North Tyneside Council

ANNUAL FINANCIAL REPORT

2017/18

Table of Contents

1.0 Preface

1.1 Message from Head of Finance

The financial year has seen the Authority continue to manage its finances despite on-going 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 2017/18. 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 2017/18 a reduction in Central Government core funding of approximately 35% from 2010 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 2017/18 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 in working to the new final accounts deadlines demonstrated a strong team approach of all staff both within the Authority and our partners to ensure the delivery of the Accounts on time.

This Financial Report sets out the results of the Authority's financial activities for the year ended 31 March 2018. 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 Finance
Date:

1.2 Narrative Statement

Introduction

The purpose of the Statement of Accounts 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 2017/18; 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 2017 to 31 March 2018. 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.

The purpose of this report is to provide a summary of the financial position of the Authority as at 31 March 2018 together with details of the non-financial performance of the Authority during 2017/18. The report enables readers to focus on the key elements of the Statement of Accounts. The report contains the following sections:

- Introduction to North Tyneside;
- Key Facts about North Tyneside;
- Key Facts about North Tyneside Governance;
- Financial Performance of the Authority 2017/18;
- Non-Financial Performance of the Authority 2017/18
- Significant Issues for 2018/19 and beyond; and
- Explanation of Accounting Statements included within Statement of Accounts.

Introduction to 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). 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 for many parts of the North East a centre of heavy industry, with for example the Swan Hunter shipyard in Wallsend, and 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 and alongside that the delivery of a great housing, cultural and heritage offer being on-going priorities of the current administration.

Key Facts about North Tyneside

General

North Tyneside is a great place to live for the borough's 203,300 residents, to work for the 5,060 enterprises that operate here and to visit for the 5.8 million visitors who arrive every year.

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. Nine in ten residents consider their area to be safe during the day.

The borough attracts around 5.8 million visitors, who contribute around £279 million to the local economy. Tourism supports almost 3,800 jobs and this trend is expected to improve in the future through the coastal regeneration programme.

Transport and connectivity is a key element of making North Tyneside a great place to live, work and visit. It is therefore important to ensure the borough remains connected locally, regionally, nationally and internationally. As a result, North Tyneside is currently undergoing a series of major renovation schemes to its road and transport infrastructure, which will allow for better flow of people into and out of the borough.

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.

It is also home to two Enterprise Zone sites; the former Swan Hunter shipyard and the Port of Tyne North Estate, which is the largest single Enterprise Zone site at 30 hectares.

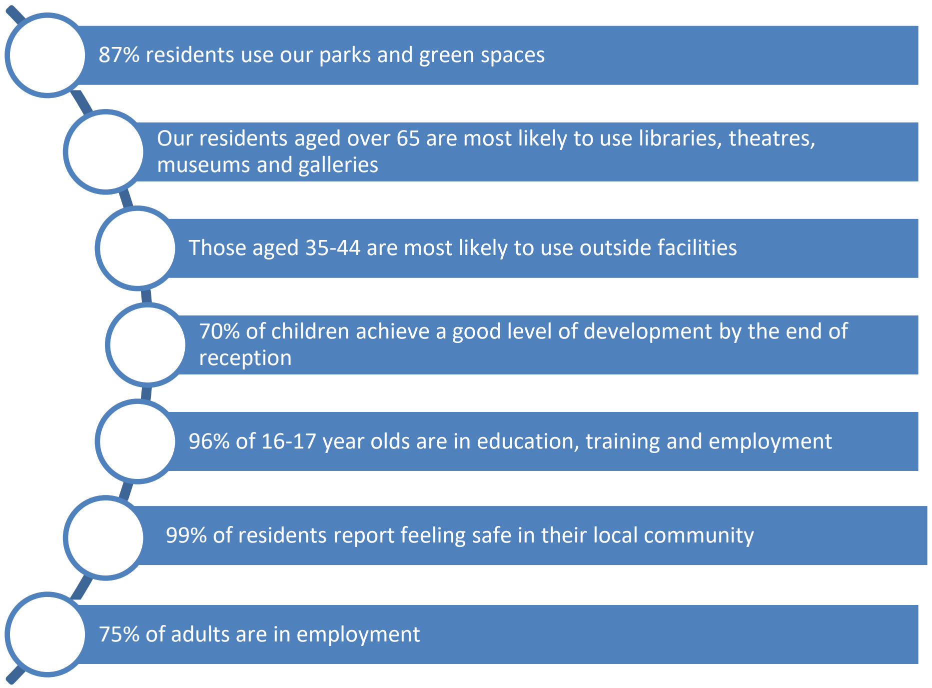
Over the past few years the borough has attracted inward investment, or existing firms to expand; such as Tesco Bank, EE, UtilityWise, Hewlett Packard, G4S, Engie, Accenture, Perfect Image and Greggs. The business parks at Cobalt and Quorum have been a key factor in this success.

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. Without the improvement schemes, this will significantly increase congestion and journey times.

While the borough is progressing it is well understood that deprivation has a significant impact on the life chances of residents. The Joint Strategic Needs Assessment shows the impact of deprivation exists across the life stages, starting from differences between children who are born with low birth weight through to the 10 year difference in life expectancy.

We are beginning to see some success and it is positive to note that relative deprivation has reduced in North Tyneside compared to the rest of England. North Tyneside is now one of the least deprived areas in the North East of England.

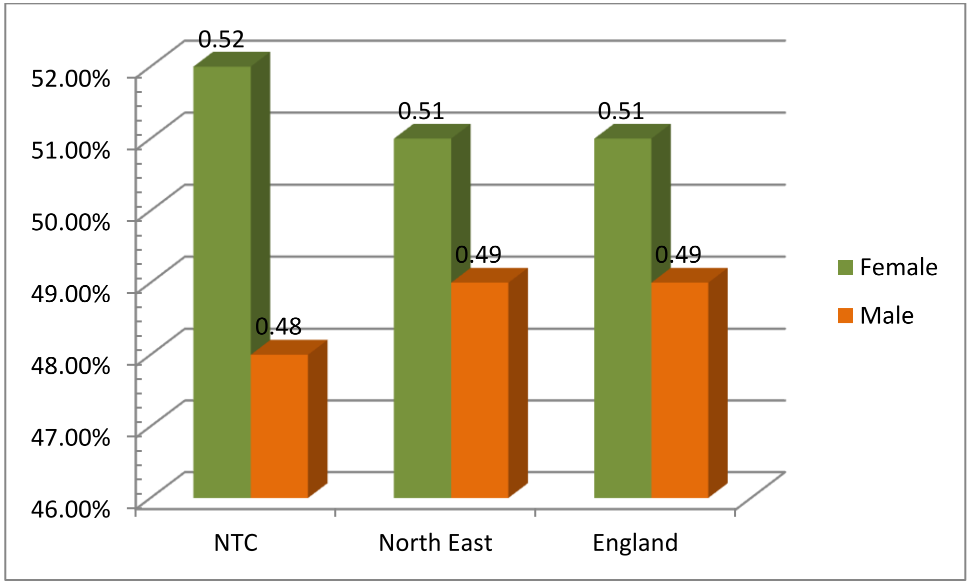
Positive Factors – Thriving in North Tyneside



Source: Director of Public Health Annual Report 2016/17

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 2017/18

North Tyneside has 20 wards and the Authority consists of 60 councillors and an Elected Mayor, following the local election in May 2017 the political make-up of the Authority was:

- Labour Party - 51 Councillors
- Conservative Party - 7 Councillors
- Liberal Democrat Party - 2 Councillors

The Mayor has responsibility for the appointment of the Cabinet, allocations of portfolios and the delegation of Executive function. Cabinet Members are held to account by a system of scrutiny which is set out in the Constitution. Scrutiny of executive decisions for 2017/18, including the setting of the 2018/19 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 Senior Management Team (SMT), led by the Chief Executive Patrick Melia and the Deputy Chief Executive Paul Hanson.

During 2017/18 the SMT comprised the Chief Executive, Deputy 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 previous post holder. Since that time transitional arrangements have been put in place to manage the Human Resources Service.

The Head of Finance 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.

As from the 1 August 2018, the Authority will put in place transition arrangements to cover the departure of the current Chief Executive. The Deputy Chief Executive will become Acting Chief Executive and undertake all the responsibilities of the Chief Executive, including that of Head of Paid Service until an appropriate appointment is made to the post of Chief Executive.

Transition arrangements will also be put in place from 1 September 2018 to cover the role of the Monitoring Officer due to the current Head of Law & Governance stepping down. These arrangements will be in place until a review of the structure of the Senior Leadership Team is completed.

Financial Performance of the Authority 2017/18

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 2017/18 was approved by full Council at its meeting of 16 February 2017. The net General Fund revenue budget was set at £152.360m including Creating a Brighter Future (CBF) savings of £18.338m. The following table summarises the financial position of the Authority as at 31 March 2018. Accounting adjustments relate mainly to capital accounting entries which are adjusted for to enable a clearer understanding of each service's final position.

Table 1 – Financial Position of Authority for year ended 31 March 2018

Service	Budget £000s	Final Outturn £000s	Variance £000s	Accounting Adjustments £000s	Adjusted Variance £000s
Chief Executive Office	82	45	(37)	0	(37)
Business & Economic Development	1,368	1,553	185	(32)	153
Commercial & Business Redesign	2,154	2,898	744	(718)	26
Corporate Strategy	731	905	174	0	174
Finance	(693)	(396)	297	(72)	225
Human Resources & Organisational Development	(65)	67	132	0	132
Law & Governance	(147)	4	151	0	151
Health, Education, Care & Safeguarding	68,033	72,793	4,760	(1,067)	3,693
Commissioning & Investment	17,845	16,587	(1,258)	1,820	562
Environment, Housing & Leisure	40,500	37,289	(3,211)	3,189	(22)
Central Items	2,465	(194)	(2,659)	(3,120)	(5,779)
Sub Total Services	**132,273**	**131,551**	**(722)**	**0**	**(722)**
Support Services	20,087	20,087	0	0	0
Transfers to/(from) specific reserves	0	722	722	0	722
Total Net Expenditure	**152,360**	**152,360**	**0**	**0**	**0**

	Budget £000s	Final Outturn £000s	Variance £000s
Funded By:			
Revenue Support Grant	(22,596)	(22,596)	0
Council Tax Receipts	(84,403)	(84,403)	0
Business Rates	(44,991)	(44,991)	0
Transfer from Collection Fund	(370)	(370)	0
Total Funding	**(152,360)**	**(152,360)**	**0**
Addition/(Reduction) to Balances	0	(1,431)	(1,431)
Balances brought forward	11,591	11,591	0
Balances carried forward	**11,591**	**10,160**	**(1,431)**

The reduction in balances above relates to a reduction in school balances together with a contribution to general balances. School balances have reduced by £1.631m and a contribution of £0.200m has been made to general balances. 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 Strategic Reserve for £0.522m and a contribution of £0.200m to balances have been done, to transfer the underspend incurred during the year.

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 29-May-2018 | North Tyneside Council

Housing Revenue Account

The overall position on the HRA improved significantly between January and March, with a £0.899m improvement in in-year balances increasing the overall in- year position to £1.882m better than budgeted.

Rent and Service charge income projections improved significantly during the year, as empty home numbers dropped dramatically from 486 at the start of the financial year to 236 at 31 March 2018. This led to rental income exceeding budget by £0.256m. In addition, income from temporary dispersed accommodation was £0.083m above budget, and service charge income was £0.207m 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 £0.028m, within this are major swings reflecting the move to introduce a true Depreciation charge into the HRA. This was highlighted in the 2017-18 HRA budget Report. The final depreciation charge showed a £3.102m reduction against budget, but this was offset by an increase in revenue contributions to fund the investment plan £2.824m.

Full details of the HRA position is detailed in the Outturn Report to Cabinet - Cabinet 29-May-2018 | North Tyneside Council

Capital Expenditure

The initial 2017/18 Investment Plan budget was £106.952m (£80.903m General Fund and £26.049m 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 £83.870m (£58.891m General Fund and £24.979m Housing). The Table below summarises these changes.

	£000s
Investment Plan Approved by Council 16/02/17	106,952
Reprogramming from 2016/17	12,980
Reprogramming to 2018/19 and future years	(38,324)
Other variations (Net)	2,262
Revised Investment Plan approved by Cabinet 12/03/18	**83,870**

Actual capital expenditure in 2017/18 totalled £76.687m (£61.690m in 2016/17), comprising General Fund expenditure of £53.156m and £23.531m on Housing Schemes.

Not all of the expenditure relates to the creation or improvement of fixed assets for the Authority. £5.102m relates to spend on other items, with £1.630m for share capital, £2.411m on loans and £0.894m spent on Disabled Facilities grants. The table below compares the actual capital expenditure with the revised budget for the year, as well as the actual spend for 2017/18.

	Revised Capital Budget 2017/18 £000s	Actual Capital Expenditure 2017/18 £000s	Variation from budget over/(under) £000s
General Fund	58,891	53,156	(5,735)
Housing	24,979	23,531	(1,448)
Total	**83,870**	**76,687**	**(7,183)**

Main projects completed during 2017/18

- 6 new affordable housing units at Seaton Burn
- Various works to housing stocks
- Work to promontory and toilets at Watts Slope
- BMX/Skate Park at The Parks improved and extended
- Memorial statue installed as part of the North Shields Fishermans project
- Highways improvement works including completion of junction improvements to A1056/A189 at Weetslade, access improvements on the A19 employment corridor
- Installation of energy efficient LED street lighting

Projects Underway

- Spanish City Dome
- Lower Central Promenade reconstruction
- Public realm works at Northern Promenade
- New Backworth Park Primary School
- Operational Depot Accomodation Review
- Highway works on Norham Road Bridge and North Bank of the Tyne junction improvements

Further details can be found in Outturn Report presented to Cabinet – [Cabinet 29-May-2018 | 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 2017/18 at £1,280.000m (£1,240.000m 2016/17) and its Operational Boundary for external debt at £700.000m (£680.000m 2016/17). All transactions were carried out within the Authorised Limit boundaries during 2017/18. As shown in the Balance Sheet, the total liabilities for borrowing, finance lease balances (including Private Finance Initiative (PFI)) and other liabilities are £588.508m (£567.660m 2016/17).

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 £108.323m (£94.983m 2016/17) is an increase of £13.340m on the previous year. The variations relate in the main to capital accounting adjustments particularly within the Housing Revenue Account.

Other operating expenditure has decreased from £36.499m in 2016/17 to £21.804m during 2017/18. This is substantially due to a decrease of £14.262m from 2016/17 in respect of losses on disposal of assets.

In terms of income, Taxation and Non-specific Grant Income there has been a decrease in income of £43.117m from £221.099m in 2016/17 to £177.982m in 2017/18. This is substantially due to a decrease in Capital Grants and Contributions from 2016/17 in which there was £41.100m of funding from Department of Education for the Priority School Building Programme.

Balance Sheet

The Balance Sheet is set out on pages 28 to 29. Overall, the Authority has net assets of £360.589m which is an increase of £113.913m from the 2016/17 figure of £246.676m. The increase is mainly around Long Term Assets, in particular Property, Plant and Equipment.

Current Liabilities have increased, mainly due to short term borrowing by £29.239m, whilst long term borrowing has reduced by £5.000m.

Overall Useable Reserves have increased by £8.129m, (Note 31 provides more details on these reserves), and Unuseable Reserves have increased by £105.784m (Note 33 provides more details on these reserves).

The large increases in the value of Property, Plant and Equipment and Unuseable Reserves are due to a revaluation exercise that has been undertaken since the publication of the draft accounts.

There has been nationally, and regionally, an increase in the cost of construction of buildings. The Building Cost Information Service (BCIS) produce indices which are used in the preparation of the valuation of assets. These indices have shown a marked increase in 2018 – an average of approximately 20% for North Tyneside. As a result it was necessary to revalue the assets within the Authority’s portfolio that are valued at Depreciated Replacement Cost (DRC) resulting in an increase in the net book value of £87.686m.

As outlined in Note 7, this is an area that is subject to estimation techniques that can result in valuation changes from year to year due to the volatility of the estimates.

Non-Financial Performance of the Authority

The recently refreshed Our North Tyneside Plan (Council Plan) sets 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 May 2012. Since 2012/13, we have seen a 20% increase in the number of children that have reached a good level of development in their early years. More children (especially those on free school meals) are achieving the expected level of development by the time they reach five years old.

Inequalities between our most deprived and most affluent areas are closing, and we are continuing to narrow the equalities gap for our residents

More people are now in work compared to 2013. The number of young people who are not in education, employment or training has reduced, as has the number of 18 to 24-year olds on Job Seekers' Allowance. People claiming unemployment benefits has dropped from 4.8% in 2012/13 to 2.7% in 2016/17.

Our residents are happier and healthier. Residents are more physically active than on average for the North East, and the number of people who smoke has reduced. Feedback from our residents' survey shows over 80% of local people are satisfied with where they live and, in the last year, there has been an 8% point increase in residents thinking their local area has improved.

More and better homes have been delivered across North Tyneside. We have built more new affordable homes in the past three years than in the entire decade before. In the last year alone, 892 new homes have been provided, 280 of which were affordable. It is currently expected that 250 affordable homes will be delivered in 2018/19. Over a quarter of residents are very satisfied with the choice of housing now available to them.

The borough is attracting more businesses and creating more job opportunities at every skills level. 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 for the next 4 years 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.

The Plan continues to be updated by engagement with residents, businesses and visitors, and it continues to provide a clear framework for the Authority to plan its use of resources. It provides 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 2018/19 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 £10.143m are required in 2018/19 (6.66% of the 2017/18 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. In addition to the Fair Funding review, Central Government have advised of their intention to move to 75% Business Rate Retention but the uncertainty remains as to how this will form part of the Fair Funding Review.

It is anticipated that further significant savings and efficiencies will be required annually for the foreseeable future. The Council's agreed 2018/19 capital programme is £84.059m (General Fund £56.145m and HRA £27.914m), £2.261m of the total planned capital expenditure will be financed from capital receipts, £29.293m will be financed from grants/contributions and £22.221m will be financed from revenue (mainly HRA) and up to £30.284m 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 the 26 April 2018, a decision was made by the current North East Combined Authority that allows the three North of Tyne Authorities to move further towards agreement of a devolution deal. There may be impacts on the Authority as a result of any devolution agreement being made, the precise implications continue to be worked through at this time.

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, 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

Cabinet at its meeting of the 27 September 2017 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 will end on the 31 March 2019 and service delivery will return to the direct management of the Authority. Work continues to progress in preparation for this.

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 144.

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 156.

Annual Governance Statement (AGS)

This statement gives assurance that the Authority has conducted a review of the effectiveness of its systems of internal control and that the appropriate mechanisms are in place for the maintenance of good governance across the activities of the Authority. The AGS is shown on page 161.

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

Janice Gillespie
Head of Finance
Date

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

Opinion on the financial statements

We have audited the financial statements of North Tyneside Council (the Council) for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement in the Housing Revenue Account and the Collection Fund Statement, and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of North Tyneside Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorized for issue.

Other information

The Head of Finance is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Head of Finance for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. The Head of Finance is also responsible for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Head of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Head of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and the auditor

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, North Tyneside Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of North Tyneside Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit of North Tyneside Council and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Gareth Davies, Partner
For and on behalf of Mazars LLP
Salvus House, Aykley Heads, Durham, DH1 5TS
Date:

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 Finance;

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 Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practice as set out in the 2017-18 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 Finance 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 local authority Code.

The Head of Finance 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 2018, 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 2018.

Signed:

Janice Gillespie
Head of Finance
Date

3.2 Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

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 due to double counting of capital charges within services and central costs which has resulted in no impact on the gross expenditure figure.

*restated **2016/17**				**2017/18**		
Gross Exp £000s	**Gross Inc £000s**	**Net Exp £000s**		**Gross Exp £000s**	**Gross Inc £000s**	**Net Exp £000s**
1,563	(256)	1,307	Chief Executive Office	1,922	(740)	1,182
2,801	(907)	1,894	Business & Economic Development	2,361	(784)	1,577
3,853	(709)	3,144	Commercial & Business Redesign	4,297	(1,231)	3,066
1,446	(733)	713	Corporate Strategy	1,796	(513)	1,283
78,024	(77,900)	124	Finance	74,917	(75,174)	(257)
1,648	(637)	1,011	Human Resources & Organisational Development	849	(455)	394
1,714	(1,342)	372	Law & Governance	1,646	(1,208)	438
158,898	(85,811)	73,087	Health, Education, Care & Safeguarding	154,262	(84,451)	69,811
172,084	(145,885)	26,199	Commissioning & Investment	166,586	(151,413)	15,173
70,106	(28,056)	42,050	Environment, Housing & Leisure	64,314	(27,421)	36,893
4,495	(71,039)	(66,544)	Housing Revenue Account	36,899	(71,172)	(34,273)
27,928	(16,302)	11,626	Central Costs (including Support Services)	25,022	(11,986)	13,036
524,560	**(429,577)**	**94,983**	**Cost of Services**	**534,871**	**(426,548)**	**108,323**
36,499	0	36,499	Other Operating Expenditure (Note 10)	21,804	0	21,804
35,498	(3,398)	32,100	Financing and Investment Income and Expenditure (Note 11)	34,463	(1,406)	33,057
0	(221,099)	(221,099)	Taxation and Non Specific Grant Income (Note 12)	0	(177,982)	(177,982)
596,557	**(654,074)**	**(57,517)**	**Surplus on Provision of Services**	**591,138**	**(605,936)**	**(14,798)**
		(49,673)	Surplus on Revaluation of Non-Current Assets (Note 33a)			(118,425)
		64,230	Remeasurement of the net defined benefit liability (Note 33e)			19,310
		14,557	**Other Comprehensive Income and Expenditure**			**(99,115)**
		(42,960)	**Total Comprehensive Income and Expenditure**			**(113,913)**

3.3 Movement in Reserves Statement

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 2017	**51,380**	**27,633**	**5,501**	**2,231**	**5,521**	**92,266**	**154,410**	**246,676**
<u>Movement in Reserves during 2017/18</u>								
Total Comprehensive Income & Expenditure	(4,765)	19,563	0	0	0	14,798	99,115	113,913
Adjustments between accounting basis & funding basis under regulations (Note 3)	11,420	(18,293)	1,514	0	(1,310)	(6,669)	6,669	0
Increase/(decrease) in 2017/18	6,655	1,270	1,514	0	(1,310)	8,129	105,784	113,913
Balance at 31 March 2018	**58,035**	**28,903**	**7,015**	**2,231**	**4,211**	**100,395**	**260,194**	**360,589**

	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 31 March 2016	**56,667**	**20,892**	**4,475**	**1,685**	**5,227**	**88,946**	**114,770**	**203,716**
<u>Movement in Reserves during 2016/17</u>								
Total Comprehensive Income & Expenditure	7,044	50,473	0	0	0	57,517	(14,557)	42,960
Adjustments between accounting basis & funding basis under regulations (Note 3)	(12,331)	(43,732)	1,026	546	294	(54,197)	54,197	0
Increase/(decrease) in 2016/17	(5,287)	6,741	1,026	546	294	3,320	39,640	42,960
Balance at 31 March 2017	**51,380**	**27,633**	**5,501**	**2,231**	**5,521**	**92,266**	**154,410**	**246,676**

3.4 Balance Sheet as at 31 March 2018

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'.

31 March 2017 £000s		Notes	31 March 2018 £000s
1,231,626	Property, Plant & Equipment	19	1,377,930
2,024	Heritage Assets		2,153
1,720	Investment Property		1,721
791	Intangible Assets		2,003
12,134	Long Term Investments	23	13,764
771	Long Term Debtors		1,763
1,249,066	**Long Term Assets**		**1,399,334**
619	Short Term Investments	38	919
5,096	Assets Held for Sale	20	239
699	Inventories		689
60,240	Short Term Debtors	24	52,643
4,109	Cash & Cash Equivalents	25	14,410
70,763	**Current Assets**		**68,900**
(117,028)	Short Term Borrowing	26	(146,267)
(36,260)	Short Term Creditors	27	(39,154)
(3,525)	Finance Lease & PFI Creditors	18	(3,677)
(1,796)	Provisions	28	(1,750)
(212)	Other Short Term Liabilities		(200)
(158,821)	**Current Liabilities**		**(191,048)**

Balance Sheet as at 31 March 2018

31 March 2017 £000s		Notes	31 March 2018 £000s
(120,868)	Finance Lease & PFI Creditors	18	(117,444)
(3,474)	Provisions	28	(3,833)
(323,443)	Long Term Borrowing	29	(318,443)
(2,584)	Other Long Term Liabilities		(2,477)
(3,021)	Other Long Term Creditors	30	(2,157)
(455,000)	Pension Liability	9	(466,140)
(5,942)	Capital Grants Receipts in Advance	13	(6,103)
(914,332)	**Long Term Liabilities**		**(916,597)**
246,676	**Net Assets**		**360,589**
	Financed By:		
92,266	Useable Reserves	31	100,395
154,410	Unuseable Reserves	33	260,194
246,676	**Total Reserves**		**360,589**

I certify that the Statement of Accounts for the year ended 31 March 2018, required by the Accounts and Audit Regulations 2015 are set out in pages 25 to 29 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 2018.

Signed:

Janice Gillespie
Head of Finance
Date:

3.5 Cash Flow Statement for year ended 31 March 2018

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.

2016/17 £000s		Notes	2017/18 £000s
57,517	Net surplus/(deficit) on the provision of services		14,798
(4,723)	Adjustments to net surplus/ (deficit) on the provision of services for non cash movements	39	46,948
(72,672)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	39	(35,036)
(19,878)	**Net Cash Flows from Operating Activities**		**26,710**
11,800	Net Cash flow from Investing Activities	40	(36,198)
(401)	Net Cash flow from Financing Activities	41	19,789
(8,479)	**Net Increase/(decrease) in cash and cash equivalents**		**10,301**
12,588	Cash and cash equivalents at the beginning of the reporting period	25	4,109
4,109	**Cash and cash equivalents at the end of the reporting period**		**14,410**

4.0 Index to the Notes to the Financial Statements

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

4.1 Explanatory Notes to the Core Financial Statements

1 Accounting Policies

General Principles

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

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 (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.

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 & Investment 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:

Service cost

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

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

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

Remeasurements comprising

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

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

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

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

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

Discretionary Benefits

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Property, Plant and Equipment

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

The freehold and leasehold properties which comprise the Council’s portfolio are valued by Capita Property and Infrastructure Limited acting as the Council’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 minimus 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 by:

- 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.

<u>Depreciation</u>

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 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.

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 bale 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

<u>Financial Liabilities</u>

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.

The majority of the Authority's borrowing is held on the Balance Sheet as the principal outstanding (plus accrued interest) and interest is charged to the Comprehensive Income and Expenditure Statement as the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement 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.

<u>Financial Assets</u>

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-sale financial assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

<u>Loans and Receivables</u>

Loans and receivables 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 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 loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. 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 Comprehensive Income and Expenditure Statement.

Available-for-Sale Financial Assets

Available-for-sale financial assets 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. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Equity shares with no quoted market prices are based on an independent appraisal of company valuations. As such they are classified as a Level 2 inputs. That is, they are not quoted but are observable, either directly or indirectly.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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 31 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 included on the Authority's Balance Sheet.

Voluntary Aided Schools
Land and buildings owned by the 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 2018 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 9 Financial Instruments – the new standard has been introduced to provide a single approach to the classification and measurement of Financial Instruments. One of the key impacts of IFRS 9 will be that, whilst many local authority loans and investments will continue to be held at amortised cost, gains and losses arising from changes in the fair value of some categories of investments will have to be recognised in the Authority's revenue account. This means that from 2018/19 changes in the fair value of certain investments will have an impact on the General Fund. Previously any changes in the fair value of these investments were only recognised in the General Fund when the asset was sold. The impact of these changes is not expected to be material.

- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers – the standard introduces a new framework that changes the way in which organisations account for revenue. It is not expected that the standard will have an impact on the Authority as it is more concerned with companies and the way in which they recognise revenue from their sales contracts.

- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses – IAS 12 sets out the basis for the recognition and measurement of current or deferred tax liabilities or assets. The amendment clarifies whether a deferred tax asset should be recognised in relation to a debt instrument. This standard will not apply to the accounts of the Authority as it is private sector based.

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative – the amendment to the accounting standard is intended to enable users of financial statements to evaluate changes in liabilities arising from financial activities. The standard will not have a material impact on the Authority as it is concerned with additional disclosures to the accounts.

3 Adjustments between Accounting Basis and Funding Basis under Regulations

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

	Useable Reserves					
2017/18	**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	6,801	16,725	0	0	3,570	(27,096)
Total Adjustments to Revenue Resources	**14,373**	**17,655**	**0**	**0**	**3,570**	**(35,598)**

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	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 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	**11,420**	**(18,293)**	**1,514**	**0**	**(1,310)**	**6,669**

2016/17	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 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)	4,178	712	0	0	0	(4,890)
• Financial Instruments (transferred to the Financial Instruments Adjustment Account) – Note 33(d)	95	128	0	0	0	(223)
• Council Tax and NDR (transfers to or from the Collection Fund) – Note 33(g)	(1,261)	0	0	0	0	1,261
• Holiday Pay (transferred to the Accumulated Absences Reserve) – Note 33(h)	1,119	4	0	0	0	(1,123)
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(6,579)	(14,916)	0	0	3,847	17,648
Total Adjustments to Revenue Resources	**(2,448)**	**(14,072)**	**0**	**0**	**3,847**	**12,673**

2016/17	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	(413)	(5,710)	6,123	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,891	0	(1,891)	0	0	0
Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve – Note 46	0	(15,627)	0	15,627	0	0
Statutory/Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account) – Note 33(c)	(11,056)	(2,864)	(2,632)	(800)	0	17,352
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) – Note 33(c)	(305)	(5,459)	0	0	0	5,764
Total Adjustments between Revenue and Capital Resources	**(9,883)**	**(29,660)**	**1,600**	**14,827**	**0**	**23,116**

2016/17	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	(574)	0	0	574
Use of the Major Repairs Reserve to finance capital expenditure – Note 46	0	0	0	(14,281)	0	14,281
Application of capital grants to finance capital expenditure – Note 33(c)	0	0	0	0	(3,553)	3,553
Total Adjustments to Capital Resources	**0**	**0**	**(574)**	**(14,281)**	**(3,553)**	**18,408**
TOTAL ADJUSTMENTS	**(12,331)**	**(43,732)**	**1,026**	**546**	**294**	**54,197**

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 done 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.

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 & Investment	4,279	10,894	15,173
Environment, Housing & Leisure	26,790	10,103	36,893
Housing Revenue Costs	(16,794)	(17,479)	(34,273)
Central Costs	27,324	(14,288)	13,036
Net Cost of Services	**110,607**	**(2,284)**	**108,323**
Other Income & Expenditure	(118,532)	(4,589)	(123,121)
Surplus on Provision of Service	**(7,925)**	**(6,873)**	**(14,798)**

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 £000s	HRA £000s	Total £000s
Balances at 31 March 2017	51,380	27,633	79,013
Surplus on Balance 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

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 disposal 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.

2017/18	Adjs for Capital Purposes £000s	Pension Adjs £000s	Other Adjs £000s	Total Adjs £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 & Investment	8,253	2,116	525	10,894
Environment, Housing & Leisure	7,791	2,206	106	10,103
Housing Revenue Costs	(18,025)	527	19	(17,479)
Central Costs	(3,607)	(10,648)	(33)	(14,288)
Net Cost of Services	**(1,328)**	**(1,364)**	**408**	**(2,284)**
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 and Comprehensive Income & Expenditure Statement surplus/deficit	**(17,252)**	**9,526**	**853**	**(6,873)**

2016/17	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	1,288	19	1,307
Business & Economic Development	1,835	584	2,419
Commercial & Business Redesign	3,072	2,324	5,396
Corporate Strategy	608	105	713
Finance	82	75	157
Human Resources & Organisational Development	951	60	1,011
Law & Governance	198	174	372
Health, Education, Care & Safeguarding	71,050	2,904	73,954
Commissioning & Investment	26,033	23,948	49,981
Environment, Housing & Leisure	40,787	11,097	51,884
Housing Revenue Costs	(21,248)	(45,296)	(66,544)
Central Costs (Includes Support Services)	(3,801)	(21,866)	(25,667)
Net Cost of Services	**120,855**	**(25,872)**	**94,983**
Other Income & Expenditure	(122,309)	(30,191)	(152,500)
Surplus on provision of Service	**(1,454)**	**(56,063)**	**(57,517)**

General Fund & HRA Balances at 31 March 2016	**77,559**
Surplus on General Fund & HRA Balances in Year	1,454
General Fund and HRA Balances at 31 March 2017	**79,013**

Analysed between General Fund and HRA Balances

	General Fund	HRA	Total
Balances at 31 March 2016	56,667	20,892	77,559
(Deficit)/Surplus on Balances in Year	(5,287)	6,741	1,454
Balances at 31 March 2017	**51,380**	**27,633**	**79,013**

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

2016/17	**Adjustments for Capital Purposes £000s**	**Pension Adjustments £000s**	**Other Adjustments £000s**	**Total Adjustments £000s**
Chief Executive Office	0	16	3	19
Business & Economic Development	525	55	4	584
Commercial & Business Redesign	2,252	62	10	2,324
Corporate Strategy	0	106	(1)	105
Finance	33	39	3	75
Human Resources & Organisational Development	0	68	(8)	60
Law & Governance	0	168	6	174
Health, Education, Care & Safeguarding	867	2,126	(89)	2,904
Commissioning & Investment	23,782	(1,007)	1,173	23,948
Environment, Housing & Leisure	9,834	1,245	18	11,097
Housing Revenue Costs	(45,715)	287	132	(45,296)
Central Costs	(11,056)	(10,905)	95	(21,866)
Net Cost of Services	**(19,478)**	**(7,740)**	**1,346**	**(25,872)**
Other Operating Expenditure	22,448	0	1,891	24,339
Financing & Investment Income & Expenditure	(95)	12,630	0	12,535
Taxation & Non Specific Grant Income	(65,805)	0	(1,260)	(67,065)
Difference between General Fund and HRA surplus/deficit and Comprehensive Income & Expenditure Statement surplus/deficit	**(62,930)**	**4,890**	**1,977**	**(56,063)**

4(b) Segmental Income

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

2016/17 £000s		2017/18 £000s
(125)	Chief Executive Office	(121)
(270)	Business & Economic Development	(228)
(267)	Commercial & Business Redesign	(245)
(262)	Corporate Strategy	(195)
(1,186)	Finance	(1,683)
(23)	Human Resources & Organisational Development	(21)
(13,190)	Health, Education, Care & Safeguarding	(12,514)
(8,752)	Commissioning & Investment	(9,158)
(17,169)	Environment, Housing & Leisure	(17,134)
(61,118)	Housing Revenue Account	(60,971)
(773)	Law & Governance	(703)
(977)	Central Costs	(877)
(104,112)	**Total**	**(103,850)**

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.

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	30,345	0	30,345
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	8,186	8,186
Total Operating Expenses	**534,871**	**56,267**	**591,138**
Surplus on the provision of services	**108,323**	**(123,121)**	**(14,798)**

2016/17

	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges	(145,559)	0	(145,559)
Government Grants & Contributions	(281,570)	(97,078)	(378,648)
Support Services & Recharges	(2,448)	0	(2,448)
Interest and Investment Income	0	(3,174)	(3,174)
Income in relation to Investment Properties	0	(224)	(224)
Income from Council Tax/NDR	0	(124,021)	(124,021)
Total Income	(429,577)	(224,497)	(654,074)
Employee Expenses	205,197	12,630	217,827
Other Service Expenses	278,838	0	278,838
Support Services Recharges	23,944	0	23,944
Depreciation, amortisation, impairment and other capital charges	16,581	0	16,581
Interest Payments	0	22,868	22,868
Precepts & Levies	0	12,160	12,160
Payments to Housing Capital Receipts Pool	0	1,891	1,891
Loss on Disposal of Fixed Assets	0	22,448	22,448
Total Operating Expenses	**524,560**	**71,997**	**596,557**
Surplus on the provision of services	**94,983**	**(152,500)**	**(57,517)**

6 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in pages 33-52, 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 critical judgement as it is an unusual material transaction. As a result of the pensions prepayment, there is a difference between the pensions liability and reserve on the balance sheet of £17.696m (two years of the prepayment). This difference will reduce to £8.848m at 31 March 2019 and 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 2018, 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 £1,450.611m as at 31 March 2018. A 1% change in asset valuation would equate to a £14.506m 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 £0.418m 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 84 for details of sensitivity analysis of the estimations.
Provisions	The Authority has made a number of provisions, in line with the Code, totalling £5.583m. 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 2017/18 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 2018. 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 2018. A provision of £1.424m has been set up in recognition of this. See Note 28.
Debtors arrears	At 31 March 2018, the Authority had a gross balance of £69.819m. A review of significant balances suggested that an impairment of doubtful debts of £17.176m was appropriate leaving a net balance of £52.643m. 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 2017/18 were £3.246m (£3.246m in 2016/17).

Undischarged operating lease rentals at 31 March 2018 amounted to £83.424m (£86.142m in 2016/17), comprising the following elements:

31 March 2017 £000s		31 March 2018 £000s
3,170	Due Year 1	3,179
12,627	Due Years 2-5	12,725
70,345	Due after Year 5	67,520
86,142	**Total**	**83,424**

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 2017/18 as being operating leases and the total rental income was £3.123m (£2.849m in 2016/17). The future minimum lease payments expected to be received are:

31 March 2017 £000s		31 March 2018 £000s
3,012	Due Year 1	3,071
7,060	Due Years 2-5	6,547
18,796	Due after Year 5	18,810
28,868	**Total**	**28,428**

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 2017/18, the Authority paid £9.630m (£9.770m 2016/17) to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay (16.48% 2016/17). The contributions due to be paid in the next financial year are estimated to be £9.701m. 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 disclosure 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	**2016/17 £000s**				**2017/18 £000s**			
	TWPF		**TPS***	**Total**	**TWPF**		**TPS***	**Total**
	Funded	**Unfunded**			**Funded**	**Unfunded**		
Comprehensive Income & Expenditure Statement								
Cost of Services								
Current Service Costs	20,050	0	0	20,050	26,670	0	0	26,670
Past Service Costs	770	0	1,100	1,870	130	0	0	130
Financing and Investment Income and Expenditure								
Net Interest Expense	10,230	820	1,580	12,630	8,830	670	1,390	10,890
Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	31,050	820	2,680	34,550	35,630	670	1,390	37,690
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)	(115,700)	0	0	(115,700)	(10,560)	0	0	(10,560)
Actuarial (gains)/losses arising on changes in demographic assumptions	4,130	980	2,610	7,720	0	0	0	0
Actuarial (gains)/ losses arising on changes in financial assumptions	195,900	2,150	5,630	203,680	19,930	270	620	20,820
Actuarial (gains)/losses due to liability experience	(30,670)	(440)	(360)	(31,470)	8,280	250	520	9,050
Total Post Employment Benefit Charged to the Other Comprehensive Income & Expenditure	53,660	2,690	7,880	64,230	17,650	520	1,140	19,310

Pension Revenue Summary	2016/17 £000s				2017/18 £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	(31,050)	(820)	(2,680)	(34,550)	(35,630)	(670)	(1,390)	(37,690)
Actual amount charged against the Cost of Services for pensions in the year								
Employer's contributions payable to the scheme	24,130	0	0	24,130	23,534	0	0	23,534
Retirement benefits payable to pensioners	0	1,800	3,730	5,530	0	1,800	2,830	4,630

*This is an unfunded scheme as detailed on Page 75

Pension Assets and Liabilities recognised in the Balance Sheet

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

	2016/17 £000s				2017/18 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Present value of the defined benefit obligation	(1,137,500)	(26,830)	(54,730)	(1,219,060)	(1,192,660)	(26,220)	(54,430)	(1,273,310)
Fair Value of plan assets	764,060	0	0	764,060	807,170	0	0	807,170
Sub Total	(373,440)	(26,830)	(54,730)	(455,000)	(385,490)	(26,220)	(54,430)	(466,140)
Other movements in the liability (asset) if applicable	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(373,440)	(26,830)	(54,730)	(455,000)	(385,490)	(26,220)	(54,430)	(466,140)

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

	2016/17 £000s				2017/18 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Opening fair value of scheme assets	630,570	0	0	630,570	764,060	0	0	764,060
Interest Income	21,380	0	0	21,380	20,370	0	0	20,370
Remeasurement gain/ (loss):								
• The return on plan assets, excluding the amount included in the net interest expense	115,700	0	0	115,700	10,560	0	0	10,560
Contributions from employer	24,130	1,800	3,730	29,660	41,230	1,800	2,830	45,860
Contributions from employees into the scheme	5,150	0	0	5,150	5,080	0	0	5,080
Benefits paid	(32,870)	(1,800)	(3,730)	(38,400)	(32,830)	(1,800)	(2,830)	(37,460)
Net increase in assets from disposals/acquisitions	0	0	0	0	(1,300)	0	0	(1,300)
Closing fair value of scheme assets	764,060	0	0	764,060	807,170	0	0	807,170

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)

	2016/17				2017/18			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded £000s	Unfunded £000s	£000s	£000s	Funded £000s	Unfunded £000s	£000s	£000s
Opening balance at 1 April	(943,430)	(25,120)	(47,900)	(1,016,450)	(1,137,500)	(26,830)	(54,730)	(1,219,060)
Current Service Cost	(20,050)	0	0	(20,050)	(26,670)	0	0	(26,670)
Interest Cost	(31,610)	(820)	(1,580)	(34,010)	(29,200)	(670)	(1,390)	(31,260)
Contributions by participants	(5,150)	0	0	(5,150)	(5,080)	0	0	(5,080)
Remeasurement (gains) and losses:								
• Actuarial (gains)/losses arising from changes in experience assumptions	30,670	440	360	31,470	(8,280)	(250)	(520)	(9,050)
• Actuarial (gains)/losses arising from changes in demographic assumptions	(4,130)	(980)	(2,610)	(7,720)	0	0	0	0
• Actuarial (gains)/losses arising from changes in financial assumptions	(195,900)	(2,150)	(5,630)	(203,680)	(19,930)	(270)	(620)	(20,820)
Past Service Cost	(770)	0	(1,100)	(1,870)	(130)	0	0	(130)
Net increase in liabilities from disposals/acquisitions	0	0	0	0	1,300	0	0	1,300
Net Benefits paid	32,870	1,800	3,730	38,400	32,830	1,800	2,830	37,460
Closing balance at 31 March	**(1,137,500)**	**(26,830)**	**(54,730)**	**(1,219,060)**	**(1,192,660)**	**(26,220)**	**(54,430)**	**(1,273,310)**

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 2017 %	Asset Split 31 March 2018 %		
	Total	Quoted	Unquoted	Total
Equities	66.9	60.7	6.3	67.0
Property	9.2	0.0	8.5	8.5
Government Bonds	3.9	4.0	0.0	4.0
Corporate Bonds	11.5	11.7	0.0	11.7
Cash	2.6	3.7	0.0	3.7
Other*	5.9	3.5	1.6	5.1
Total Assets	100.0	83.6	16.4	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 2014. 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	
	2016/17	2017/18	2016/17	2017/18
Mortality assumptions				
Future lifetime from age 65 (currently 65)				
• Men	22.8	22.9	22.8	22.9
• Women	26.3	26.4	26.3	26.4
Future lifetime from age 65 (currently 45)				
• Men	25.0	25.1	n/a	n/a
• Women	28.6	28.7	n/a	n/a

	TWPF Funded		TPS/TWPF Unfunded	
	2016/17	2017/18	2016/17	2017/18
Rate of Inflation (RPI)	3.1%	3.2%	3.1%	3.2%
Rate of Inflation (CPI)	2.0%	2.1%	2.0%	2.1%
Pensions accounts revaluation rate	2.0%	2.1%	n/a	n/a
Rate of increase in salaries	3.5%	3.6%	n/a	n/a
Rate of increase in pensions	2.0%	2.1%	2.0%	2.1%
Rate for discounting scheme liabilities	2.6%	2.6%	2.6%	2.6%

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)	(35,200)	34,980
Rate of increase in salaries (increase/decrease by 0.1%)	5,590	(5,530)
Rate of increase in pensions (increase/decrease by 0.1%)	16,870	(16,600)
Rate for discounting scheme liabilities (increase/decrease by 0.1%)	(22,080)	22,500

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 (67.0% of scheme assets) and bonds (15.7%). 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 (8.5%). The ALM strategy is monitored annually or more frequently if necessary.

Impact on the Authority's Cash Flows
The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The most recent triennial valuation of the fund was carried out as at 31 March 2016.

The Authority anticipates to pay £15.080m (£24.054m 2016/17) expected contributions to the scheme in respect of LGPS in 2018/19 for the accounting period to 31 March 2019, £1.850m (£1.820m 2017/18) in respect of unfunded benefits and also £2.910m (£3.590m) for enhanced teachers' benefits. The weighted average duration of the defined benefit obligation for the LGPS scheme members is 18.7 years 2017/18 (18.7 years 2016/17).

10 Other Operating Expenditure

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

2016/17 £000s		2017/18 £000s
12,160	Levies	11,744
1,891	Payments to the Government Housing Capital Receipts Pool	1,874
22,448	Losses on the disposal of non current assets	8,186
36,499	**Total**	**21,804**

11 Financing and Investment Income and Expenditure

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

2016/17 £000s		2017/18 £000s
22,868	Interest payable and similar charges	23,573
12,630	Net Interest Expense (Pensions)	10,890
(3,174)	Interest receivable and similar income	(1,282)
(224)	Income & expenditure in relation to Investment Property and changes in their fair value	(124)
32,100	**Total**	**33,057**

12 Taxation and Non Specific Grant Income

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

2016/17 £000s		2017/18 £000s
(79,177)	Council Tax Income	(85,342)
(29,171)	Retained Business Rates	(26,663)
(15,673)	Business Rates Top Up	(19,189)
(31,272)	Non Ring fenced Government Grants	(22,677)
(65,806)	Capital Grants, Contributions & Donated Assets	(24,111)
(221,099)	**Total**	**(177,982)**

13 Grants and Contributions Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

2016/17 £000s		2017/18 £000s
	Non-Ring fenced Government Grants	
(31,184)	Revenue Support Grant	(22,596)
(88)	Other Non-Ring fenced Government Grants (individually under £1.000m)	(81)
(31,272)		(22,677)
	Capital Grants, Contributions and Donations	
(45,976)	Department for Education	(4,159)
(9,617)	North East Local Enterprise Partnership (NELEP) – Local Growth Fund	(7,194)
(3,426)	Local Transport Plan	(4,795)
(983)	Environment Agency	(1,336)
(1,874)	Heritage Lottery	(2,314)
(1,356)	Section 106 Contributions	(1,849)
(2,574)	Other Grants and Contributions (individually under £1.000m)	(2,464)
(65,806)		(24,111)

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 2017 £000s		31 March 2018 £000s
	Capital Grants, Contributions and Donations in advance	
(5,824)	Section 106 Agreements	(5,985)
(118)	Other Grants & Contributions (individually under £1.000m)	(118)
(5,942)	**Total**	**(6,103)**

31 March 2017 £000s		31 March 2018 £000s
	Revenue Grants & Contributions Receipt In Advance	
(382)	Other Grants & Contributions (individually under £1.000m)	(372)
(382)	**Total**	**(372)**

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement within the Cost of Services in 2017/18.

2016/17 £000s		2017/18 £000s
	Credited to Services	
(129,527)	Dedicated Schools Grant	(133,593)
(39,232)	Mandatory Rent Allowances Benefit	(36,908)
(32,962)	Rent Rebates Benefit	(31,520)
(13,372)	Private Finance Initiative	(13,372)
(13,080)	Public Health Grant	(12,758)
(15,077)	Continuing Health Care Contributions	(12,198)
(8,794)	Pupil Premium Grant	(8,709)
(8,754)	Post 16 Education Grant	(8,337)
0	Improved Better Care Fund Grant	(5,043)
(3,434)	New Homes Bonus	(3,012)
(2,632)	Education Services Grant	(788)
(2,246)	Department for Education	(2,168)
(1,683)	Small Business Rate Relief Grant	(2,246)
(1,000)	Transformation Challenge Grant	0
0	Adult Social Care Support Grant	(1,036)
(949)	Housing Benefit Administration Grant	(870)
(8,828))	Other Grants and Contributions (individually under £1.000m)	(10,438)
(281,570)	**Total**	**(282,996)**

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

2016/17					Remuneration Band	2017/18				
APT&C	LEA Teachers	VA Teachers	Trust Employees	Total		APT&C	LEA Teachers	VA Teachers	Trust Employees	Total
34	5	5	29	**73**	£50,000 - £54,999	32	5	4	44	**85**
10	6	4	30	**50**	£55,000 - £59,999	18	4	3	26	**51**
6	8	2	13	**29**	£60,000 - £64,999	6	6	4	14	**30**
2	3	1	9	**15**	£65,000 - £69,999	0	5	1	9	**15**
3	2	0	6	**11**	£70,000 - £74,999	5	2	1	6	**14**
0	0	0	5	**5**	£75,000 - £79,999	0	1	1	4	**6**
0	1	1	4	**6**	£80,000 - £84,999	0	0	0	2	**2**
0	0	0	1	**1**	£85,000 - £89,999	0	0	0	2	**2**
1	0	0	1	**2**	£90,000 - £94,999	0	0	0	1	**1**
0	1	0	2	**3**	£95,000 - £99,999	0	0	0	3	**3**
0	0	0	1	**1**	£100,000 - £104,999	0	0	0	0	**0**
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	1	**1**
56	**26**	**13**	**102**	**197**	**Total**	**61**	**23**	**14**	**112**	**210**

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

Key
APT&C – Administrative, Professional, Technical & Clerical
LEA – Local Education Authority
VA – Voluntary Aided
Trust Employees – shown for information only as they are not employees of the Authority

Table 2

This table sets out the remuneration disclosures for Senior Officers whose **salary** is less than £150,000 but equal to or more than £50,000 per year.

2017/18

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				147,765	26,773	**174,538**
Deputy Chief Executive	122,262				122,262	22,157	**144,419**
Director of Health, Education, Care and Safeguarding	102,079				102,079	18,503	**120,582**
Director of Public Health	82,570				82,570	11,895	**94,465**
Head of Environment, Housing and Leisure	97,709				97,709	17,712	**115,421**
Head of Law & Governance	93,599				93,599	16,969	**110,568**
Head of Commissioning & Investment	89,697				89,697	15,471	**105,168**
Head of Commercial Services & Business Redesign	86,004				86,004	14,783	**100,787**
Head of Finance (S151 Officer)	84,495				84,495	15,321	**99,816**
Head of Business & Economic Development	82,570				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				79,292	14,379	**93,671**
Head of Human Resources & Organisational Development [1]	43,345				43,345	7,861	**51,206**
Acting Head of Environment, Housing & Leisure [2]	74,253				74,253	13,467	**87,720**
Acting Head of Environment, Housing & Leisure [2]	61,568				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

Post Holder Information (2016/17)	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	146,300	0	0	0	146,300	23,725	**170,025**
Deputy Chief Executive	121,050	0	0	0	121,050	19,634	**140,684**
Director of Health, Education, Care and Safeguarding	101,067	0	0	0	101,067	16,397	**117,464**
Director of Public Health	81,352	0	0	0	81,352	11,655	**93,007**
Head of Environment, Housing & Leisure	96,740	0	0	0	96,740	15,696	**112,436**
Head of Law & Governance	92,671	0	0	0	92,671	15,037	**107,708**
Head of Commissioning & Investment	88,808	0	0	0	88,808	13,703	**102,511**
Head of Commercial Services and Business Redesign	85,151	0	0	0	85,151	13,093	**98,244**
Head of Business & Economic Development	81,751	0	0	0	81,751	13,268	**95,019**
Head of Corporate Strategy	78,506	0	0	0	78,506	12,742	**91,248**

Post Holder Information (2016/17)	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 Finance (S151 Officer)	78,506	0	0	0	78,506	12,742	**91,248**
Head of Human Resources & Organisational Development	74,255	0	0	0	74,255	11,878	**86,133**
Acting Head of Environment, Housing & Leisure[1]	76,615	0	0	0	76,615	12,436	**89,051**
Acting Head of Environment, Housing & Leisure[1]	61,112	0	0	0	61,112	9,924	**71,036**
Total	**1,263,884**	**0**	**0**	**0**	**1,263,884**	**201,930**	**1,465,814**

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	
£	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	28	10	125	52	153	62	1,312	538
£20,001 - £40,000	1	0	23	17	24	17	648	472
£40,001 - £60,000	0	0	14	4	14	4	654	197
£60,001 - £80,000	1	0	2	3	3	3	212	202
£80,001 - £100,000	1	0	2	1	3	1	265	96
£100,001 - £150,000	0	0	2	2	2	2	223	232
Total	**31**	**10**	**168**	**79**	**199**	**89**	**3,314**	**1,737**

There is a provision for redundancy payments (see Note 28) included within the Comprehensive Income and Expenditure Statement of £0.107m (£0.152m 2016/17). These figures have been included in the table above. There is also a reserve for redundancy payments of £2.195m (£1.500m 2016/17) (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:

2016/17 £000s		2017/18 £000s
602	Basic Allowances	604
161	Special Responsibility Allowances	165
7	Expenses	5
770	**Total**	**774**

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 2017/18 is shown in Note 15. During 2017/18, the Authority had no material dealings with companies in which one or more Members have an interest. However, the Authority paid grants and other sums totalling £9.123m to voluntary and other statutory bodies in which a number Members had declared an interest (£11.144m in 2016/17). 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 – During 2017/18 an officer declared a pecuniary interest regarding a payment of £0.063m (£0.188m in 2016/17) 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) – 10 Members of the Authority serve as members of NECA boards. During 2017/18 the Authority paid grants and other sums totalling £0.264m (£0.199m in 2016/17) to the organisation, together with a transport levy of £11.375m (£11.802m in 2016/17) (see Note 10).

17 Audit Costs

In 2017/18 the Authority incurred the following fees relating to external audit.

2016/17 £000s		2017/18 £000s
136	Fees payable to the appointed auditor under the Local Audit and Accountability Act 2014	136
12	Fees payable for the certification of grant claims and returns for Public Sector Appointments Ltd (PSAA)	17
8	Other claims/returns not on behalf of PSAA	9
156	Total fees payable	162

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

2017/18 was the fifteenth 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

2017/18 was the fourteenth 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

2017/18 was the fifth 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)

2017/18 was the eleventh 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)
2017/18 was the sixth year of a twenty five year Local Improvement Finance Trust (LIFT) contract for the construction, maintenance and operation of a joint service centre at Whitley Bay. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Newcastle & North Tyneside LIFTco, took on the obligation to construct and maintain the building, plant and equipment required to operate the joint service centre. At the end of the twenty five year contract, the Authority has the right to purchase the building, plant and equipment from the operator.

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

Payments
The Authority makes an agreed payment under each contract each year, all of which increase each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the contracts at 31 March 2018 (excluding any estimation of inflation and availability/performance deductions) are as detailed below:

2016/17 Total £000s		Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	2017/18 Total £000s
16,788	Payable in one year	4,726	3,677	8,514	16,917
68,265	Payable within 2-5 yrs	19,611	17,320	31,853	68,784
85,758	Payable within 6-10 yrs	27,264	27,753	33,783	88,800
80,676	Payable within 11-15 yrs	22,431	30,416	24,321	77,168
59,868	Payable within 16-20 yrs	14,768	26,752	14,131	55,651
47,468	Payable within 21-25 yrs	10,147	23,009	4,342	37,498
358,823	**Total**	**98,947**	**128,927**	**116,944**	**344,818**

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:

2016/17 £000s		2017/18 £000s
107,378	Balance outstanding at start of year	124,393
(2,416)	Payments made during the year	(3,525)
19,431	Additional liabilities incurred in the year	253
124,393	**Balance outstanding at year-end**	**121,121**

.

An additional £0.253m 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 2017/18 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

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	461,003	22,892	182,920	8,420	1,198	22,212	1,332,808	124,125
Additions	20,252	5,663	3,478	16,557	0	16	23,390	69,356	1,996
Revaluations increases/(decreases) recognised in the Revaluation Reserve	5,743	57,290	0	0	0	(4,460)	0	58,573	5,738
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3,014	4,230	0	0	0	460	0	7,704	3,533
Derecognition - Disposals	(7,131)	(636)	0	0	0	(16)	0	(7,783)	0
Derecognition - Other	0	(10,446)	(2,459)	(795)	0	0	0	(13,700)	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**	**516,879**	**23,911**	**207,526**	**8,420**	**1,198**	**36,266**	**1,450,611**	**135,392**

	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)	(24,322)	(10,519)	(46,773)	(676)	0	0	(101,182)	(10,054)
Depreciation charge	(13,635)	(17,846)	(4,556)	(5,721)	(14)	0	0	(41,772)	(3,493)
Depreciation written out to the Revaluation Reserve	21,553	27,655	0	0	0	0	0	49,208	1,791
Depreciation written out to the Surplus/Deficit on the Provision of Services	6,221	5,117	0	0	0	0	0	11,338	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	936	2,459	795	0	0	0	4,190	0
Other movements in Depreciation & Impairment	0	0	0	0	0	0	0	0	0
At 31 March 2018	**(1)**	**(7,675)**	**(12,616)**	**(51,699)**	**(690)**	**0**	**0**	**(72,681)**	**(9,845)**
Net Book Value									
At 31 March 2018	656,410	509,204	11,295	155,827	7,730	1,198	36,266	1,377,930	125,547
At 31 March 2017	615,271	436,681	12,373	136,147	7,744	1,198	22,212	1,231,626	114,071

2016/17	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 2016	522,179	441,956	20,128	168,957	8,156	2,500	48,806	1,212,682	110,892
Additions	39,086	48,341	4,204	12,675	214	265	13,773	118,558	20,218
Revaluations increases/(decreases) recognised in the Revaluation Reserve	14,637	7,598	0	0	0	4,504	0	26,739	2,736
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	26,961	(11,940)	0	0	0	(430)	0	14,591	(26,329)
Derecognition - Disposals	(5,639)	(311)	0	0	0	(214)	0	(6,164)	0
Derecognition - Other	(1,089)	(23,069)	(3,339)	(674)	0	(242)	0	(28,413)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(5,185)	0	(5,185)	0
Other movements in Cost or Valuation	38,028	(1,572)	1,899	1,962	50	0	(40,367)	0	16,608
At 31 March 2017	**634,163**	**461,003**	**22,892**	**182,920**	**8,420**	**1,198**	**22,212**	**1,332,808**	**124,125**

2016/17	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 2016	(17,288)	(32,852)	(8,939)	(42,025)	(662)	(111)	0	(101,877)	(9,982)
Depreciation charge	(15,177)	(17,594)	(4,231)	(5,422)	(14)	(88)	0	(42,526)	(2,777)
Depreciation written out to the Revaluation Reserve	2,603	19,881	0	0	0	0	0	22,484	1,623
Depreciation written out to the Surplus/Deficit on the Provision of Services	13,062	4,432	0	0	0	0	0	17,494	1,900
Impairment (losses)/ reversals recognised in the Revaluation Reserve	450	0	0	0	0	0	0	450	0
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	(2,510)	(1,277)	0	0	0	(1)	0	(3,788)	1
Derecognition – Disposals	0	40	0	0	0	13	0	53	0
Derecognition - Other	80	2,248	3,339	674	0	82	0	6,423	0
Other movements in Depreciation & Impairment	(112)	800	(688)	0	0	105	0	105	(819)
At 31 March 2017	**(18,892)**	**(24,322)**	**(10,519)**	**(46,773)**	**(676)**	**0**	**0**	**(101,182)**	**(10,054)**
Net Book Value									
At 31 March 2017	615,271	436,681	12,373	136,147	7,744	1,198	22,212	1,231,626	114,071
At 31 March 2016	504,891	409,104	11,189	126,932	7,494	2,389	48,806	1,110,805	100,910

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 39).

	Council Dwellings £000s	**Other Land & Buildings £000s**	**Surplus Assets £000s**	**Total £000s**
Valued at current value as at:				
2014/15	0	11,421	0	11,421
2015/16	0	34,165	341	34,506
2016/17	0	17,932	855	18,787
2017/18	656,411	453,361	2	1,109,774
Gross Book Value	**656,411**	**516,879**	**1,198**	**1,174,488**

Split of Council Dwellings

Sheltered Housing Accommodation	68,133
Housing with Multiple Occupants	1,795
Homeless Units	850
General Housing Stock	585,633
Total	**656,411**

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

	£000s
Net Book Value at 31 March 2018	1,330,984
Social Housing Adjustment	(745,351)
Net Book Value after Adjustment for Social Housing	**585,633**

Note 42 provides more details of the housing stock.

20 Assets Held For Sale

31 March 2017 £000s		31 March 2018 £000s
995	Balance at 1 April	5,096
5,162	Additions to assets held for sale	1,041
(510)	Revaluation Losses	0
(81)	Impairment Losses	(744)
0	Assets declassified as held for sale	(4,000)
(470)	Assets Sold	(1,154)
5,096	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 2017 Fair Value £000s	31 March 2018 Fair Value £000s
Level 2	Quoted prices in active markets for identical assets	5,096	239

21 Summary of Capital Expenditure and Sources of Finance

2016/17 £000s		2017/18 £000s
621,578	**Opening Capital Financing Requirement**	**639,853**
	Capital Investment	
118,558	Property, Plant & Equipment	69,356
17	Investment Properties	0
1,307	Share Capital	1,630
727	Intangible Assets	1,236
81	Assets Held for Sale	1,041
140	Capital Loans	2,410
6	Heritage Assets	130
1,668	Revenue Expenditure Funded from Capital Under Statute	1,149
122,504		**76,952**
	Sources of Finance	
(574)	Capital Receipts	(2,427)
0	Capital Receipts Set Aside - GF	(800)
(2,633)	Capital Receipts Set Aside - HRA	(3,402)
(25,099)	Government Grants and Other Contributions	(26,332)
(41,159)	Government Grants and Other Contributions Donated	0
(14,281)	Major Repairs Reserve	(12,026)
(5,763)	Direct Revenue Contributions	(10,269)
(14,720)	Minimum Revenue Provision	(8,464)
(104,229)		**(63,720)**
639,853	**Closing Capital Financing Requirement**	**653,085**
	Explanation of Movements in Year	
(2,254)	Increase/(Decrease) in underlying need to borrow (supported by Government financial assistance)	7,491
3,373	Increase in underlying need to borrow (unsupported by Government financial assistance)	9,276
17,156	Movement in Assets acquired under PFI or similar Contracts	(3,535)
18,275	**Increase in Capital Financing Requirement**	**13,232**

22 Capital Commitments

Council approved the General Fund Investment Plan and the Housing Investment Plan for 2018-2021 on 15 February 2018. The current contractually committed schemes contained within the approved plan comprise of:

31 March 2017 £000s		31 March 2018 £000s
805	Adult Social Care	0
1,625	Central Services	2,830
329	Children's & Education Services	2,230
10,505	Environment & Regulatory Services	9,018
5,271	Highways & Transport	2,686
10,025	Housing Services	8,292
10,918	Planning	2,230
39,478		**27,286**

Major schemes within the above totals include:

	£000s
Street Lighting PFI	8,337
HRA Housing Services	7,919
Local Transport Plan & Highways	2,686
Coastal Regeneration	2,210
Backworth Park Primary – Relocation & Expansion	1,984
ICT Projects	1,090
Operational Depot Accommodation Review	1,546

23 Long Term Investments

31 March 2017 £000s		31 March 2018 £000s
10,784	£1 Ordinary shares in Newcastle Airport Local Authority Holding Company Ltd	10,784
1,350	£1 Ordinary shares in North Tyneside Trading Company	2,980
0	Kier North Tyneside Limited – 200 £1 “A” ordinary shares	0
12,134		**13,764**

Newcastle Airport Local Authority Holding Company Ltd

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 £10.784m. 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 that would materially change the valuation. As no such events have occurred during 2017/18 the valuation remains unchanged. The last valuation is based on the sale of shares to AMP Capital Investors Limited in 2012.

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.

A dividend of £0.886m was received for the year ended 31 December 2017 (£2.722m for the year ended 31 December 2016).

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 £6.884m and a profit after tax of £4.408m for the year ended 31 December 2017. In the previous year, the Group made a loss before tax of £2.266m and a loss after tax of £0.499m.

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 maintains 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 runs to 31 March 2019. The Authority has decided not to grant the optional 5 year contract extension and the services will be transferring back to the Authority on 1 April 2019. Between 1 April 2017 and 31 March 2018, Kier North Tyneside Limited invoiced the Authority £40.895m (net of VAT) (£40.682m in 2016/17) for completed works and services.

In respect of revenue works, the Authority paid monthly cash-flow payments to Kier North Tyneside Limited of £13.281m from April 2017 through to March 2018. 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 2018 was £1.215m net of VAT.

The Authority received a dividend of £0.250m during 2017/18 (£0.350m in 2016/17) 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 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. They remained dormant companies up to and including the financial year ending 31 March 2015. In order to deliver part of the Authority's affordable homes programme, North Tyneside Trading Company (Development) Limited was incorporated on 22 June 2015.

The intention was that North Tyneside Trading Company (Development) Limited commenced housing operations by developing sites across the borough within the first 3 years of trading with the capacity to provide up to 107 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 (a mix of 2 storey houses and apartments) on the Reed Avenue site in Camperdown to be let at an affordable rent. Late in the 2016/17 financial year, 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 9 homes have been purchased. All of these properties are now tenanted.

During 2016/17, two further subsidiaries of North Tyneside Trading Company Limited were incorporated, Aurora Properties (Sale) Limited – 25 March 2017 and Aurora Properties (Rental) Limited – 1 March 2017. 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. No activity has taken place during 2017/18 in respect of Aurora Properties (Rental) Limited. Aurora Properties (Sale) has started worked on its first two sites during 2017/18 – Wallington Court on the Marden Estate and the Avenue site in Whitley Bay.

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 2017/18 financial year 1,630,000 £1 Ordinary Shares were purchased in North Tyneside Trading Company by the Authority which in turn purchased £1,124,000 of equity in North Tyneside Trading Company (Development) Limited and £506,000 of equity in Aurora Properties (Sale) Limited. In addition, £759,000 of loan funding was provided to North Tyneside Trading Company Limited who in turn made equivalent loans to Aurora Properties (Sale) Limited. 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 2018 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 2018, but which should be repaid within one year. The figures below are net of impairment allowances set aside.

31 March 2017 £000s		31 March 2018 £000s
11,215	Central Government Bodies	6,369
1,284	Other Local Authorities	596
7,752	NHS Bodies	3,262
39,989	Other Entities and Individuals	42,416
60,240	**Total**	**52,643**

This year the Authority set aside a sum of £17.176m (£16.034m 2016/17) to cover bad and doubtful debts. Of this £7.874m (£7.566m 2016/17) relates to the General Fund, £2.844m (£2.749m 2016/17) relates to the Housing Revenue Account and £6.458m (£5.719m 2016/17) relates to the Collection Fund.

25 Cash and Cash Equivalents

31 March 2017 £000s		31 March 2018 £000s
112	Cash held by the Authority	107
9,770	Schools Cash at Bank	9,632
(10,973)	Bank Current Accounts	(11,729)
5,200	Short term deposits	16,400
4,109	**Total**	**14,410**

26 Short Term Borrowing

31 March 2017 £000s		31 March 2018 £000s
(19,050)	Public Works Loans Board (PWLB)	(18,126)
(97,818)	Market Loans (including other local authorities)	(117,981)
(160)	Lender's Option Borrower's Option (LOBO)	(10,160)
(117,028)	**Total**	**(146,267)**

27 Short Term Creditors

The table below shows an analysis of the Authority's creditors as at the 31 March 2018.

31 March 2017 £000s		31 March 2018 £000s
(5,954)	Central Government Bodies	(6,107)
(1,845)	Other Local Authorities	(756)
(2,664)	NHS Bodies	(182)
(25,797)	Other Entities and Individuals	(32,109)
(36,260)	**Total**	**(39,154)**

28 Provisions

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

	Long Term	Short Term	
	Estimated Insurance Liabilities (a) £000s	General Provisions (b) £000s	Total £000s
Balance at 1 April 2016	(4,394)	(2,635)	(7,029)
Additional provisions	0	(203)	(203)
Amounts written off	0	477	477
Amounts used	920	565	1,485
Balance at 31 March 2017	**(3,474)**	**(1,796)**	**(5,270)**

	Long Term	Short Term	
	Estimated Insurance Liabilities (a) £000s	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)**

(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 elements of the general provisions relate to Redundancy Costs of £0.107m, Equal Pay of £0.149m and Business Rates Appeals of £1.424m (see Note 34 for details of a Contingent Liability in respect of Business Rates).

The redundancy costs provision has been set aside to cover costs associated with anticipated redundancies.

Under the Equal Pay Act 1970 as modified by the Equal Pay Act (Amendment) Regulations 2003 employees have a right to claim compensation from their employer for failing to give equal pay for work of equal value. There remains the potential for some claims and a provision has been set aside to cover this eventuality.

The provision in relation 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,

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 2018 is a principal of £318.443m. The following table analyses the debt by lender and maturity:

31 March 2017 £000s		31 March 2018 £000s
	(a) by lender category	
(303,443)	Public Works Loan Board (PWLB)	(308,443)
(20,000)	Lender's Option Borrower's Option (LOBO) – Europaise Hypothekenbank	(10,000)
(323,443)		(318,443)
	(b) by maturity	
(25,000)	Maturing between 1 and 2 years	(6,000)
(17,000)	Maturing between 2 and 5 years	(16,000)
(17,575)	Maturing between 5 and 10 years	(20,575)
(263,868)	Maturing more than 10 years	(275,868)
(323,443)		**(318,443)**

30 Long Term Creditors

The table below shows an analysis of the Authority's creditors as at 31 March 2018.

31 March 2017 £000s		31 March 2018 £000s
(25)	Central Government Bodies	(25)
(2,996)	Other Entities and Individuals	(2,132)
(3,021)	**Total**	**(2,157)**

31 Useable Reserves

31 March 2017 £000s		31 March 2018 £000s
51,380	General Fund Balances and Reserves (See Note 32)	58,035
27,633	Housing Revenue Account Balance and Reserves (See Note 32)	28,903
5,501	Capital Receipts Reserve	7,015
2,231	Major Repairs Reserve	2,231
5,521	Capital Grants Unapplied	4,211
92,266	**Total Useable Reserves**	**100,395**

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 144-155.

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. 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 MRR is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRR that has yet to be applied at year end. See page 149 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 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
Street Lights PFI Reserve	338	(223)	3,600	3,715
Redundancy Reserve	1,500	(916)	1,611	2,195
Schools PFI Lifecycle costs (capital)	2,470	(31)	265	2,704
Education PFI Reserve	1,790	0	234	2,024
MRP Reserve	0	0	2,000	2,000
Dudley & Shiremoor Joint Service Centres	2,172	(1,035)	0	1,137
Whitley Bay Customer First Centre PFI	1,587	(894)	0	693
General Fund Reserves (individually under £1.000m)	2,775	(405)	2,761	5,131
Weekly Waste Collection 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**

	Balance 1 April 2016 £000s	Transfers out 2016/17 £000s	Transfers in 2016/17 £000s	Balance 31 March 2017 £000s
General Fund Balances				
School Balances	6,983	(1,996)	0	4,987
General Fund	6,604	0	0	6,604
Total General Fund Balances	13,587	(1,996)	0	11,591
General Fund Reserves				
Strategic Reserve	15,210	(4,134)	2,854	13,930
Insurance Reserve	5,182	(1,009)	2,710	6,883
Support Change Fund Programme	4,194	0	0	4,194
Schools PFI Lifecycle costs (capital)	2,443	(246)	273	2,470
Dudley & Shiremoor Joint Service Centres	1,994	(60)	238	2,172
Redundancy Reserve	1,980	(1,695)	1,215	1,500
Education PFI Reserve	1,777	(77)	90	1,790
Whitley Bay Customer First Centre PFI	1,177	0	410	1,587
General Fund Reserves (individually under £1.000m)	3,854	(1,844)	1,391	3,401
Dedicated Schools Grant	643	(643)	0	0
Weekly Waste Collection Grant	1,261	(999)	170	432
Transformation Challenge Grant	1,000	(1,000)	0	0
Other Grants (individually under £1.000m)	2,365	(2,224)	1,289	1,430
Total General Fund Reserves	43,080	(13,931)	10,640	39,789
Total General Fund Balances & Reserves	56,667	(15,927)	10,640	51,380
HRA Balances & Reserves				
HRA Balances	4,388	0	1,578	5,966
North Tyneside Living PFI Reserve	10,250	0	3,113	13,363
New Build Council Housing	3,859	0	1,071	4,930
Housing PFI Lifecycle Costs	1,479	0	753	2,232
HRA Reserves (individually under £1.000m)	916	(51)	277	1,142
Total HRA Balances & Reserves	20,892	(51)	6,792	27,633
Total Balances & Reserves	**77,559**	**(15,978)**	**17,432**	**79,013**

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	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 Reserve	Reserve to meet the expected cost of redundancies arising from the Change Programme.
Schools PFI Lifecycle Costs	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 Lights 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.
Minimum Revenue Provision (MRP) Reserve	Reserve to mitigate the revised regulations in respect of MRP in future years.

33 Unuseable Reserves

31 March 2017 £000s		31 March 2018 £000s
145,300	Revaluation Reserve	255,800
10,549	Available for Sale Reserve	10,549
458,099	Capital Adjustment Account	481,197
(1,273)	Financial Instruments Adjustment Account	(1,267)
(455,000)	Pensions Reserve	(483,836)
1,173	Deferred Capital Receipts Reserve	1,171
(300)	Collection Fund Adjustment Account	1,129
(4,138)	Accumulated Absences Account	(4,549)
154,410	**Total Unuseable Reserves**	**260,194**

33(a) Revaluation Reserve

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

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

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

2016/17 £000s		2017/18 £000s	
112,307	**Balance at 1 April**		145,300
64,941	Upward revaluation of assets	125,558	
(15,268)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(7,133)	
49,673	Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Services		118,425
(10,159)	Difference between fair value depreciation and historical cost depreciation	(6,651)	
(6,521)	Accumulated gains on assets sold or scrapped	(1,274)	
(16,680)	Amount written off to the Capital Adjustment Account		(7,925)
145,300	**Balance at 31 March**		**255,800**

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.

2016/17 £000s		2017/18 £000s
10,549	**Balance at 1 April**	10,549
0	Accumulated gains on revaluation of assets	0
10,549	**Balance at 31 March**	**10,549**

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.

2016/17 £000s		2017/18 £000s	
382,245	**Balance at 1 April**		458,099
	Reversal of items relating to capital expenditure debited or credited to the CIES		
(48,537)	Charges for depreciation & impairment of non current assets	(50,252)	
33,716	Revaluation gains/(losses) on Property, Plant & Equipment	21,427	
(92)	Amortisation of intangible assets	(371)	
(1,668)	Revenue expenditure funded from capital under statute	(1,149)	
746	Revenue expenditure funded from capital under statute (Grant Funded)	911	
(28,571)	Amounts of non current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(18,202)	
(44,406)			(47,636)
16,680	Adjusting amounts written out of the Revaluation Reserve		7,925
(27,726)	**Net written out amount of the cost of non current assets consumed in the year**		**(39,711)**
	Capital financing applied in the year:		
574	Use of the Capital Receipts Reserve to finance new capital expenditure	2,427	
14,281	Use of the Major Repairs Reserve to finance new capital expenditure	12,026	
61,959	Capital grants & contributions credited to the CIES that have been applied to capital financing	20,541	
3,553	Application of grants to capital financing from the Capital Grants Unapplied Account	4,880	
17,353	Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	12,665	
5,765	Capital expenditure charged against the General Fund & HRA balances	10,269	62,808
95	Movements in the market value of investment Property debited or credited to the CIES		1
458,099	**Balance at 31 March**		**481,197**

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.

2016/17 £000s		2017/18 £000s	2017/18 £000s
(1,050)	**Balance at 1 April**		(1,273)
33	Proportion of premiums incurred in previous financial years to be charged in accordance with statutory requirements	33	
(256)	Proportion of discounts received in previous financial years to be credited in accordance with statutory requirements	(27)	
(223)	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		6
(1,273)	**Balance at 31 March**		**(1,267)**

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.

2016/17 £000s		2017/18 £000s
(385,880)	**Balance at 1 April**	(455,000)
(64,230)	Remeasurement of the net defined benefit liability	(19,310)
(34,550)	Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits	(37,690)
29,660	Employer's pensions contributions and direct payments to pensioners payable in the year included in the Provision of Services	28,164
(455,000)	**Balance at 31 March**	**(483,836)**

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.

2016/17 £000s		2017/18 £000s
1,175	**Balance at 1 April**	1,173
(2)	Transfer to the Capital Receipts Reserve upon receipt of cash	(2)
1,173	**Balance at 31 March**	**1,171**

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.

2016/17 £000s		2017/18 £000s
(1,561)	**Balance at 1 April**	(300)
1,261	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	1,429
(300)	**Balance at 31 March**	**1,129**

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.

2016/17 £000s		2017/18 £000s	2017/18 £000s
(3,015)	**Balance at 1 April**		(4,138)
(1,143)	Adjustment to the accrual required	(244)	
20	Adjustment to the debtor in respect of leave & flexi taken in advance	(167)	
(1,123)	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		(411)
(4,138)	**Balance at 31 March**		**(4,549)**

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 2018, 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 2017	8,930	(3,943)	4,987
Net underspend/(overspend) during year	141	(1,773)	(1,631)
Balance at 31 March 2018	**9,071**	**(5,716)**	**3,356**

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 Department for Education (DfE). 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 2014. 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 2017/18 are as follows:

	Central Expenditure £000s	Individual Schools budget £000s	Total £000s
Final DSG for 2017/18 before Academy recoupment			145,819
Academy figure recouped for 2017/18			(12,226)
Total DSG after Academy recoupment for 2017/18			133,593
Brought forward from 2016/17 as agreed with the Department for Education			(471)
Agreed initial budgeted distribution in 2017/18	5,146	127,976	133,122
In year adjustments	0	(3)	(3)
Final budgeted distribution for 2017/18	5,146	127,973	133,119
Less actual central expenditure	(5,232)	0	(5,232)
Less actual ISB deployed to schools	0	(127,767)	(127,767)
Carry forward to 2018/19	**(86)**	**206**	**120**

37 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 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 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 2017/18, 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.

2016/17 £000s		2017/18 £000s	2017/18 £000s
	Contributions		
1,307	North Tyneside Council (Non Pooled)	1,417	
0	North Tyneside Council (Pooled)	5,043	
15,724	North Tyneside Clinical Commissioning Group (Pooled)	15,539	
17,031	**Total Contributions**		**21,999**
	Spend		
797	North Tyneside Council spend in year (Non Pooled)	894	
510	North Tyneside Council – grant carry forward (Non Pooled)	523	1,417
9,982	North Tyneside Council spend in year (Pooled)	14,507	
0	North Tyneside Council carry forward (Pooled)	0	
5,742	North Tyneside Clinical Commissioning Group spend in year (Pooled)	6,075	20,582
17,031	**Total Spend**		**21,999**

38 Financial Instruments

Categories of Financial Instrument

The following categories of Financial Instrument are carried on the balance sheet:

	Long-term		Current	
	31 March 2017 £000s	31 March 2018 £000s	31 March 2017 £000s	31 March 2018 £000s
Investments				
Loans and receivables	771	1,763	621	921
Available-for-sale financial assets	12,134	13,764	0	0
	12,905	15,527	621	921
Debtors	80	80	31,251	26,445
Total Financial Assets	**12,985**	**15,607**	**31,872**	**27,366**
Borrowings				
Financial Liabilities at amortised cost – loans principal	323,443	318,443	113,454	146,267
Financial Liabilities at amortised cost – loans accrued interest	n/a	n/a	3,574	3,556
	323,443	318,443	117,028	149,823
Other Long Term Liabilities				
PFI Schemes	120,868	117,444	3,525	3,677
	120,868	117,444	3,525	3,677
Creditors	187	0	16,544	19,694
Total Financial Liabilities	**444,498**	**435,887**	**137,097**	**173,194**

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:

	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 gain/(loss) for the year	**(23,476)**	**103**	**1,136**	**(22,237)**

	2016/17			
	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	(15,312)	0	0	(15,312)
Interest on PFI Schemes	(7,452)	0	0	(7,452)
Total Interest Payable	(22,764)	0	0	(22,764)
Interest Income	0	88	0	88
Dividend Received	0	0	3,047	3,047
Net gain/(loss) for the year	**(22,764)**	**88**	**3,047**	**(19,629)**

Fair value of Financial Assets

Some of the Authority's assets are measured on the Balance Sheet at fair value on a recurring basis and are described in the following table, including valuation techniques used to measure them:

Financial Asset	Input Level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31 March 2017 Fair Value £000s	31 March 2018 Fair Value £000s
Newcastle Airport	Level 2	Observable based on past transactions	10,784	10,784
North Tyneside Trading Company	Level 2	Cost of Shares	1,350	2,980

The Authority holds a 6.33% share in Newcastle International Airport Limited. These shares are not traded in an active market. The fair value shown above has been based on valuation techniques that are observable for the asset based on past transactions. 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.

Fair Value of Financial Assets and Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial assets carried at fair value (shown in the table above), all other financial assets and liabilities are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2), using the following assumptions:

- The fair value of trade and other receivables and payables is taken to be the invoiced or billed amount. Cash at bank is held at the nominal value, as disclosed on the face of the Balance Sheet and is not included in the financial instruments information;
- 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 2018 for loans based on the market rate for an instrument with the same duration and no early repayment or impairment is recognised; and
- The fair value of the PFI liabilities is 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.

The fair values are calculated as follows:

	Carrying Amount		Fair Value	
	31 March 2017 £000s	31 March 2018 £000s	31 March 2017 £000s	31 March 2018 £000s
PWLB loans	322,493	326,569	411,878	412,175
Lender option borrower option loan	20,160	20,160	33,595	33,064
Market loans (including other local authorities)	97,818	117,981	97,752	117,982
PFI Contracts	124,393	121,121	124,393	121,121
Total Financial liabilities	**564,864**	**585,831**	**667,618**	**684,342**

The fair value is greater than the carrying value because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above the current market rates increases the amount that the Authority would have to pay if the lender requested or agreed to the early repayment of the loans.

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.

The following analysis shows the Authority's estimated credit risk for its financial assets. It is based on experience of default and uncollectability of trade debtors, adjusted for current market conditions. The deposits with financial institutions relate to short-term investments placed at the year-end.

	31 March 2018 £000s	Estimated maximum exposure to default and uncollectability £000s
Customers (gross)*	37,164	10,719

*The amount shown as being due from customers is the gross debtors figure. Based on our experience of debt management, it is prudent to make a bad debt provision for debt that may not be collectable. The calculation of the provision takes into account the age of the debt for the General Fund and the value of the debt for the Housing Revenue Account. At 31 March 2018 this provision is £10.719m and the debtor figure included within the Balance Sheet is net of this provision.

The Authority does not generally allow credit for its debtors. Trade debtors account for £12.605m of the gross debtors balance disclosed above. £7.224m of the trade debtors balance is more than one month, i.e. past its due date, and can be analysed as follows:

31 March 2017 £000s		31 March 2018 £000s
1,529	1-3 months	1,078
168	3-6 months	1,607
585	6-12 months	1,024
1,885	Over 1 year	3,515
4,167	**Total**	**7,224**

No credit limits were exceeded during the financial year ended 31 March 2018 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 2017 £000s		31 March 2018 £000s
117,027	Less than 1 year	146,267
25,000	Between 1 and 2 years	6,000
17,000	Between 2 and 5 years	16,000
17,575	Between 5 and 10 years	20,575
263,868	More than 10 years	275,868
440,470		**464,710**

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 a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowings will fall;
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; 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. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound.

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 2017/18.

According to this investment strategy, as at 31 March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2017 £000s		31 March 2018 £000s
0	Change in fair value of fixed rate investments	0
68,073	Decrease in fair value of fixed rate borrowing liabilities (which does not have an impact on the Comprehensive Income and Expenditure Statement)	61,782

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 £2.980m and as such is not deemed material.

The Authority also holds an investment in Newcastle Airport Local Authority Holding Company Ltd. The shares held by LA7 are not held for trading outside of the local authorities as outlined 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.

39 Notes to the Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

2016/17 £000s		2017/18 £000s
127	Interest Received	146
(23,104)	Interest Paid	(23,591)
3,047	Dividends Received	1,136

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

2016/17 £000s		2017/18 £000s
48,537	Depreciation & Impairment	50,252
(33,716)	Revaluations	(21,427)
92	Amortisation of intangible assets	371
1,816	Increase in Creditors	1,066
(41,159)	Donated Assets	0
(11,925)	(Increase)/Decrease in Debtors	6,334
27	Decrease in Inventories	10
4,890	Pension Liability	(8,171)
28,571	Carrying amount of non-current assets sold	18,201
(1,856)	Other non-cash items charged to the surplus/deficit on the provision of services	312
(4,723)		46,948

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

2016/17 £000s		2017/18 £000s
(6,123)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,014)
(66,549)	Any other items for which the cash effects are investing or financing cash flows	(25,022)
(72,672)		(35,036)

40 Notes to the Cash Flow – Investing Activities

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

2016/17 £000s		2017/18 £000s
(59,195)	Purchase of Property, Plant & Equipment, investment property and intangible assets	(70,576)
(1,444)	Purchase of short and long term investments	(1,930)
0	Other payments for investing activities	(995)
6,123	Proceeds from the sale of Property, Plant & Equipment, investment property and intangible assets	10,016
2	Deferred Capital Receipts received	2
66,314	Other receipts from Investing Activities	27,285
11,800	**Net Cash Flows from Investing Activities**	**(36,198)**

41 Notes to the Cash Flow – Financing Activities

2016/17 £000s		2017/18 £000s
116,783	Cash receipts of short and long term borrowing	202,493
(114,746)	Repayment of short and long term borrowing	(178,343)
(2,416)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,525)
(22)	Other payments for financing activities	(836)
(401)	**Net Cash Flows from Financing Activities**	**19,789**

5.0 Supplementary Financial Statements and Explanatory Notes

5.1 Housing Revenue Account – Income & Expenditure Statement for year ended 31 March 2018

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.

2016/17 £000s		Note	2017/18 £000s	2017/18 £000s
	Expenditure			
11,455	Repairs & Maintenance		11,546	
9,489	Supervision and Management		10,115	
1,417	PFI Unitary Charge Payments		1,629	
672	Rents, Rates, Taxes and other charges		654	
422	Movement in the allowance for bad debts	45	366	
(21,765)	Capital Charges – including Depreciation, Revaluation and Impairment of non current assets	48 & 53	9,796	
1,690	Total Expenditure			34,106
	Income			
(57,474)	Dwelling rents (Gross)		(57,076)	
(642)	Non-dwelling rents (Gross)		(645)	
(2,638)	Charges for services and facilities		(2,783)	
(2,592)	Contributions towards expenditure		(2,975)	
(7,693)	PFI Credits		(7,693)	
(71,039)	Total Income			(71,172)
(69,349)	**Net cost of HRA services as included in the Comprehensive Income & Expenditure Statement**			**(37,066)**

2016/17 £000s		Note	2017/18 £000s	2017/18 £000s
317	HRA service's share of Central Costs		317	
2,488	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		2,476	2,793
(66,544)	**Net Income for HRA Services**			**(34,273)**
	HRA Share of the operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
1,139	(Gain)/Loss on disposal of HRA non-current assets		(1,197)	
14,555	Interest payable and similar charges		15,575	
(48)	Interest and investment income		(52)	
425	Pensions interest cost and expected return on pensions assets	49	384	14,710
(50,473)	**(Surplus) for the year on HRA Services**			**(19,563)**

5.2 Movement on the Housing Revenue Account Statement

2016/17 £000s		2017/18 £000s
20,892	Balance on the HRA at the end of the previous year	27,633
50,473	Surplus for the year on the HRA Services	19,563
(43,732)	Adjustments between accounting basis and funding basis under statute	(18,293)
6,741	Increase in year on the HRA	1,270
27,633	**Balance on the HRA at the end of the year**	**28,903**

5.3 Explanatory notes to the Housing Revenue Account

42 Housing Stock

The Authority was responsible for managing 14,767 dwellings at 31 March 2018 compared with 14,924 at 31 March 2017. The net reduction of 157 properties includes 160 properties sold, 3 properties disposed of subject to closure or a change of use and the addition of 6 new build properties.

The number of empty properties included in the above figures as at 31 March 2018 stands at 236 compared with 486 at 31 March 2017.

The stock is made up as follows:

1 April 2017		**31 March 2018**
	Low Rise Flats	
1,529	- 1 Bed	1,539
1,038	- 2 Bed	1,032
115	- 3+ Bed	114
	Medium Rise Flats	
564	- 1 Bed	562
1,156	- 2 Bed	1,149
61	- 3+ Bed	61
	Houses and Bungalows	
1,566	- 1 Bed	1,566
3,061	- 2 Bed	3,028
5,483	- 3 Bed	5,369
351	- 4+ Bed	347
14,924	**Total**	**14,767**

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 2017 £000s		31 March 2018 £000s
615,271	Houses	656,410
2,075	Land & Buildings	1,977
1,238	Vehicles, Plant & Equipment	1,498
4,000	Assets Held for Sale	0
10	Infrastructure	9
0	Intangibles	3
501	Assets Under Construction	2,930
623,095		**662,827**

44 Vacant Possession

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

1 April 2017 £ms		31 March 2018 £ms
1,250	Vacant Possession Value of HRA Dwellings	1,331

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 2017/18 (44% 2016/17).

As a consequence the Authority recognises council dwellings at a value of £585.633m on the Balance Sheet. The value of these properties if vacant would be £1,330.984m, therefore recognising an economic cost to the government of providing council housing at less than open market rents of £745.351m.

45 Rent Arrears and Bad Debt Allowance

Overall rent arrears have increased by £0.175m during 2017/18, from £3.574m at 31 March 2017 to £3.749m at 31 March 2018. These figures include rent, service charge and water rate arrears.

	£000s	£000s
Opening Rent Arrears at 1 April 2017 - consisting of:		
Current Tenant Arrears at 1 April 2017	2,025	
Former Tenant Arrears at 1 April 2017	1,549	3,574
Closing Rent Arrears at 31 March 2018 - consisting of:		3,749
Current Tenant Arrears at 31 March 2018	2,112	
Former Tenant Arrears at 31 March 2018	1,637	

The provision for bad debt required at 31 March 2018 is £2.845m compared with £2.749m at 31 March 2017, an increase of £0.096m. Bad debts of £0.270m were written off during the year, and a contribution of £0.366m was made:

2016/17 £000s		2017/18 £000s
2,459	Opening Provision for Bad Debt at 1 April	2,749
(132)	Bad debts written off during year	(270)
422	Additional contributions to bad debt provision during year	366
2,749	**Provision for Bad Debts at 31 March**	**2,845**

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 represents 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:

2016/17 £000s		2017/18 £000s
1,685	Balance as at 1 April	2,231
15,627	Depreciation transferred into MRR	12,026
(14,281)	Financing of HRA capital expenditure: Houses	(12,026)
(800)	Set aside for debt repayment	0
2,231	**Balance as at 31 March**	**2,231**

47 Housing Capital Expenditure and Financing

Capital expenditure of £23.531m was incurred in the HRA during 2017/18.

2016/17 £000s		2017/18 £000s
20,631	Houses	23,531
154	Revenue Expenditure Funded from Capital under Statute	0
20,785		**23,531**

This was financed as follows:

2016/17 £000s		2017/18 £000s
14,281	Major Repairs Reserve	12,026
5,459	Revenue Contribution	9,595
161	Usable Capital Receipts – RTB Retained	764
0	Usable Capital Receipts - other	996
884	Grants	150
20,785		**23,531**

Total Gross Capital Receipts:

2016/17 £000s		2017/18 £000s
5,632	Houses	7,758
264	Land	478
5,896		**8,236**

48 Depreciation for HRA Assets

The charges for depreciation within the HRA for 2017/18 were as follows:

2016/17 £000s		2017/18 £000s
15,176	Houses	13,635
413	Vehicles, Plant & Equipment	385
38	Land & Buildings	39
0	Other	0
15,627		**14,059**

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 2017/18 in accordance with IAS19 were as follows:

2016/17 £000s		2017/18 £000s
287	Allocated to Services	527
425	Interest on Net Defined Benefit Liability	384
(712)	Movement on Pension Reserve	(911)

50 Furniture Reserve

A Furniture Reserve of £0.100m was created during 2006/07 to fund a rolling programme of refurbishments to the Direct Access Units and Dispersed Units. This fund is held on the Balance Sheet, to be drawn down and replenished as appropriate from the furniture charges collected from each of the units. The service has been reconfigured to reflect a new service and it is envisaged that there will be future refurbishment required which this reserve will help to fund.

2016/17 £000s		2017/18 £000s
154	Balance as at 1 April	145
(9)	Drawdown to fund spend	(47)
0	Additional contributions to fund	0
145	**Balance as at 31 March**	**98**

51 Solar PhotoVoltaic (PV)

During 2011/12 North Tyneside Council entered into a concession agreement with EON UK Sustainable Energy Ltd to install solar photovoltaic panels where suitable onto its social housing stock. This resulted in the installation of 1,463 solar PV arrays during 2011/12. As part of the contract signed with EON the Authority incurred no direct costs for these installations. EON pays the Authority an annual roof rental sum per property based on the number of installations index-linked for the 25 years that the concession will operate.

In addition EON paid upfront an agreed sum of £0.150m which was used to create a Green Fund to fund sustainable works to other Council housing which could not benefit from solar PV. This Green Fund is supplemented annually with the roof rental payments to provide a regular stream of income for green works. Each year, once suitable works have been identified and agreed by the Elected Mayor and Cabinet, the funding will be drawn down to finance the necessary works. No works were undertaken in 2017/18, the last works undertaken were in 2013/14 when £0.210m was spent on voltage optimisers as a pilot scheme.

EON were invoiced for a further £0.076m of roof rental payments in 2017/18 and the Authority also received a gain-share payment of £0.004m for the excess electricity generated and exported back to the National Grid. Hence, the Green Fund contained a balance of £0.540m at the end of 2017/18.

EON also paid upfront an agreed amount of £0.225m in lieu of a parent company guarantee which the Authority requires to set aside as a risk pot against future potential 'compensation events' identified in the contract. In 2017/18 there were 7 compensation events resulting in the removal of solar PV systems, which resulted in total compensation payments of £0.036m from the risk pot.

2016/17 £000s		**2017/18 £000s**
	Solar PV – Risk Pot	
102	Balance as at 1 April	60
(42)	Drawdown to fund compensation events	(36)
0	Gain Share payments for maintenance on New Build properties	0
60	**Balance as at 31 March**	**24**

2016/17 £000s		**2017/18 £000s**
	Solar PV – Green Fund	
364	Balance as at 1 April	460
22	In year Gain-Share Payments from EON	4
74	In year Roof Rental Payments from EON	76
460	**Balance as at 31 March**	**540**

52 House-building Fund

As part of the budget setting process for 2012/13 Council agreed to the creation of a House-building Fund for the HRA. The seed funding for this reserve was provided by interest savings achieved on the additional HRA debt paid to the government as part of the self-financing settlement, which amounts to an estimated £0.717m per annum. In addition in 2013/14 the Authority had made provision for the potential impact of market interest rate changes on the final deal for the North Tyneside Living PFI deal which never materialised, hence the annual budget contribution was increased by £0.354m per annum taking the overall contribution for 2014/15 to £1.071m.

As at 1 April 2017 the balance on the account was £4.930m of which £4.692m had been allocated to finance the 2017/18 HRA Investment Plan new build programme, however due to re-programming in-year £4.430m of this financing was not required, and hence will be carried forward to fund the re-programmed works in 2018/19 and future years.

	2017/18 £000s
House-building Fund	
Balance as at 1 April 2017	4,930
Drawdown to Fund New Build Programme 2017/18	(422)
Budget Contribution 2017/18	0
Balance as at 31 March 2018	**4,508**

Of these sums identified 2017/18, £4.430m has already been allocated to the New Build Programme for 2018/19. The balance of funding i.e. £0.238m will be available to fund future HRA Investment Plan spend.

53 Capital Charges

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

2016/17 £000s		2017/18 £000s
15,627	Depreciation	14,059
29,882	Downwards Revaluations	428
4,572	Impairments	7,527
(72,000)	Revaluation Increases	(12,218)
154	Revenue Expenditure Funded from Capital Under Statute	0
(21,765)		**9,796**

54 Housing PFI Reserve

The North Tyneside Living PFI project (formerly known as the Quality Homes for Older People project) reached financial close on 26 March 2014, with S4NT (Solutions 4 North Tyneside) being awarded a 28 year Service Concession, to build 10 new sheltered schemes, and refurbish a further 16 schemes, and then maintain those properties over the life of the scheme, in a project worth over £300.000m.

S4NT is a consortium of Miller Construction (now Galliford Try) who carried out the construction and refurbishment works, Lovell (now Morgan Sindall) who will be responsible for day to day repairs and Equitix who are the main financial backers for the project.

This reserve has been created to provide the smoothing process which will match cost and income streams over the 28 years that the scheme will operate. In 2017/18 total contributions of £0.753m were made to the reserve as follows:

	2017/18 £000s
Balance as at 1 April 2017	13,363
Contributions to reserve in year as per Financial Model	369
Additional contributions to reserve	158
Interest earned on the reserve	226
Balance as at 31 March 2018	**14,116**

55 Revenue Expenditure funded from Capital under Statute

The amount of revenue expenditure funded from capital under statute in 2017/18 is nil (£0.154m 2016/17). The charges in 2016/17 relate mainly to statutory homeloss payments. A person is entitled to homeloss payments when they are displaced from their dwelling by a compulsory purchase order or similar.

56 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 £9.945m for 2017/18 (£10.278m 2016/17).

57 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 (£0.012m in 2017/18 and £0.027m in 2016/17) are included in the Net Cost of Services to reflect the true cost of the use of assets.

Interest payable and similar charges (£15.575m in 2017/18 and £14.555m in 2016/17) are charged after the Net Cost of Services.

5.4 Collection Fund Statement for year ended 31 March 2018

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.

2016/17 £000s		Note	2017/18 £000s	£000s	£000s
	Income		Business Rates	Council Tax	Total
(89,770)	Council Tax	58	0	(96,731)	(96,731)
35	Council Tax Benefits		0	16	16
(62,613)	Business Rates Receivable	59	(59,367)	0	(59,367)
(152,348)	**Total Income**		(59,367)	(96,715)	(156,082)
	Expenditure				
	Precepts, Demands & Shares:	60			
30,182	Central Government		26,853	0	26,853
108,231	North Tyneside Council Demand		26,316	84,403	110,719
5,315	Police and Crime Commissioner for Northumbria		0	5,723	5,723
4,938	Tyne & Wear Fire & Rescue Authority		537	4,518	5,055
148,666			53,706	94,644	148,350
	Distribution of Collection Fund Surplus:	61			
26	North Tyneside Council		0	371	371
2	Police and Crime Commissioner for Northumbria		0	25	25
2	Tyne & Wear Fire & Rescue Authority		0	20	20
30			0	416	416
	Charges to the Collection Fund:	62			
1,720	Write offs of Uncollectable Amounts		322	369	691
(434)	Increase/(decrease) in Provision for Appeals		0	0	0
(363)	Increase/(decrease) in Impairment Allowance		367	646	1,013
231	Cost of Collection		227	0	227
95	Disregarded Amounts		138	0	138
223	Transitional Protection Payment		2,851	0	2,851
1,472			3,905	1,015	4,920
150,168	**Total Expenditure**		57,611	96,075	153,686
(2,180)	(Surplus)/Deficit for the year		(1,756)	(640)	(2,396)
3,275	(Surplus)/Deficit as at 1 April		1,685	(590)	1,095
1,095	**(Surplus)/Deficit as at 31 March**	63	**(71)**	**(1,230)**	**(1,301)**

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.

58 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: (58,202 in 2017/18).

This basic amount of Council Tax for Band D property (£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*	161	(15)	146	5/9	81	(57)	5/9	(32)	49
A	48,936	(5,925)	43,011	6/9	28,674	(10,981)	6/9	(7,321)	21,353
B	15,222	(1,424)	13,798	7/9	10,732	(1,197)	7/9	(931)	9,801
C	18,505	(1,257)	17,248	8/9	15,332	(743)	8/9	(660)	14,672
D	7,492	(386)	7,106	9/9	7,106	(147)	9/9	(147)	6,959
E	3,488	(135)	3,354	11/9	4,099	(36)	11/9	(44)	4,055
F	1,142	(45)	1,097	13/9	1,585	(7)	13/9	(10)	1,575
G	356	(25)	331	15/9	552	(1)	15/9	(2)	550
H	13	(1)	12	18/9	24	0	18/9	0	24
	95,315	**(9,213)**	**86,103**		**68,185**	**(13,169)**		**(9,147)**	**59,038**

*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	59,038	98.50%	58,152
Add Payments in Lieu			50
2017/18 Council Tax Base			58,202

59 Non Domestic Rates (NDR) (Business Rates)

The NDR multipliers (the rate in the pound) are set annually by Central Government. For 2017/18, the standard rates multiplier was set at 47.9 pence in the pound and the small business multiplier was set at 46.6 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 2017/18 is £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 2018 was £151,380,899 (£148,870,998 at 31 March 2017).

60 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 2017/18 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:

2016/17 £000s		2017/18 £000s
78,653	North Tyneside Council Demand	84,403
5,315	Police and Crime Commissioner for Northumbria Precept	5,723
4,334	Tyne & Wear Fire & Rescue Authority Precept	4,518
88,302		**94,644**

61 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 2017/18, the estimated surpluses were as follows:

2016/17 £000s		2017/18 £000s
26	North Tyneside Council	371
2	Police and Crime Commissioner for Northumbria Precept	25
2	Tyne & Wear Fire & Rescue Authority Precept	20
30		**416**

62 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 2017/18 are £0.369m (£0.231m 2016/17) for Council Tax and £0.322m for NDR (£1.720m 2016/17).

Bad Debt provisions are re-calculated on an annual basis, and for 2017/18 the Council Tax bad debt provision has been increased by £0.646m (£0.612m 2016/17) and the NDR bad debt provision increased by £0.367m (decreased (0.363m) 2016/17).

The other significant item here is the provision for the NDR appeals as part of the Business Rates System £1.424m in 2017/18 (no change from £1.424m 2016/17).

63 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) £000s	Council Tax (Surplus) £000s
North Tyneside Council	(35)	(1,094)
Central Government	(35)	n/a
Police and Crime Commissioner for Northumbria Precept	n/a	(78)
Tyne & Wear Fire & Rescue Authority Precept	(1)	(58)
	(71)	**(1,230)**

6.0 2017/18 Annual Governance Statement

1.0 Scope of Responsibility

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

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

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

2.0 The purpose of the Governance Framework

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

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

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

The governance framework has been in place at North Tyneside Council for the year ended 31 March 2018 and up to the date of approval of the Annual Financial Report.

3.0 The Governance Framework

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

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

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

SUPPORTING PRINCIPLE

Behaving with integrity

EXAMPLES OF HOW THIS IS ACHIEVED

Code of Conduct for Members & employees

Member Development Programme

Leadership Forum

Individual Performance Reviews

Declarations of interests made at meetings

Standards Committee

Register of interests (Members & staff)

SUPPORTING PRINCIPLE

Demonstrating strong commitment to ethical values

EXAMPLES OF HOW THIS IS ACHIEVED

Organisation value statement is in place

Appraisal processes takes account of values & ethical behaviour

Procurement policy

Protocols for partnership working

Regular monitoring of Health & Safety, Equality & Diversity

SUPPORTING PRINCIPLE

Respecting the rule of law

EXAMPLES OF HOW THIS IS ACHIEVED

The Constitution

Governance arrangements & Scheme of Delegations in place across the Authority

Job descriptions

Committee support

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

Statutory provisions

Monitoring Officer provisions

2. CORE PRINCIPLE

Ensuring openness and comprehensive stakeholder engagement

SUPPORTING PRINCIPLE

Openness

EXAMPLES OF HOW THIS IS ACHIEVED

Annual Financial Report

Freedom of Information Act publication scheme

Online Council Tax information

Authority website

Compliance with Transparency Code

Record of decision making and supporting materials

Report pro-formas

Record of professional advice in reaching decisions

Mayor’s Listening Events

SUPPORTING PRINCIPLE

Engaging comprehensively with institutional stakeholders

EXAMPLES OF HOW THIS IS ACHIEVED

Engagement Strategy

Partnership framework

Partnership protocols

Record of public consultations

SUPPORTING PRINCIPLE

Engaging with individual citizens and service users effectively

EXAMPLES OF HOW THIS IS ACHIEVED

Community Conversations hosted by local Councillors

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

Mayor’s Listening Events

Tenant & Leaseholder Involvement Strategy

Authority’s website & use of social media

Joint Strategic Needs Assessment

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

SUPPORTING PRINCIPLE

Defining outcomes

EXAMPLES OF HOW THIS IS ACHIEVED

Our North Tyneside Plan 2016-2019

Creating a Brighter Future Programme

Joint Strategic Needs Assessment

Health & Wellbeing Strategy

North Tyneside Strategic Partnership

Service Plans

Change Programme Board

Performance Management Framework

Community engagement and involvement

SUPPORTING PRINCIPLE

Sustainable economic, social and environmental benefits

EXAMPLES OF HOW THIS IS ACHIEVED

The Investment Plan

Capital Investment Strategy

Strategic Property Group & Investment Programme Board

Corporate Performance Management

External Audit review

Regular budget monitoring

Record of decision making and supporting materials

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

SUPPORTING PRINCIPLE
Determining interventions

EXAMPLES OF HOW THIS IS ACHIEVED

Budget monitoring to Cabinet & Finance Sub-Committee

Regular meetings between Cabinet Members and Senior Officers

Service & Corporate Performance Reports

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

Evidence based policy making

SUPPORTING PRINCIPLE
Planning interventions

EXAMPLES OF HOW THIS IS ACHIEVED

All Council and Committee reports include a risk management section

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

Partnership framework

Communication strategy

Budget guidance and protocols

Corporate plans

SUPPORTING PRINCIPLE
Optimising achievement of intended outcomes

EXAMPLES OF HOW THIS IS ACHIEVED

Feedback surveys

Budgeting guidance and protocols

Financial strategy

Service plans

Corporate plans

5. CORE PRINCIPLE

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

SUPPORTING PRINCIPLE

Developing the entity's capacity

EXAMPLES OF HOW THIS IS ACHIEVED

Council Plan

Service Plans

Workforce plan

Organisational development plan

Member Development Programme

Shared Services Management Board

Protocols on Member/Officer Relations

SUPPORTING PRINCIPLE

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

EXAMPLES OF HOW THIS IS ACHIEVED

Learning & Development Framework

Member Development Programme

Leaders for the 21st Century Programme

Managers Development Programme

Releasing the Potential of the Workforce Programme

Leadership Forum

Appropriate training

Working with Members training

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

SUPPORTING PRINCIPLE

Managing risk

EXAMPLES OF HOW THIS IS ACHIEVED

Risk management procedures and protocol in place

Risk management is undertaken at strategic, corporate and operational level

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

Corporate whistle blowing policy in place

All Council and Committee reports include a risk management section

SUPPORTING PRINCIPLE

Managing performance

EXAMPLES OF HOW THIS IS ACHIEVED

Rigorous clearance process for Cabinet and Council reports

Calendar of dates for submitting, publishing and distributing timely reports

Publication of agendas and minutes of meetings

Agreement on the information that will be needed and timescales

Financial standards, guidance

Financial regulations and standing orders

SUPPORTING PRINCIPLE

Robust internal control

EXAMPLES OF HOW THIS IS ACHIEVED

Risk management strategy

Audit plan

Audit reports

Risk management strategy and policy in place

Annual Governance Statement

Audit Committee in place

Scheme of delegation is in place

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

SUPPORTING PRINCIPLE

Managing data

EXAMPLES OF HOW THIS IS ACHIEVED

Data management framework and procedures

Designated data protection officer

Data protection policies and procedures

Data quality procedures and reports

Data validation procedures

E-learning in place

Strategic Information Management Forum

Information Management Strategy

SUPPORTING PRINCIPLE

Strong public financial management

EXAMPLES OF HOW THIS IS ACHIEVED

Budget monitoring reports

Internal Audits

External Audits

Annual financial report

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

SUPPORTING PRINCIPLE

Implementing good practice in transparency

EXAMPLES OF HOW THIS IS ACHIEVED

Consultation during budget process

Website

Annual report

Compliance with Transparency Code

SUPPORTING PRINCIPLE

Implementing good practices in reporting

EXAMPLES OF HOW THIS IS ACHIEVED

Annual financial statements which include key points raised by external scrutineers

Annual Governance Statement

Format follows best practice

SUPPORTING PRINCIPLE

Assurance and effective accountability

EXAMPLES OF HOW THIS IS ACHIEVED

Recommendations have informed positive improvement

Annual Governance Statement

Standards Committee

External Audit completion reports

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

4.0 Review of effectiveness

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

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

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

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

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

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

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

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

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

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

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

- **Standards Committee** - The Standards Committee is responsible for the promotion and maintenance of high ethical standards within the Authority, helping to secure adherence to the Members' Code of Conduct, monitoring the operation of the Code within North Tyneside, the provision of training to members in relation to the Code and to requirements for disclosure of interests.

  The Committee also promotes and reviews the Whistleblowing Policy for Members and conducts hearings following investigation and determines complaints made against Councillors in respect of alleged breaches of the Code of Conduct (including following requests for review);

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

The Council's Director of Public Health and statutory Director of Adult Social Services and Children's Services form part of the Health & Wellbeing Board;

- **Corporate Assurance Group** – The Corporate Assurance Group consists of the Chief Executive, Deputy Chief Executive, statutory Director of Adult Social Services and Children's Services. The Group not only provides adequate and regular assurance for the statutory functions for Adult and Children's Services, but enables a strategic discussion of trends, pressures, special measures for specific establishments/service areas or client groups. It also enables the performance, engagement and resource commitment of partners to be kept under review, as well as providing a regular link with the Safeguarding Board Chairs.

  A primary function of the Group is to provide the evidence by which the Chief Executive, Elected Mayor and Cabinet Members fulfil their statutory responsibilities to adults and children within the borough – in both a retrospective scrutiny of performance and a forward view of pressures and challenges facing the services – which will inform corporate decisions on resources and capacity;

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

- **Risk Management Groups** – Risk Management is undertaken at operational, strategic and corporate level and is also a main element of managing our key projects and partnerships. The Authority's Senior Leadership Team takes an active part in ensuring that strategic risks are identified and managed taking into consideration the Authority's priorities. Those strategic risks that are exceptional in nature are managed at corporate level and are jointly owned by the relevant member of the Senior Leadership Team and Cabinet Member.

  All risks are reviewed on a regular basis by the relevant risk management group and governing body to ensure that they are being managed effectively, with progress reported to Senior Management, relevant Board, Senior Leadership Team, Cabinet, and the Audit Committee;

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

- **Partnerships** - a monthly Operational Partnership Board (OPB) is attended by key officers within the Council and the Partner. The Cabinet Member for Finance and Resources (for ENGIE) and the Cabinet Member for Housing and Transport (for Capita and Kier) also attends the relevant meeting. The OPB is the main interface between North Tyneside Council and ENGIE/Capita/Kier.

  It provides a forum for the day-to-day management of the Partnership and is responsible for ensuring that performance targets are met, that the payment and performance mechanism operates correctly, that a high-performance relationship and culture is developed and that problems or issues and contract variations are resolved. The OPB reviews performance and budget reports from the relevant Partner and any risks or issues escalated to it by ENGIE/Capita/Kier or the Commercial Services Team. The OPB escalates risks and issues to full Council, Cabinet or ENGIE/Capita/Kier as appropriate.

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

5.0 Overall assessment of Governance Arrangements in place

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

The annual report produced by the Chief Internal Auditor has been reviewed and there are no significant governance issues that were identified. See "Annual Governance Statement 2017/18" section of the Internal Audit Service report "2017/18 Opinion on the Framework of Governance, Risk Management and Control".

As a result of reviewing the evidence outlined, the Senior Leadership Team has taken the view that as a whole, the governance arrangements in operation during 2017/18 within the Authority were adequate.

5.1 <u>Outlook</u>

As a result of reviewing the evidence outlined in sections 3 and 4, together with the Authority's assurance statement, some issues were identified that will need to be monitored during 2018/19. These issues relate to the changing nature of the Authority and local government as a whole. If the Authority failed to address these challenges properly it may result in future governance issues. Outlined below is a summary of these key challenges:

Potential Governance Issue	**Factors Driving the Governance Issue**	**Controls identified in May 2018 Audit Committee Report**
Housing Revenue Account (HRA) – there is a risk that the Authority will be unable to protect its housing asset and services to tenants as a result of reduced income to the HRA.	Government policy on Welfare Reform has resulted in a number of direct challenges to rent collection, for example the Spare Room Subsidy and the Benefit Cap. Further Welfare Reform changes, including the implementation of Universal Credit and its revised payment period, and changes contained in the Housing & Planning Act 2016; reducing social housing rents by 1% each year for the next 4 years, mean that there will be less income and that income will be harder to collect.	• Any impact from changes in Government legislation is reflected in the HRA plan and approved by Cabinet as part of the annual review of the HRA. • Revised 30 year Capital Investment Plan is in place. • The Authority has representation on the MHCLG (Ministry of Housing, Communities and Local Government) and the CIPFA HRA working groups. Specific issues can be raised through these forums and the

Potential Governance Issue	Factors Driving the Governance Issue	Controls identified in May 2018 Audit Committee Report
	The Government's White Paper, Fixing Our Broken Housing Market, was published on 7 February 2017. The White Paper sets out the government's plans to boost the supply of new homes in England. As part of the White Paper, it seeks views on changes to planning policy and legislation in relation to planning for housing, sustainable development and the environment.	Authority can also comment and influence changes on HRA regulations. • The Financial Inclusion Strategy sets out how the Authority and its partners will support its residents to better manage their finances and maximise their income. • Self-service/agile working, through the implementation of self service and agile working overall costs should be reduced. • A watching brief will be kept on the implications of the White Paper and representations to Government will be made as appropriate.
HRA (Repairs & Maintenance) – there is a risk that NTC will not be in a position to deliver repairs and maintenance services to tenants by 1 April 2019	The Kier contract will cease at the end of 2018/19 and NTC will be required to deliver the services previously undertaken by Kier.	• Kier North Tyneside Review – Cabinet has established a steering group to oversee the project and consider options post 2019 in respect of the contract.
Implementation of Universal Credit Full Service – there is a risk on resident's finances both in them receiving the payment and their ability to manage their finances on a monthly basis. Risks also exist around the HRA if rent arrears increase as a result.	Universal Credit (Full Service) will be implemented on 2 May 2018 by Job Centres in North Tyneside. This brings families with children into scope. The potential impact on resident's finances and the delay in receiving initial payment is a concern.	• Mayor's Task Group on Welfare reform established for a number of years and has focused on Universal Credit for the last 18 months. • Partnership working with Community and Voluntary Sector and Job Centre Plus

Potential Governance Issue	Factors Driving the Governance Issue	Controls identified in May 2018 Audit Committee Report
	Resident's ability to make and maintain claims online and their ability to manage finances on a monthly basis is also a challenge. The impact on the HRA, as claimants receive their Housing element of Universal Credit directly and have to make payment to the Authority, (currently Housing Benefit paid direct to the Authority) is a challenge to maintain rent collection levels.	• Referral mechanisms established to support residents with ICT skills to claim and update Universal Credit claims as well as managing budgets • Promotion of Direct Debit – also use of alternative payment arrangements where appropriate to support vulnerable residents.
Impact of the Northumberland, Tyne & Wear and North Durham (NTWND) Sustainability & Transformation Plan (STP) - there are concerns about the extent to which the Authority has been a true partner in the development of the STP. The concern centres on the lack of engagement with local authorities and understanding the financial implications of the plans upon the ability of the Authority to deliver services to residents, such as, adult social care, children's services and public health.	The purpose of the STP in the NHS is to ensure that health and care services are based upon the needs of local populations in order to support the successful implementation of the NHS 5 Year Forward View (5YFV). STPs are intended to bring together key partners across Clinical Commissioning Groups (CCGs), Foundation Trusts, local authorities and other health and care service providers organised as STP 'footprints'. A footprint is the geographical area in which people and organisations are working together to develop plans to transform and sustain the delivery of health care services. North Tyneside CCG is required to develop a 2 year operational plan consistent with the local	• The Chief Executive has written to NHS England on behalf of the chief executives of all NECA (North East Combined Authorities) local authorities about the process of developing the STP. • The Head of Health, Education, Care and Safeguarding and the Chair of the Health and Wellbeing Board have been authorised by Cabinet to seek more detail on the plans for the NHS and to monitor the progress of the STP in North Tyneside. • A report was taken to Council on 23 March 2017 'Response to the Council motion on reduction of NHS services & implications of the STP in North Tyneside'. The report

Potential Governance Issue	Factors Driving the Governance Issue	Controls identified in May 2018 Audit Committee Report
	STP and the 5YFV, delivering core access and quality standards for patients and restoring and maintaining financial balance. The NTWND STP identifies a number of key transformational areas (improve health inequalities, improve the quality and experience of care, out of hospital collaboration, optimal use of the acute sector, transforming mental health and closing the financial gap). The financial gap could be as large as £641m by 2021 across Northumberland, Tyne & Wear and North Durham. NHS Planning Guidance 2016 requires CCGs to produce an Operational Plan 2016/17 to 2018/19 to cover the first 2 years implementation of the STP.	was agreed by Council and details the review of the STP and service reductions that have been undertaken. • STP related health matters continue to be discussed at Council • A watching brief will be kept on the implications of the Governments' Green Paper on Care and Support for Older People, due in summer 2018 and considerations will need to be made to any changes coming as a result.
Business Rates – There are a number of risks with new Government proposals to move to a 75% or 100% retention policy	There are ongoing discussions and moves by Central Government to implement 100% Business Rate Retention for Local Authorities. This initiative has been delayed in this parliament and latest position is consideration of 75% retention by local authorities by 2020/21. Increased retention will potentially give local authorities greater ability to plan for the long term, more financial	• A Task & Finish Group, Business Rates Retention, has been set-up to influence central government direction on the proposed Business Rates Retention system. This has involved the establishment by the Local Government Association (LGA) and MHCLG of an officer-level steering group and 3 working groups. The working groups meet

Potential Governance Issue	Factors Driving the Governance Issue	Controls identified in May 2018 Audit Committee Report
	independence and an increased incentive to generate growth as a greater percentage of business rates will be retained. However, a lack of business growth or the shutting of a business will have a negative impact on the Authority's revenues. The Authority will also have to bear an increased percentage of business rates appeals, this was previously 50%. The current business rates system has a safety net in place for those local authorities that see a reduction in business rate income by more than 7.5%. It is anticipated that this will stay in place, but this hasn't been confirmed.	regularly and cover service responsibilities, needs & redistribution, system design, accounting & accountability and business interests. • Presentations have been received from MHCLG both to the region and jointly to the Local Government Association. • The Authority considers and responds to consultations issued on the proposed changes to business rates. • Regular meetings are held with the Valuation Office. These meetings highlight any significant changes to the ratings list and the implications of the 2017 revaluations. • Weekly monitoring of the Valuation Office appeals data is carried out to gain an understanding of the Authority's position. • MHCLG continue to consult on business rate retention as it links in with the Government's Fair Funding Review and devolution of further responsibilities. • Proposals to change risk on appeals, Central Government bearing

Potential Governance Issue	Factors Driving the Governance Issue	Controls identified in May 2018 Audit Committee Report
		cost, with top slice to each authority's funding. • Valuation Office Agency have introduced new appeals process from 1 April 2017 called check, challenge, appeal which introduces additional processes to reduce the number of appeals made. Large reduction in number of appeals has been seen in first year of scheme. Council have made prudent judgement on potential impact of appeals on the Collection Fund accounts and monitor this on a monthly basis.
Creating a Brighter Future Programme (CBF) – there is a risk that if the CBF programme/Target Operating Model (TOM) are not successfully implemented the Authority may be unable to deliver improved services and meet the increased demand on Council services within reducing resources. There is a risk that budget monitoring does not fully align with the CBF and TOM.	Reductions in central government funding combined with increasing demand levels for council services has required the Authority to develop new ways of working. The Authority is aiming to deliver high quality services with fewer resources at its disposal. Any required savings are therefore required to fit with the CBF/TOM to ensure the Authority is still in a position to deliver the quality of services its residents expect. To enable the objectives of the CBF to be met it is important that the current monitoring processes that	• Governance framework – there are monthly Programme Board meetings via Senior Leadership Team (SLT). This ensures that there is visibility and accountability. • Regular updates are reported to Lead Member Briefings. This informs Cabinet Members of progress and of any issues. • The TOM addresses the financial challenge whilst enabling the Authority to deliver Our North Tyneside Plan and CBF priorities. A number of business cases have been put in

Potential Governance Issue	**Factors Driving the Governance Issue**	**Controls identified in May 2018 Audit Committee Report**
	are in place will enable robust financial and service challenges to continue throughout the year.	place to support the delivery of the TOM and reduction of cost. • A refreshed Joint Strategic Needs Assessment (JSNA) is in place which provides a new approach to needs assessment to provide an improved foundation for the CBF. • The CBF Programme Risk Register highlights and reports key risks attached to the strategic aims of the CBF programme. The CBF Board receive this report enabling informed decisions to be made. • The development and acceptance of the Efficiency Plan will secure the Revenue Support Grant (RSG) (subject to Central Government change) which will give a degree of certainty for the next 3 years.
Information Governance – there is a risk in relation to information governance that unless there are robust policies and systems in place and implemented there is a possibility that sensitive data may be lost. If the Authority fails to have robust policies in	Some information held by the Authority is extremely sensitive in nature which requires robust policies and systems to be in place to ensure that it is as secure as possible, and that staff are fully aware of the procedures that they need to follow when dealing with such information.	• Compulsory e-learning in respect of information sharing and information governance awareness training. It is mandatory for all staff handling information to undertake e-learning. • Strategic Information Management Forum. This is an assurance group which consists of

Potential Governance Issue	Factors Driving the Governance Issue	Controls identified in May 2018 Audit Committee Report
place there is a risk that the Data Protection Act could be breached leading to fines and compensation claims.	From May 2018 the General Data Protection Regulation (GDPR) will come into force. The GDPR sets out a number of new requirements for organisations. The new regulation places greater emphasis on accountability, for example informing residents in more detail about how the Authority will handle their data, shorter timescales for dealing with subject access requests and breaches, increased fines for non-compliance, data protection impact assessment (DPIA) must be carried out prior to commencing new processing activities, considering data privacy and protection at the start of a project (also known as Privacy by Design).	Heads of Service and Senior Managers. Their role is to help to ensure that the Authority's information governance, IT systems and processes are fit for purpose. The Group enables Senior Managers to ensure that consistency is applied to the approach to information governance and sign off of referrals to the Information Commissioner's Office. • Information Management Strategy, this sets out how the Authority will manage its information going forward. • Information governance standards for the sharing of information with partners. Data sharing was included in the contractual arrangements with both the Business and Technical Partners. An additional data sharing agreement has been produced for the business partner to reflect ICT services. It sets out procedures that staff need to follow in order to obtain access to information systems. A Data Sharing Agreement is also in place for the Trading Companies. • Strategic Information

Potential Governance Issue	Factors Driving the Governance Issue	Controls identified in May 2018 Audit Committee Report
		Governance Officer – providing a corporate approach working with day to day managers of the information governance processes and procedures, ensuring a training plan is in place and implemented. • In preparation for the introduction of the GDPR requirements the Authority reviewed its approach to governance and how it manages Data Protection as a corporate issue. DDPR training sessions are currently being held with staff, privacy impact assessments are happening and will continue to be embedded and a review of the documents held in the archive is underway reducing the older documents being retained. • Implementation of ICT Tolling which will include SharePoint will introduce a Records Management System which will include robust document retention and disposal systems. Currently due to be rolled out in summer 2018.
Partnerships – there is a risk that partner organisations governance	The Authority needs to continue to manage and review governance arrangements that are in	• The Governance structure that is in place ensures that the governance to manage

Potential Governance Issue	**Factors Driving the Governance Issue**	**Controls identified in May 2018 Audit Committee Report**
arrangements and service plans do not align with the Authority's.	place in respect of all partnerships to ensure required services are continued to be delivered against agreed service plans whilst demonstrating value for money. In addition the Authority needs to ensure that boundaries and responsibilities remain clear and are robustly managed, recognising that operations and staffing in both partner organisations and the Authority change over time.	partnerships is in place, e.g. Strategic Partnering Boards, Operational Partnering Boards, Senior Client Groups and a Commercial Group. • The performance payment mechanism ensures that the correct payments are made in relation to the partners. • Alignment of CBF with ENGIE strategic plans will ensure all parties are aware of how the business partnership is working towards developing the Authority's priorities and ENGIE business plan. • ENGIE and Capita are working with the Authority to deliver 'Our North Tyneside Plan' along with CBF/TOM objectives. The aim is to ensure that partnership delivery plans are in line with policy objectives. This is reflected in their annual service plans. • The Capita Deed of Variation has now been agreed and implemented. • As part of the partnership with Capita, during 2017/18 two service reviews (Property & Highways) have taken place and

Potential Governance Issue	Factors Driving the Governance Issue	Controls identified in May 2018 Audit Committee Report
		actions plans have been developed with progress being fed back through OPBs and SPBs. A review of Schedule 9 (Benchmarking) is due to be submitted to SPB on 29 March 2018.
National Education Policy – there is a risk that national policy direction will disrupt the partnership between schools and the Authority.	A new funding formula proposed for 2018, together with the Fostering & Adoption Act passed in 2016, could result in schools judged as inadequate or coasting, converting to academy status.	• Information has been sought from the Department for Education on how the Authority should respond to national changes and contribute even more to North East education. The Cabinet Member for Children, Young People and Learning has written to the Secretary of State for Education seeking clarification on a number of points relating to high performing local authority areas. This has been reinforced by the Mayor who has asked both MPs to do the same. • A review of 0-19 Services is due to take place. The redesign of the 0-19 Services (including Prevention and Early Help) will enable the Authority to deliver appropriate services, resulting in the needs of our vulnerable children and families being met.

Potential Governance Issue	Factors Driving the Governance Issue	Controls identified in May 2018 Audit Committee Report
		• A solution is being developed on how the Authority and schools will respond in the event of a school being judged as inadequate following an OFSTED inspection, and how that school will continue to be managed within the Borough. The conversion of some of our best schools to academies has been complicated by pension liability and as such alternative solutions are being considered. • An annual report is presented to Cabinet outlining the Authority's priorities on Education in North Tyneside.
Exit from the European Union – there is a risk that the Authority may be placed at a disadvantage following the decision to leave the European Union (EU) in both financial and economic growth terms.	The decision to leave the EU has resulted in a number of uncertainties including whether central Government will fill the gap left by European Funding on a like for like basis. There is also the potential impact on businesses within North Tyneside which will vary depending on their reliance on Europe as a market and their sensitivity to fluctuations in monetary value. The full extent of the impact will not be clear until the precise trade terms are known	• The potential impact from leaving the EU has been included in the Authority's Financial Strategy. This will help to ensure that potential areas of impact following EU exit will be highlighted and included (where relevant) in budget planning. • Keep a watching brief, this will ensure that any changes whether to funding or legislation will be identified and acted upon.

Potential Governance Issue	Factors Driving the Governance Issue	Controls identified in May 2018 Audit Committee Report
	which will apply once the UK formally leaves the EU. Opportunities will also arise covering: An opportunity for partnership between businesses and the Council to work together more effectively to stimulate and support economic growth opportunities; An opportunity for a comprehensive approach to establish the River Tyne as a hub for offshore and renewable energy investment; and There is an opportunity for local authorities to work more collaboratively with wider business partners through the Combined Authority and the North East Local Enterprise Partnership (NELEP).	• The Authority is a member of various regional groups. This will help the Authority to keep up-to-date on progress and have the opportunity to exert influence via these groups, for example the Local Government Association. • Explore alternative funding opportunities. This will enable the Authority where possible to secure future funding that is not reliant on the EU.
Devolution – There is a risk that the Authority may not be able to maximise the opportunities presented by securing a devolution deal for North of the Tyne (NOT).	The North of Tyne authorities are seeking to establish a North of Tyne Mayoral Combined Authority following a devolution deal from Central Government and will as a result mean the existing arrangements with the North East Combined Authority (NECA) needing to change. The Authority will need to be mindful on any governance issues this may bring, specifically around their impact on North Tyneside Council.	• A governance review for Devolution to North of the Tyne was completed and submitted before Cabinet in December 2017 and passed to Council in January 2018. • Public consultation took place between December 2017 and February 2018. • The North Tyneside Working Group has been established whilst there is also North Tyneside

Potential Governance Issue	Factors Driving the Governance Issue	Controls identified in May 2018 Audit Committee Report
		representation on the North of Tyne Steering Group. • These groups ensure involvement from all parties and include Council staff and elected members.

6.0 Signatures

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

Signed:

…………………………………………… ………………………………………………

Elected Mayor **Chief Executive**

Date …………………………………… **Date** ………………………………....

………………………………………………

Chair of Council

Date ………………………………….

I confirm that the Audit Committee (at its meeting 23 May 2018) was satisfied on the basis of the information available to it, that the Annual Governance Statement 2017/18, which is required, under the Regulations governing the audit of local government accounts, has been prepared and approved after due and careful enquiry.

……………………………………………

Chair of the Audit Committee

Date ………………………………….

7.0 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 authority's revenue account each year and set aside as a provision for credit liabilities (repayment of debt), as required by the Local Government Act 1989.

N

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

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

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

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

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

O

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

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

P

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

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

Prior Year Adjustments: material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of prior year errors. A prior year error may include the effect of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of fact, and fraud. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

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

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

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

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

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

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

R

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

Remeasurement of the net defined benefit liability: comprises of

a) actuarial gains and losses,

b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and

c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

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

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

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

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

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

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

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

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

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

S

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

Service Concession: an arrangement whereby the Authority contracts with a private operator to develop (or upgrade), operate and maintain infrastructure assets (in this case Schools and Street Lighting). The Authority controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the contract.

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

T

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

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

U

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

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