transferred into MRR	(12,489)
12,026	Financing of HRA capital expenditure: Houses	12,489
0	Set aside for debt repayment	0
(2,231)	**Balance as at 31 March**	**(2,231)**

47 Housing Capital Expenditure and Financing

Capital expenditure of £27.651m was incurred in the HRA during 2018/19.

2017/18 £000s		2018/19 £000s
23,531	Houses	27,651
23,531		**27,651**

This was financed as follows:

2017/18 £000s		2018/19 £000s
12,026	Major Repairs Reserve	12,489
9,595	Revenue Contribution	10,934
764	Usable Capital Receipts – RTB Retained	806
996	Usable Capital Receipts - other	931
0	Use of Reserves	2,491
150	Grants	0
23,531		**27,651**

Total Gross Capital Receipts:

2017/18 £000s		2018/19 £000s
7,758	Houses	6,533
478	Land	353
8,236		**6,886**

48 Depreciation for HRA Assets

The charges for depreciation within the HRA for 2018/19 were as follows:

2017/18 £000s		2018/19 £000s
13,635	Houses	14,192
385	Vehicles, Plant & Equipment	424
39	Land & Buildings	39
14,059		**14,655**

49 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 2018/19 in accordance with IAS19 were as follows:

2017/18 £000s		2018/19 £000s
527	Allocated to Services	586
384	Interest on Net Defined Benefit Liability	447
(911)	Movement on Pension Reserve	(1,033)

50 Capital Charges

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

2017/18 £000s		2018/19 £000s
14,059	Depreciation	14,655
428	Downwards Revaluations	4,692
7,527	Impairments	8,564
(12,218)	Revaluation Increases	(7,007)
9,796		**20,904**

51 Revenue Expenditure funded from Capital under Statute

The amount of revenue expenditure funded from capital under statute in 2018/19 is nil (£nil 2017/18).

52 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 £9.635m for 2018/19 (£9.945m 2017/18).

53 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 (£0.016m in 2018/19 and £0.012m in 2017/18) are included in the Net Cost of Services to reflect the true cost of the use of assets.

Interest payable and similar charges (£15.185m in 2018/19 and £15.575m in 2017/18) are charged after the Net Cost of Services.

5.4 Collection Fund Statement for year ended 31 March 2019

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.

2017/18 £000s		Note	2018/19 £000s	£000s	£000s
	Income		Business Rates	Council Tax	Total
(96,731)	Council Tax	54	0	(103,864)	(103,864)
16	Council Tax Benefits		0	2	2
(59,367)	Business Rates Receivable	55	(57,444)	0	(57,444)
	Distribution of Collection Fund Deficit:				
0	Central Government		(17)	0	(17)
0	North Tyneside Council		(17)	0	(17)
0	Police and Crime Commissioner for Northumbria		0	0	0
0	Tyne & Wear Fire & Rescue Authority		0	0	0
(156,082)	**Total Income**		(57,478)	(103,862)	(161,340)
	Expenditure				
	Precepts, Demands & Shares:	56			
26,853	Central Government		28,410	0	28,410
110,719	North Tyneside Council Demand		27,841	89,902	117,743
5,723	Police and Crime Commissioner for Northumbria		0	6,515	6,515
5,055	Tyne & Wear Fire & Rescue Authority		568	4,720	5,288
148,350			56,819	101,137	157,956
	Distribution of Collection Fund Surplus:	57			
371	North Tyneside Council		0	379	379
25	Police and Crime Commissioner for Northumbria		0	26	26
20	Tyne & Wear Fire & Rescue Authority		0	20	20
416			0	425	425

2017/18 £000s		Note	2018/19 £000s	£000s	£000s
	Charges to the Collection Fund:	58			
691	Write offs of Uncollectable Amounts		0	0	0
0	Increase/(decrease) in Provision for Appeals		1,073	0	1,073
1,013	Increase/(decrease) in Impairment Allowance		121	1,260	1,381
227	Cost of Collection		225	0	225
138	Disregarded Amounts		0	0	0
2,851	Transitional Protection Payment		1,050	0	1,050
4,920			2,469	1,260	3,729
153,686	**Total Expenditure**		59,288	102,822	162,110
(2,396)	Deficit/(Surplus) for the year		1,809	(1,040)	770
1,095	(Surplus)/Deficit as at 1 April		(71)	(1,230)	(1,301)
(1,301)	**(Surplus)/Deficit as at 31 March**	59	**1,739**	**(2,270)**	**(531)**

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 Non-Domestic 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.

54 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 Police and Crime Commissioner for Northumbria, the Tyne & Wear Fire & Rescue Authority and the Council, 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: (59,048 in 2018/19) (58,202 in 2017/18).

This basic amount of Council Tax for Band D property (£1,712.80 2018/19) (£1,626.12 2017/18) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax Base Calculation

Band	Properties **	Less Discount at 25%	Total Properties	Proportion of Band D Equivalent	Band D Equivalent	Impact of Local Council Tax Support Scheme (LCTS)	Proportion of Band D Equivalent	LCTS in Band D Equivalents	Band D Equivalent After LCTS
A*	162	(14)	148	5/9	82	(57)	5/9	(32)	51
A	49,239	(6,145)	43,094	6/9	28,729	(10,887)	6/9	(7,258)	21,471
B	15,359	(1,445)	13,914	7/9	10,822	(1,222)	7/9	(950)	9,871
C	18,812	(1,278)	17,534	8/9	15,586	(758)	8/9	(674)	14,912
D	7,621	(389)	7,232	9/9	7,232	(152)	9/9	(152)	7,080
E	3,689	(138)	3,551	11/9	4,340	(42)	11/9	(51)	4,289
F	1,193	(46)	1,147	13/9	1,657	(11)	13/9	(16)	1,640
G	361	(24)	337	15/9	562	(2)	15/9	(3)	559
H	14	(2)	12	18/9	24	0	18/9	0	24
	96,450	**(9,481)**	**86,969**		**69,034**	**(13,131)**		**(9,136)**	**59,897**

*Band A - Entitled to Disabled Relief Reduction.

** Property numbers are net of demolitions, assumed growth and 100% exemptions

	Band D Equivalents	Collection Rate	Council Tax Base
Tax Base Calculation	59,897	98.50%	58,998
Add Payments in Lieu			50
2018/19 Council Tax Base			59,048

55 Business Rates

The NDR multipliers (the rate in the pound) are set annually by Central Government. For 2018/19, the standard rates multiplier was set at 49.3 pence in the pound and the small business multiplier was set at 48.0 pence in the pound.

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 2018/19 is £19.684m (2017/18 £19.189m). 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 our business rates income in any year fell below 92.5% of its baseline amount.

The Authority’s non-domestic rateable value at 31 March 2019 was £150,624,535 (£151,380,899 at 31 March 2018).

56 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 2018/19 financial year for business rates are set out here. Of these totals the North Tyneside Council share was 49%, the Central Government share was 50% and the amount in respect of the Tyne & Wear Fire and Rescue Authority was 1%.

In relation to Council Tax, the following Authorities made significant Demands and Precepts on the Collection Fund:

2017/18 £000s		2018/19 £000s
84,403	North Tyneside Council Demand	89,902
5,723	Police and Crime Commissioner for Northumbria Precept	6,515
4,518	Tyne & Wear Fire & Rescue Authority Precept	4,720
94,644		**101,137**

57 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 2018/19, the estimated surpluses were as follows:

2017/18 £000s		2018/19 £000s
371	North Tyneside Council	379
25	Police and Crime Commissioner for Northumbria Precept	26
20	Tyne & Wear Fire & Rescue Authority Precept	20
416		**425**

58 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 2018/19 are £0.287m (£0.369m 2017/18) for Council Tax and £0.322m for NDR (£0.322m 2017/18).

In addition Bad Debt provisions are re-calculated on an annual basis, and for 2018/19 the Council Tax bad debt provision has been increased by £0.973m (£0.646m 2017/18) and the NDR bad debt provision decreased by £0.201m (increase £0.367m 2017/18).

As shown in the statements, the total charge to the Collection Fund relating to Council Tax is £1.260m and the total charge relating to Business Rates is £0.121m.

The other significant item here is the provision for the NDR appeals as part of the Business Rates System £1.950m in 2018/19 (£1.424m 2017/18).

59 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	852	(2,010)
Central Government	870	0
Police and Crime Commissioner for Northumbria Precept	0	(154)
Tyne & Wear Fire & Rescue Authority Precept	17	(106)
	1,739	**(2,270)**

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 Non - Domestic Rates and Council Tax i.e. metropolitan authorities, unitary authorities, London Boroughs, district authorities and the City of London. North Tyneside Council is a billing authority.

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.

Curtailment: for a defined benefit pension scheme this is an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service, examples being termination of employees service through redundancy or amendment of the terms affecting future benefits.

D

Debtors: amounts due to the Authority which relate to the accounting period and have not been received by the Balance Sheet date.

Deferred Credits including deferred capital receipts: amounts derived from the asset sales which will be received in instalments over a period of a year (e.g. mortgages on the sale of Council houses).

Deferred Liabilities: these are liabilities which are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time, e.g. deferred purchase arrangements.

Defined Benefit Scheme: a defined contribution scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all the employees benefits relating to employee service in the current or prior periods. A defined benefit scheme is a pension or retirement benefit scheme other than a defined contribution scheme.

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

Derecognition: financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

E

Earmarked reserves: these reserves represent the monies set aside that can only be used for a specific usage or purpose (see Reserves definition for more information).

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

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

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

Estimation Techniques: methods adopted by the Authority to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Events after the Balance Sheet Date: events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

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

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

External Audit: the independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

Extraordinary items: these are very rare. They are material items with a high degree of abnormality that arise outside the normal activities of the Authority and are not expected to recur.

F

Fair Value: fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

Finance Lease: a lease that transfers substantially all the risk and rewards of ownership of a fixed asset to the body leasing the asset (see Leasing definition for more information).

Financial Asset: a right to future economic benefits controlled by the Authority that is represented by: cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity.

Financial Instruments: contracts that give rise to a financial asset of one entity and a financial liability of another entity.

Financial Liability: an obligation to transfer economic benefits controlled by the Authority that is represented by: a contractual obligation to deliver cash (or another financial asset) to another entity, or a contractual obligation to exchange financial assets/liabilities with another entity.

G

General Fund: the main revenue account of the Authority, which brings together all income and expenditure other than recorded in the Housing Revenue Account and the Collection Fund.

General Reserves and Balances: monies held by the Council to deal with unforeseen events that might arise. The Council must maintain a prudent level of such balances.

Government grants: grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of local authority services. These grants may be specifically towards the cost of particular schemes or to support the general revenue spending of the Authority.

H

Heritage Assets these are assets, previously classified as community assets, which are intended to be preserved in trust for future generations because of their cultural, environmental of historical associations.

Historical cost: the actual cost of assets, goods or services, at the time of their acquisition.

Housing Benefits: a system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

Housing Revenue Account: a separate account that includes all income and expenditure arising from the provision of Council housing by the Authority.

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 authorities 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).