Appendix A

North Tyneside Council

ANNUAL FINANCIAL REPORT

2016/17

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Message from Head of Finance

North Tyneside Council has faced many challenges during 2016/17 as a result of sustained reductions in government funding and increased demand on our services.

The Authority had as part of the 2016/17 budget setting process set out a vision and a clear context for the financial decisions and operational delivery of services for the financial year 2016/17. Significant efficiency savings have been made and this requirement will continue at least over the period of the current Parliament presenting an increasing challenge for the Authority.

At the end of 2016/17 Central Government grant funding has reduced by approximately 32% from 2010. 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.

The Authority has still continued to deliver a high standard of services during 2016/17 during this challenging period 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.

This Financial Report sets out the results of the Authority's financial activities for the year ended 31 March 2017. 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: 28 September 2017

Narrative Statement

1 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 2016/17; 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 2016 to 31 March 2017. 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 2017 together with details of the non-financial performance of the Authority during 2016/17. 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
- Financial Performance of the Authority 2016/17
- Non-Financial Performance of the Authority 2016/17
- Significant Issues for 2017/18 and beyond
- Explanation of Accounting Statements included within Statement of Accounts

2 Introduction to North Tyneside

North Tyneside is a great place to live for the borough's 202,494 residents to work for the 4,370 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 inten 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 children already attend a school that is 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.

Therefore 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.

3 Financial Performance of the Authority 2016/17

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.

3.1 Revenue Expenditure

The budget for 2016/17 was approved by full Council at its meeting of 18 February 2016. The net General Fund revenue budget was set at £153.945m including Creating a Brighter Future (CBF) savings of £15.737m.

The following table summarises the financial position of the Authority as at 31 March 2017 per the management accounts:

Table 1 – Financial Position of Authority for year ended 31 March 2017

Service	Budget £000s	Final Outturn £000s	Variance £000s
Services			
Chief Executive Office	514	493	(21)
Business & Economic Development	1,531	1,470	(61)
Commercial & Business Redesign	6,846	7,066	220
Corporate Strategy	1,723	1,714	(9)
Finance	3,746	4,233	487
Human Resources & Organisational Development	2,277	2,468	191
Law & Governance	3,014	3,057	43
Health, Education, Care & Safeguarding	64,912	71,780	6,868
Commissioning & Investment	24,471	24,953	482
Environment, Housing & Leisure	39,575	39,802	227
Central Items	9,076	3,375	(5,701)
School Balances	0	1,996	1,996
Sub Total Services	**157,685**	**162,407**	**4,722**
Support Services	(1,739)	(1,739)	0
Transfers to/(from) specific reserves	(2,001)	(4,727)	(2,726)
Total Net Expenditure	**153,945**	**155,941**	**1,996**
Funded By			
Revenue Support Grant	(31,184)	(31,184)	0
Council Tax Receipts	(78,653)	(78,653)	0
Business Rates	(44,083)	(44,083)	0
Transfer from Collection Fund	(25)	(25)	0
Total Funding	**(153,945)**	**(153,945)**	**0**
Addition/(Reduction) to Balances	0	(1,996)	(1,996)
Balances brought forward	13,587	13,587	0
Balances carried forward	**13,587**	**11,591**	**(1,996)**

The reduction in balances above relates to the movement in school balances. They have reduced from £6.983m at the start of the financial year to £4.987m at 31 March 2017. 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 from the Strategic Reserve has been done of £0.426m to offset the overspend incurred during the year by the services. Table 1 in the Outturn Report to Cabinet shows the position prior to this transfer.

Cabinet 12-JUN-2017 - North Tyneside Council

The main variances contributing to the overspend are as follows (full details are included within the Outturn Report to Cabinet):

The **Commercial and Business Redesign** service is showing an over spend of £0.220m. This is comprised of an over spend on ICT supplies and services relating mainly to the provision of automated customer contacts and internet connectivity.

The service area for **Finance** is showing an over spend of £0.487m. This is mainly due to a net overspend of £0.360m in the Finance Service resulting largely from the Business Partnership Creating a Brighter Future target and an adverse variance in the bad debt provision of £0.127m in Revenues and Benefits.

The service area for **Human Resources and Organisational Development** is showing an over spend of £0.191m. This is mainly due to pressures resulting from additional staff supporting transformation projects and costs of staff transferred back to the Authority from ENGIE.

The **Health, Education, Care and Safeguarding** Service is showing an overall over spend of £6.868m. The Service has been required to deal with a combination of demand led pressures and national policy changes such as cost increases resulting from the National Living Wage and reduced income from the NHS largely as a result of the ongoing deficit position of the North Tyneside Clinical Commissioning Group (NTCCG).

Commissioning and Investment service has reported an over spend of £0.482m. The main pressures have included: the Cleaning Service which transferred back to the Authority from Capita with a pressure of £0.083m and Home to School Transport showing a pressure of £0.226m. Property related pressures are £0.063m with pressures in rental income from operational buildings and, to a lesser degree, from the Commercial Estate. There was also a pressure of £0.098m in Procurement relating to rebate income.

Environment, Housing and Leisure is reporting an over spend of £0.227m. Across the entire service pressures have been incurred due to energy and rates costs now being absorbed within service areas totalling £0.574m, of which £0.384m relates to the PFI street-lighting scheme. In addition the service has absorbed a significant proportion of a £0.800m savings target attached to EDRMS. These have been partially offset by lower than anticipated net payments in relation to the Street Lighting PFI contract, and also the capital vehicle replacement programme has led to large reductions in costs around maintenance and repairs.

There is an under spend on **Central Items** of £5.701m. This is due to a combination of factors with the main issues outlined below:

- A saving in Minimum Revenue Provision (MRP) of £0.769m primarily as a result of re-programming during 2015/16;

- A saving of £5.410m in relation to interest charges reflecting 2015/16 reprogramming, the level of temporary borrowing currently held and the continuation of internal borrowing;

- £1.640m pressure arising mainly from savings from the Customer Journey project which were not achieved in full during 2016/17 together with increased contribution to the Redundancy Reserve of £0.564m; and,

- An uncommitted contingency budget of £0.702m together with additional income of £0.724m.

3.2 Housing Revenue Account

On the 14 January 2016 the Cabinet approved the HRA budget for 2016/17. This included an average reduction in housing rents of 1.0% in line with the Government's 4-year proposed reduction to social rents introduced under the Welfare Reform and Work Act 2016; this replaced the previous 10-year rent policy only introduced in 2014-15 assuming rent increases of Consumer Prices Index (CPI) plus 1% per annum.

The Housing Revenue Account has a year-end balance of £5.966m, which represents an improvement against the budget of £3.051m. This improvement is as a result of an in year improvement against budget of £2.265m (this represents 3.30% of the gross budget) and an increase in brought forward balances of £0.787m.

The HRA started the year with what was £0.787m higher than anticipated opening balances i.e. £4.388m as opposed to the budgeted figure of £3.601m, and the final in-year position was £2.265m better than budgeted.

The main significant variations against budget were:

- Increased rental income from general needs stock (£0.158m) and significantly increased service charge income (£0.288m);

- Interest charges relating to HRA debt were significantly reduced by continuing to take advantage of low interest rates, by maximising in-year temporary borrowing and moving any long-term re-financing to late in the year. In addition increased debt set aside achieved from Right To Buy sales in the previous year reduced the need for re-financing resulting in total interest savings of £0.610m. In addition some small savings were achieved in Debt Management Expenses (DME) (£0.028m);

- Bad debt provision was under-spent by £0.335m in-year, so that although arrears increased significantly in-year the level of write-offs continued to be lower than in previous years, which reduced the overall in-year provision required to top up the overall provision on the HRA Balance Sheet;

- There were under-spends on Management Contingency (£0.090m) and Transitional Protection budgets (£0.104m), linked mainly to the delayed delivery of the North Tyneside Living project;

- Depreciation was £0.456m over budget due to the impact of the non-dwelling assets charge which cannot be reversed unlike the HRA dwelling charge; this increased charge was offset by reducing Revenue Contributions made to finance Capital spend (£0.450m);

- Significant under spends across a range of Management cost centres (£0.618m) reflecting a range of issues including:- increased Council Tax Void payments (£0.184m); offset by - savings in energy costs relating to PFI scheme delays (£0.198m), contingencies for pay award & NI increases (£0.227m); staff vacancies across the service (£0.256m); reduced internal staff recharges linked to centralised services(£0.054m); and a range of various under-spends (£0.147m).

3.3 Capital Expenditure

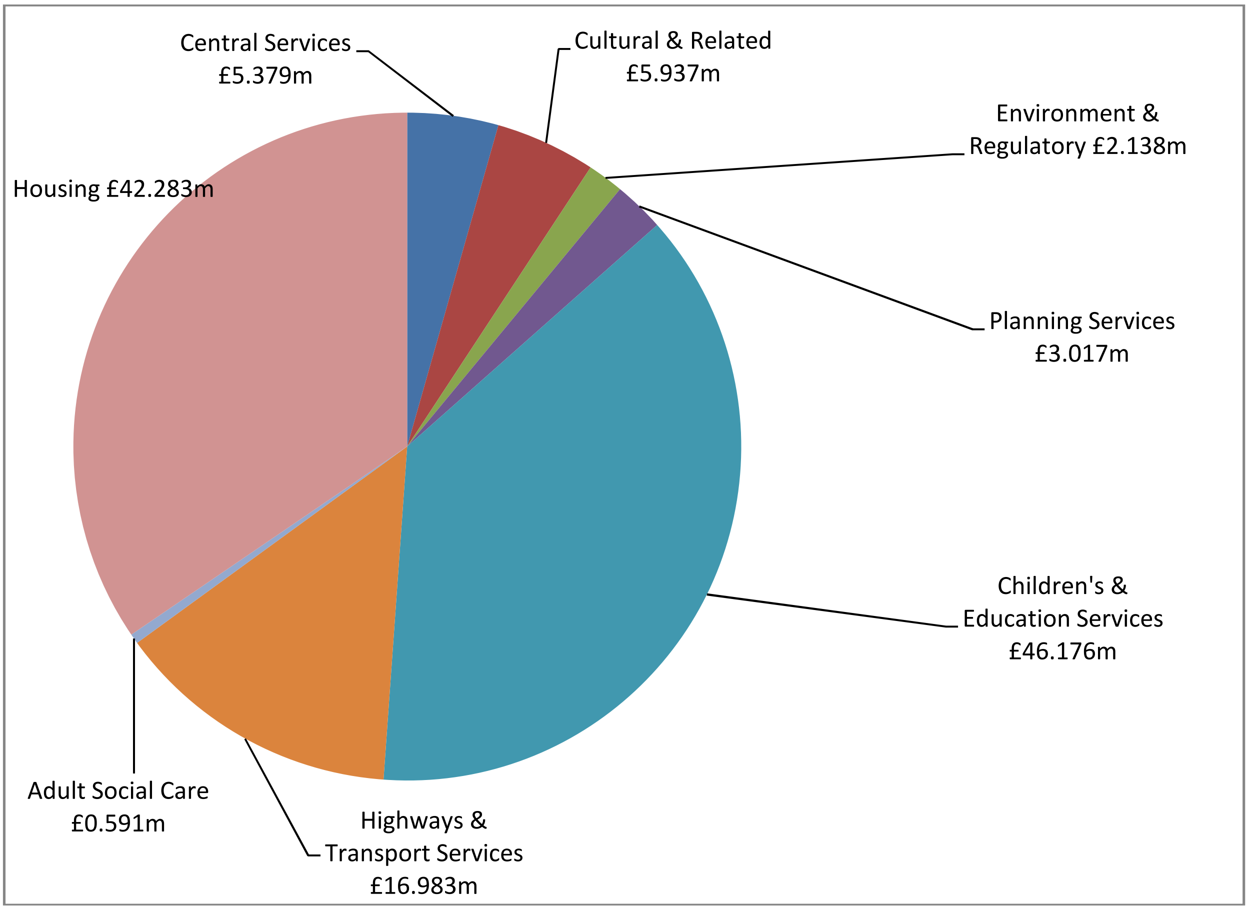
The initial 2016/17 Investment Plan budget was £91.871m (£67.012m General Fund and £24.859m Housing). Further variations to the Plan and reprogramming were agreed by Cabinet during the year as part of the Financial Monitoring process to give an approved plan at the year-end of £74.236m (£50.838m General Fund and £23.398m Housing). The table below summarises these changes.

Table 2 - 2016/17 Investment Plan – Summary of changes to budget

	£000s
Investment Plan approved by Council – 18 February 2016	91,871
Reprogramming from 2015/16	13,634
Reprogramming to 2017/18 and future years	(34,435)
Other variations (net)	3,166
Revised Investment Plan approved by Cabinet – 13 March 2017	74,236

Actual capital expenditure in 2016/17 totalled £61.690m (£65.995m in 2015/16), comprising General Fund expenditure of £40.905m and £20.785m on Housing Schemes. Not all of the expenditure relates to the creation or improvement of fixed assets for the Authority - £2.498m relates to spend on other items.

Additional investment in respect of capital expenditure includes spend on PFI projects and direct funding from Department of Education for the Priority School Building Programme. The overall total for capital expenditure included within the accounts is £122.504m (£98.271m 2015/16). The following chart shows where the £122.504m was spent.



Major schemes within the 2016/17 plan included:

	£000s
HRA Schemes including PFI	39,969
Education and Schools	46,176
Coastal Regeneration	5,570
Swan Hunters Redevelopment	2,386
Weetslade Junction Improvements	2,985
Local Transport Plan	2,736
Asset Maintenance	2,060
A19 Employment Corridor Access	1,871
Additional Highways Maintenance	2,007
A1058 Coast Road Improvements to Junctions	2,427
Surface Water Monitoring	1,943
A191 Coach Lane/Tyne Park Junction Improvements	1,319
Transport Review	2,229
Trading Company Affordable Homes	1,307
ICT Citizen Interaction and Self Serve	1,301

3.4 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 2016/17 at £1,240.000m (£1,220.000m 2015/16) and its Operational Boundary for external debt at £680.000m (£665.000m 2015/16). All transactions were carried out within the Authorised Limit boundaries during 2016/17. As shown in the Balance Sheet, the total liabilities for borrowing, finance lease balances (including Private Finance Initiative (PFI)) and other liabilities are £567.660m (£548.844m 2015/16).

Further details on the variations in the budgets and the outturn position at the year end were reported to Cabinet on 12 June 2017. The link to the published report is set out below.

Cabinet 12-JUN-2017 - North Tyneside Council

3.5 Main points from Financial Statements

There has been a requirement to restate the Authority's previous published accounts in respect of Property, Plant & Equipment values. The reason for this restatement has been due to revisions made to a number of assets relating to:

- Incorrect floor areas being used in previous valuations; and
- Incorrect building cost information service (BCIS) indices being used in previous valuations.

As per the requirements of the Code, the Authority has restated the accounts at the earliest practicable period which has been deemed as the 1 April 2015. Full details of the adjustments are outlined in Note A to the accounts on page 30.

Within the 2016/17 Code changes were set out in relation to the Comprehensive Income & Expenditure Statement (CIES) format and the Movement in Reserves Statement (MiRS) together with the requirement for a new note – Expenditure and Funding Analysis (EFA). The aim of these changes is to make the CIES more meaningful to the readers of the accounts in that the structure mirrors the management accounts of the Authority as presented to decision makers throughout the year. Previously the preparation of the service analysis within the Net Cost of Service was based on prescribed lines e.g. Adult Social Care, Planning, Transport & Highways etc, however Authorities now must prepare this analysis based on the structure of their management accounts. This means that for North Tyneside the information is presented in the same format as our budget monitoring reports. The EFA reconciles the accounting adjustments that have been made to arrive at the figures within the CIES to the outturn position reported by the Authority.

In accordance with government guidance, council house valuations are reduced by a regional adjustment factor in recognition of their status as social housing. In previous years this factor was 37% i.e. they were shown in the Authority's Balance Sheet at 37% of their true value. From the 1 April 2016 this factor was increased to 44% - resulting in an increase in the value of these assets in the Authority's Balance Sheet. Accounting rules allow any previous losses associated with these assets to be written back to the CIES. This has resulted in a large revaluation increase in the Housing Revenue Account Income & Expenditure Statement.

3.5.1 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 22). The net expenditure of £94.983m (£149.678m 2015/16 restated) is a decrease of £54.695m on the previous year. The variations relate in the main to capital accounting adjustments particularly within the Housing Revenue Account as outlined in 3.5 above.

Other operating expenditure has increased from £17.477m in 2015/16 to £36.499m during 2016/17. This is substantially due to an increase of £19.433m from 2015/16 in respect of losses on disposal of assets.

In terms of income, Taxation and Non-specific Grant Income there has been an increase in income of £38.666m from £182.433m in 2015/16 to £221.099m in 2016/17. This is substantially due to an increase in Capital Grants and Contributions in respect of funding from Department of Education for the Priority School Building Programme.

3.5.2 Balance Sheet

The Balance Sheet is set out on page 25. Overall, the Authority has net assets of £246.676m which is an increase from 2015/16 of £42.960m from the figure of £203.716m (restated).

There has been an increase in the long term assets of the Authority of £122.722m together with an increase in long term liabilities of £86.455m which combine as the main reason behind the increase in the Authority's net assets.

4 Non-Financial Performance of the Authority

The Our North Tyneside Plan sets out the overall vision and policy context for the borough. This vision and policy context has been developed in partnership through the North Tyneside Strategic Partnership.

The Plan provides a clear framework for the Council to move forward. It also provides the strategic policy context for all financial decisions and the operational delivery of services at Borough level, but also increasingly as we work alongside other local authorities and with businesses through the North East Local Enterprise Partnership.

The Plan is based around the following key themes:

Our People being

- Listened to, and involved by responsive, enabling services;
- Ready for School – giving our children and their families the best start in life;
- Ready for work and life – with the skills and abilities to achieve their full potential, economic independence and meet the needs of local businesses;

- Healthy and well – with the information, skills and opportunities to maintain and improve their health, wellbeing and independence; and:
- Cared for and safeguarded if they become vulnerable.

Our Places being

- Great places to live and attract others to visit or work here;
- Offering a good choice of quality housing appropriate to need, including affordable homes;
- Providing a clean, green, healthy, attractive and safe environment; and:
- Having an effective transport and physical infrastructure – including our roads, cycleways, pavements, street lighting, drainage and public transport.

Our Economy

- Growing by building on our strengths, including our existing world-class companies, and small and growing businesses; and:
- Having the right skills and conditions to support investment, and create and sustain new, good-quality jobs and apprenticeships for working-age people.

The latest performance data shows our progress in achieving these strategic ambitions.

For Our People

- There has been in increase of almost 20%, compared to 2012/13 in the number of children who are ready for school;
- 63% of young people achieving 5 A*-C GCSE (including English and Maths), which is above the national average. In addition there has been significant reductions in young people being either Not in Education, Employment or Training (NEET) or claiming Job Seekers Allowance; and:
- More Adult Social Care users feel that the service has made them feel safer.

For Our Places

- More local residents agree that North Tyneside is a great place to live. This is supported by 93% of pupils attending a Good or Outstanding school, low levels of anti-social behaviour, increased satisfaction with the housing offer and the level of environmental services (such as street cleanliness and grounds maintenance);
- Great place to work, with more jobs available in the Borough plus lower levels of unemployment benefits being claimed by residents; and:
- Great place to visit, with 92% of visitors stating that they are ‘very satisfied’ with

their visit. Visitors contribute £279m to the local economy and support just under 4,000 jobs.

For Our Economy

- Over the past few years the borough has been very successful in attracting inward investment to create new jobs, including global brands such as P&G, Accenture, HP, IBM and Siemens. This, along with an increase in business start ups and the high numbers of businesses surviving have all contributed to an increase in the number of jobs in North Tyneside. There are now 80,400 jobs in the borough, which is an increase of over 10,000 since 2013; and:

- This is supported by the fact that 88% of young people progress onto Key Stage 5 (A Level) and of these, 90% progress onto a positive destination after Key Stage 5. This has been increasing over the past few years and is above the national rate.

In addition to the strategic outcomes for the borough there are also a number of performance issues that are managed at a service level, which will have an impact on the financial position of the Authority.

These include:

- The impact of an ageing population. For example this year North Tyneside has seen a higher than expected number of people who have been admitted into residential and nursing care;

- An increase in the amount of waste that has been collected. In the past year. 108,826 tonnes of municipal waste was collected, which is an increase of 1,980 tonnes compared to the previous year; and,

- A long term increase in the number of looked after children, which has stabilised recently. While the overall number of Looked After Children has remained relatively stable during the year, there were more children with complex needs who required placements commissioned through external providers

Despite these challenges more residents are satisfied, since 2015, with the way that the Authority runs things and views about whether the Authority provides Value for Money services have remained stable. In addition, eight in ten residents state that they have not noticed any changes to the services provided by the Authority.

Further information on the performance of the Authority is provided in the following report:

Cabinet 13-MAR-2017 - North Tyneside Council

5 Significant issues relating to 2017/18 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 £18.3m are required in 2017/18 (11.91% of the 2016/17 net revenue budget).

It is anticipated that further significant savings and efficiencies will be required annually for the foreseeable future. The Council's agreed 2017/18 capital programme is £106.952m (General Fund £80.903m and HRA £26.049m), £0.663m of the total planned capital expenditure will be financed from capital receipts, £37.323m will be financed from grants/contributions and £21.668m will be financed from revenue (mainly HRA) and up to £47.298m financed by borrowing.

The Medium Term Financial Plan (MTFP) what our priority-led spending plans are and how we can redirect spending to deliver the outcomes shaped by the Creating a Brighter Future programme. In addition to the challenge of managing the delivery of efficiencies there are always external factors that can impact and influence the ability of the Authority to manage its budget and plan for the future.

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. There may be impacts on the Authority as a result of any devolution agreement being made but the precise implications are unclear at this time.

The outcome of any Brexit negotiations may impact both positively and negatively on the Authority but again the precise details of what they may be remain unclear at this time.

The Authority's Efficiency Statement set outs the plan to support the council in managing the financial challenge it faces, recognising that opportunities to considering options for future service provision. This includes looking at opportunities to trade services and new opportunities to generate income, share service provision with partners such as health and other Local authorities, and importantly the relationship with residents and how they are supported to do more for themselves when accessing council services and information.

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.

6 Explanation of the Key Financial Statements

6.1 Comprehensive Income and Expenditure Statement (CIES)

The objective of the CIES is to show the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Council's are required to 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. The CIES is shown on page 22.

6.2 Movement in Reserves Statement (MiRS)

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 show the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

6.3 Balance Sheet

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 page 25.

6.4 Cash Flow

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 26.

6.5 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.

6.6 Expenditure and Funding Analysis (EFA)

This is a new note for 2016/17. The objective of the EFA is to demonstrate to council tax [and rent] payers how the funding available to the authority (ie 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. The EFA is shown in page 60.

6.7 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 128.

6.8 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 137.

6.9 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 141.

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: 28 September 2017

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

Opinion on the North Tyneside Council financial statements

We have audited the financial statements of North Tyneside Council (the Council) for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund, and the related notes. 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 2016/17.

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 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of North Tyneside Council as at 31 March 2017 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 2016/17.

Opinion on other matters

In our opinion, the information given in the Narrative Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

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.

We are required under section 20 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. 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required to conclude whether the Council has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. 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.

Conclusion

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

Certificate

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the Comptroller and Auditor General.

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

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.

Signed:

Cllr Cath Davis
Chair of Council
Date:

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 2016-17 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 2017, 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 2017.

Signed:

Janice Gillespie
Head of Finance
Date:

Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

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. As outlined on page 10 of the Narrative Statement, the format of the CIES has changed as per the requirements of the Code. The 2015/16 published CIES format has been changed to reflect these requirements.

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

*2015/16				2016/17		
Gross Exp £000s	**Gross Inc £000s**	**Net Exp £000s**		**Gross Exp £000s**	**Gross Inc £000s**	**Net Exp £000s**
2,537	(1,308)	1,229	Chief Executive Office	1,563	(256)	1,307
14,186	(492)	13,694	Business & Economic Development	3,326	(907)	2,419
3,698	(408)	3,290	Commercial & Business Redesign	6,105	(709)	5,396
1,299	(455)	844	Corporate Strategy	1,446	(733)	713
81,395	(80,305)	1,090	Finance	78,057	(77,900)	157
1,260	(275)	985	Human Resources & Organisational Development	1,648	(637)	1,011
1,472	(1,104)	368	Law & Governance	1,714	(1,342)	372
145,311	(74,883)	70,428	Health, Education, Care & Safeguarding	159,765	(85,811)	73,954
195,721	(147,674)	48,047	Commissioning & Investment	195,866	(145,885)	49,981
81,204	(28,729)	52,475	Environment, Housing & Leisure	79,940	(28,056)	51,884
63,885	(71,109)	(7,224)	Housing Revenue Account	4,495	(71,039)	(66,544)
(26,892)	(8,656)	(35,548)	Central Costs (including Support Services)	(9,365)	(16,302)	(25,667)
565,076	**(415,398)**	**149,678**	**Cost of Services**	**524,560**	**(429,577)**	**94,983**
17,477	0	17,477	Other Operating Expenditure (Note 10)	36,499	0	36,499
34,989	(141)	34,848	Financing and Investment Income and Expenditure (Note 11)	35,498	(3,398)	32,100
0	(182,433)	(182,433)	Taxation and Non Specific Grant Income (Note 12)	0	(221,099)	(221,099)
617,542	**(597,972)**	**19,570**	**(Surplus)/Deficit on Provision of Services**	**596,557**	**(654,074)**	**(57,517)**
		(4,398)	Surplus on Revaluation of Non-Current Assets (Note 33a)			(49,673)
		(38,760)	Remeasurement of the net defined benefit liability (Note 33e)			64,230
		(43,158)	**Other Comprehensive Income and Expenditure**			**14,557**
		(23,588)	**Total Comprehensive Income and Expenditure**			**(42,960)**

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 show 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 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**

Restated*	General Fund Balances £000s	Housing Revenue Account Balances £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Total Useable Reserves £000s	Unuseable Reserves Note 33 £000s	Total Authority Reserves £000s
Balance 1 April 2015	**57,679**	**13,717**	**7,440**	**1,685**	**7,322**	**87,843**	**92,285**	**180,128**
<u>Movement in Reserves during 2015/16</u>								
Total Comprehensive Income & Expenditure	(8,507)	(11,063)	0	0	0	(19,570)	43,158	23,588
Adjustments between accounting basis & funding basis under regulations (Note 3)	7,495	18,238	(2,965)	0	(2,095)	20,673	(20,673)	0
Increase/(decrease) in 2015/16	(1,012)	7,175	(2,965)	0	(2,095)	1,103	22,485	23,588
Balance at 31 March 2016	**56,667**	**20,892**	**4,475**	**1,685**	**5,227**	**88,946**	**114,770**	**203,716**

*See Note A for further details

Due to changes in the Code, the format of the Movement in Reserves Statement has changed. The opening and closing balances of the General Fund and Housing Revenue Account now include both earmarked reserves and balances. In order to comply with these requirements the 2015/16 Movement in Reserves Statement has been restated to reflect these formatting changes.

Balance Sheet as at 31 March 2017

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'.

***Restated – See Note A for further details**

1 April 2015 £000s	31 March 2016 £000s		Notes	31 March 2017 £000s
1,105,487	1,110,805	Property, Plant & Equipment	19	1,231,626
1,630	2,018	Heritage Assets		2,024
1,580	1,608	Investment Property		1,720
196	157	Intangible Assets		791
10,784	10,827	Long Term Investments	23	12,134
1,693	928	Long Term Debtors		771
1,121,370	**1,126,343**	**Long Term Assets**		**1,249,066**
300	482	Short Term Investments	38	619
214	995	Assets Held for Sale	20	5,096
709	726	Inventories		699
55,987	47,062	Short Term Debtors	24	60,240
12,600	12,588	Cash & Cash Equivalents	25	4,109
69,810	**61,853**	**Current Assets**		**70,763**
(100,434)	(116,519)	Short Term Borrowing	26	(117,028)
(49,774)	(33,743)	Short Term Creditors	27	(36,260)
(3,059)	(3,494)	Finance Lease & PFI Creditors	18	(3,525)
(2,759)	(2,635)	Provisions	28	(1,796)
(220)	(212)	Other Short Term Liabilities		(212)
(156,246)	**(156,603)**	**Current Liabilities**		**(158,821)**
(74,919)	(103,884)	Finance Lease & PFI Creditors	18	(120,868)
(4,916)	(4,394)	Provisions	28	(3,474)
(344,843)	(322,043)	Long Term Borrowing	29	(323,443)
(2,804)	(2,692)	Other Long Term Liabilities		(2,584)
(4,839)	(3,883)	Other Long Term Creditors	30	(3,021)
(420,280)	(385,880)	Pension Liability	9	(455,000)
(2,205)	(5,101)	Capital Grants Receipts in Advance	13	(5,942)
(854,806)	**(827,877)**	**Long Term Liabilities**		**(914,332)**
180,128	**203,716**	**Net Assets**		**246,676**
		Financed By:		
87,843	88,946	Useable Reserves	31	92,266
92,285	114,770	Unuseable Reserves	33	154,410
180,128	**203,716**	**Total Reserves**		**246,676**

Cash Flow Statement for year ended 31 March 2017

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Restated*

2015/16 £000s		Notes	2016/17 £000s
(19,570)	Net surplus/(deficit) on the provision of services		57,517
90,539	Adjustments to net surplus/ deficit on the provision of services for non cash movements	39	(4,723)
(33,663)	Adjustments for items included in the net surplus/ deficit on the provision of services that are investing and financing activities	39	(72,672)
37,306	**Net Cash Flows from Operating Activities**		**(19,878)**
(28,820)	Net Cash flow from Investing Activities	40	11,800
(8,498)	Net Cash flow from Financing Activities	41	(401)
(12)	**Net Increase/(decrease) in cash and cash equivalents**		**(8,479)**
12,600	Cash and cash equivalents at the beginning of the reporting period	25	12,588
12,588	**Cash and cash equivalents at the end of the reporting period**		**4,109**

*See Note A for further details

Head of Finance's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2017, 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 2017.

Signed:

Janice Gillespie
Head of Finance

Date:

Index to the Notes to the Financial Statements

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

A Prior Period Adjustment

There has been a requirement to restate the Authority's previous published accounts in respect of Property, Plant & Equipment values. The reason for this restatement has been due to revisions made to a number of assets relating to:

- Incorrect floor areas being used in previous valuations; and
- Incorrect building cost information service (BCIS) indices being used in previous valuations.

As per the requirements of the Code, the Authority has restated the accounts at the earliest practicable period which has been deemed as the 1 April 2015. The tables below summarise the adjustments that have been made to the 1 April 2015 opening balances (where appropriate) and to the 2015/16 published accounts main Financial Statements. The tables below **only** show the lines that have been amended not the complete Statement or Note – thus they are not intended to cast. Amendments have also been made to the supplementary notes of these Financial Statements. Each Financial Statement or note that has been restated is clearly identified throughout the document.

Statement/Note	Original 2015/16 Published Figure £000s	Restated 2015/16 Figure £000s	Movement £000s
Comprehensive Income & Expenditure Statement			
Net Cost of Services	146,733	149,678	2,945
Deficit on Provision of Services	16,625	19,570	2,945
Surplus on Revaluation of Non-Current Assets	(2,019)	(4,398)	(2,379)
Total Comprehensive Income & Expenditure	(24,154)	(23,588)	566
Movement in Reserves Statement			
Total Comprehensive Income & Expenditure (GF)	(5,562)	(8,507)	(2,945)
Total Comprehensive Income & Expenditure (Unuseable Reserves)	40,779	43,158	2,379
Adjustments between Accounting Basis & Funding Basis (GF)	4,550	7,495	2,945
Adjustments between Accounting Basis & Funding Basis (Unuseable Reserves)	(17,728)	(20,673)	(2,945)
Unuseable Reserves Balance 31 March 2016	109,138	114,770	5,632
Total Authority Reserves Balance 31 March 2016	198,084	203,716	5,632

Balance Sheet	Original Published Figure		Restated Figure		Movement	
	1 April 2015 £000s	31 March 2016 £000s	1 April 2015 £000s	31 March 2016 £000s	1 April 2015 £000s	31 March 2016 £000s
Property, Plant & Equipment	1,099,289	1,105,173	1,105,487	1,110,805	6,198	5,632
Net Assets	173,930	198,084	180,128	203,716	6,198	5,632
Unuseable Reserves	86,087	109,138	92,285	114,770	6,198	5,632
Total Reserves	**173,930**	**198,084**	**180,128**	**203,716**	**6,198**	**5,632**

Statement/Note	Original 2015/16 Published Figure £000s	Restated 2015/16 Figure £000s	Movement £000s
Cash Flow Statement			
Net surplus/(deficit) on the provision of services	(16,625)	(19,570)	(2,945)
Adjustments to net surplus/deficit on the provision of services for non cash movements	87,594	90,539	2,945
Cash and cash equivalents at the end of the reporting period	12,588	12,588	0
Adjustments between Accounting Basis and Funding Basis under Regulations Note			
Reversal of entries included in the surplus/deficit on the provision of services in relation to capital expenditure:			
- General Fund Balances	20,644	23,589	2,945
- Movement in Unuseable Reserves	(71,591)	(74,536)	(2,945)
Total Adjustments to Revenue Resources			
- General Fund Balances	21,902	24,847	2,945
- Movement in Unuseable Reserves	(73,878)	(76,823)	(2,945)
Total Adjustments			
- General Fund Balances	4,550	7,495	2,945
- Movement in Unuseable Reserves	(17,728)	(20,673)	(2,945)

Statement/Note	Original 2015/16 Published Figure £000s	Restated 2015/16 Figure £000s	Movement £000s
Property, Plant & Equipment Note			
Cost or Valuation			
Balance at 1 April 2015 (other land & buildings)	438,820	445,350	6,530
Revaluations increases/(decreases) recognised in the Revaluation Reserve (other land & buildings)	(2,428)	(4,281)	(1,853)
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services (other land & buildings)	(11,079)	(11,996)	(917)
As at 31 March 3016	**438,196**	**441,956**	**3,760**
Accumulated Depreciation & Impairments			
Balance at 1 April 2015 (other land & buildings)	(22,454)	(22,786)	(332)
Depreciation charge (other land & buildings)	(19,531)	(19,896)	(365)
Depreciation written out to the Revaluation Reserve (other land & buildings)	4,633	8,863	4,230
Depreciation written out to the Surplus/Deficit on the Provision of Services (other land & buildings)	4,287	2,625	(1,662)
As at 31 March 2016	**(34,274)**	**(32,852)**	**1,422**
Net Book Value 31 March 2016 (other land & buildings)	403,472	409,104	5,632
Net Book Value 31 March 2015 (other land & buildings)	416,366	422,564	6,198
Net Book Value 31 March 2016 (total PPE)	1,105,173	1,110,805	5,632
Net Book Value 31 March 2015 (total PPE)	1,099,289	1,105,487	6,198

Statement/Note	Original 2015/16 Published Figure £000s	Restated 2015/16 Figure £000s	Movement £000s
Revaluation Reserve			
Balance at 1 April 2015	111,767	116,507	4,740
Upward revaluation of assets	8,946	13,470	4,524
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,927)	(9,072)	(2,145)
Surplus on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	2,019	4,398	(2,379)
Difference between fair value depreciation and historical cost depreciation	(7,364)	(7,807)	(443)
Accumulated gains on assets sold or scraped	(791)	(791)	0
Amount written off to the Capital Adjustment Account	(8,155)	(8,598)	(443)
Balance at 31 March 2016	105,631	112,307	6,676
Capital Adjustment Account			
Balance at 1 April 2015	390,323	391,781	1,458
Charges for depreciation & impairment of non-current assets	(47,876)	(48,242)	(366)
Revaluation gains/(losses) on Property, Plant & Equipment	(30,650)	(33,228)	(2,578)
Adjusting amounts written out of the Revaluation Reserve	8,156	8,598	442
Balance at 31 March 2016	383,289	382,245	1,044

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 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17 (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 charged to service segments in accordance with the Authority's arrangements for accountability and financial performance (i.e. on the same basis as financial monitoring reports presented to Cabinet.)

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. 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.

Similarly, depreciation, impairment and amortisations charged to the Housing Revenue Account, are replaced by the assumed Major Repairs Allowance (MRA) with any excess depreciation moved to the Capital Adjustment Account.

Exceptional items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

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.

De-Minimis Levels

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.

Impairment

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

Where impairment losses are identified, they are accounted for 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.

Depreciation

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

Deprecation is calculated on the following bases:

- Council Dwellings – the assumed Major Repairs Allowance (MRA) is used as a proxy for depreciation;

- 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.

<u>Disposals and Non-Current Assets Held for Sale</u>

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and

Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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.

The Authority entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

Financial Assets

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.

Loans and Receivables

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 30 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 2017/18 has introduced changes in accounting policy which will be required from 1 April 2017 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:

- Amendment to the reporting of Pension Fund Scheme Transaction Costs. The amendment to the accounting standard relates to the disclosure of transaction costs of all significant asset types (investments) held by Pension Funds in their notes to the financial statements. As such the standard does not apply to the accounts of the Authority, but to those of the Pension Fund;

- Amendments to the reporting of the investment concentration. The amendment to the accounting standard also recommends that the notes to the financial statements should include explanations to enable users to understand the nature of the transaction costs and how they arise for different types of investment. As such the standard does not apply to the accounts of the Authority, but to those of the Pension Fund.

There will be no impact on the accounts of the Authority from the above changes as they apply to Pension Fund Annual Reports.

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.

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 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**

Restated*

2015/16

	Useable Reserves					
	General Fund Balances £000s	**Housing Revenue Account £000s**	**Capital Receipts Reserve £000s**	**Major Repairs Reserve £000s**	**Capital Grants Unapplied £000s**	**Movement in Unuseable Reserves £000s**
Adjustments to the Revenue Resources Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
• Pensions Costs (transferred to (or from) the Pensions Reserve) – Note 33(e)	3,453	907	0	0	0	(4,360)
• Financial Instruments (transferred to the Financial Instruments Adjustment Account) – Note 33(d)	95	133	0	0	0	(228)
• Council Tax and NDR (transfers to or from the Collection Fund) – Note 33(g)	(1,107)	0	0	0	0	1,107
• Holiday Pay (transferred to the Accumulated Absences Reserve) – Note 33(h)	(1,183)	(11)	0	0	0	1,194
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	23,589	47,933	0	0	3,014	(74,536)
Total Adjustments to Revenue Resources	**24,847**	**48,962**	**0**	**0**	**3,014**	**(76,823)**

*See Note A for further details

2015/16	Useable Reserves General Fund Balances £000s	Useable Reserves Housing Revenue Account £000s	Useable Reserves Capital Receipts Reserve £000s	Useable Reserves Major Repairs Reserve £000s	Useable Reserves Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,909)	(6,137)	9,046	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,906	0	(1,906)	0	0	0
Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve – Note 46	0	(15,144)	0	15,144	0	0
Statutory/Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account) – Note 33(c)	(15,507)	(1,644)	(2,616)	(800)	0	20,567
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) – Note 33(c)	(842)	(7,799)	0	0	0	8,641
Total Adjustments between Revenue and Capital Resources	**(17,352)**	**(30,724)**	**4,524**	**14,344**	**0**	**29,208**

2015/16	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	(7,489)	0	0	7,489
Use of the Major Repairs Reserve to finance capital expenditure – Note 46	0	0	0	(14,344)	0	14,344
Application of capital grants to finance capital expenditure – Note 33(c)	0	0	0	0	(5,109)	5,109
Total Adjustments to Capital Resources	**0**	**0**	**(7,489)**	**(14,344)**	**(5,109)**	**26,942**
TOTAL ADJUSTMENTS	**7,495**	**18,238**	**(2,965)**	**0**	**(2,095)**	**(20,673)**

4(a) Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax (and rent) payers how the funding available to the Authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Adjustments to remove the internal charging within services have been 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 5 within the Narrative Statement.

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	(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)/Deficit on Provision of Service	**(1,454)**	**(56,063)**	**(57,517)**

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

Analysed between General Fund and HRA Balances

	General Fund £000s	HRA £000s	Total £000s
Opening Balances at 31 March 2016	56,667	20,892	77,559
(Deficit)/Surplus on Balance in Year	(5,287)	6,741	1,454
Closing 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

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 no-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.

	Adjs for Capital Purposes £000s	Pension Adjs £000s	Other Adjs £000s	Total Adjs £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 and Comprehensive Income & Expenditure Statement surplus/deficit	**(62,930)**	**4,890**	**1,977**	**(56,063)**

2015/16	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	1,213	16	1,229
Business & Economic Development	7,484	6,210	13,694
Commercial & Business Redesign	1,819	1,471	3,290
Corporate Strategy	718	126	844
Finance	761	329	1,090
Human Resources & Organisational Development	909	76	985
Law & Governance	196	172	368
Health, Education, Care & Safeguarding	67,148	3,280	70,428
Commissioning & Investment	24,601	23,446	48,047
Environment, Housing & Leisure	40,851	11,624	52,475
Housing Revenue Costs	(20,385)	13,161	(7,224)
Central Costs (Includes Support Services)	(8,316)	(27,232)	(35,548)
Net Cost of Services	**116,999**	**32,679**	**149,678**
Other Income & Expenditure	(123,162)	(6,946)	(130,108)
(Surplus)/Deficit on provision of Service	**(6,163)**	**25,733**	**19,570**

Opening General Fund & HRA Balances at 31 March 2015	71,396
Surplus on General Fund & HRA Balances in Year	6,163
Closing General Fund and HRA Balances at 31 March 2016	**77,559**

Analysed between General Fund and HRA Balances

	General Fund	HRA	Total
Opening Balances at 31 March 2015	57,679	13,717	71,396
(Deficit)/Surplus on Balances in Year	(1,012)	7,175	6,163
Closing Balances at 31 March 2016	**56,667**	**20,892**	**77,559**

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

	Adjustments for Capital Purposes £000s	Pension Adjustments £000s	Other Adjustments £000s	Total Adjustments £000s
Chief Executive Office	0	16	0	16
Business & Economic Development	6,155	54	1	6,210
Commercial & Business Redesign	1,417	51	3	1,471
Corporate Strategy	0	106	20	126
Finance	299	40	(10)	329
Human Resources & Organisational Development	0	67	9	76
Law & Governance	0	179	(7)	172
Health, Education, Care & Safeguarding	979	2,208	93	3,280
Commissioning & Investment	25,881	(1,191)	(1,244)	23,446
Environment, Housing & Leisure	10,397	1,272	(45)	11,624
Housing Revenue Costs	12,676	363	122	13,161
Central Costs	(15,612)	(11,715)	95	(27,232)
Net Cost of Services	**42,192**	**(8,550)**	**(963)**	**32,679**
Other Operating Expenditure	3,015	0	1,906	4,921
Financing & Investment Income & Expenditure	(28)	12,910	0	12,882
Taxation & Non Specific Grant Income	(23,642)	0	(1,107)	(24,749)
Difference between General Fund and HRA surplus/deficit and Comprehensive Income & Expenditure Statement surplus/deficit	**21,537**	**4,360**	**(164)**	**25,733**

4(b) Segmental Income

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

2015/16 £000s		2016/17 £000s
(722)	Chief Executive Office	(125)
(101)	Business & Economic Development	(270)
(382)	Commercial & Business Redesign	(267)
(31)	Corporate Strategy	(262)
(943)	Finance	(1,186)
(3)	Human Resources & Organisational Development	(23)
(12,835)	Health, Education, Care & Safeguarding	(13,190)
(7,478)	Commissioning & Investment	(8,752)
(18,087)	Environment, Housing & Leisure	(17,169)
(61,666)	Housing Revenue Account	(61,118)
(751)	Law & Governance	(773)
(1,074)	Central Costs	(977)
(104,073)	Total	(104,112)

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 Cabinet. The following analysis provides a breakdown of the figures in the Comprehensive Income and Expenditure Statement by subjective category.

2016/17

	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges	(163,268)	0	(163,268)
Government Grants & Contributions	(263,861)	(97,078)	(360,939)
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)**

2015/16 Restated*

	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges	(148,468)	0	(148,468)
Government Grants & Contributions	(266,429)	(64,430)	(330,859)
Support Services & Recharges	(501)	0	(501)
Interest and Investment Income	0	(141)	(141)
Income from Council Tax/NDR	0	(118,003)	(118,003)
Total Income	**(415,398)**	**(182,574)**	**(597,972)**
Employee Expenses	200,646	12,910	213,556
Other Service Expenses	263,424	0	263,424
Support Services Recharges	18,126	0	18,126
Depreciation, amortisation, impairment and other capital charges	82,880	0	82,880
Interest Payments	0	22,235	22,235
Precepts & Levies	0	12,556	12,556
Payments to Housing Capital Receipts Pool	0	1,906	1,906
Expenditure in relation to investment properties	0	(156)	(156)
Loss on Disposal of Fixed Assets	0	3,015	3,015
Total Operating Expenses	**565,076**	**52,466**	**617,542**
Deficit on the provision of services	**149,678**	**(130,108)**	**19,570**

*See Note A for further details

6 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in pages 34-52, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

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.

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 2017, 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. See Note 19.
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.

Item	Uncertainties
Provisions	The Authority has made a number of provisions, in line with the Code, totalling £5.270m. 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 2016/17 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 2017. 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 total provision up to and including 31 March 2017. A provision of £1.424m has been set up in recognition of this. See Note 28.
Debtors arrears	At 31 March 2017, the Authority had a gross balance of £76.274m. A review of significant balances suggested that an impairment of doubtful debts of £16.034m was appropriate leaving a net balance of £60.240m. 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 2016/17 were £3.246m (£3.206m in 2015/16).

Undischarged operating lease rentals at 31 March 2017 amounted to £86.142m (£89.170m in 2015/16), comprising the following elements:

31 March 2016 £000s		31 March 2017 £000s
3,237	Due Year 1	3,170
12,636	Due Years 2-5	12,627
73,297	Due after Year 5	70,345
89,170	**Total**	**86,142**

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 2016/17 as being operating leases and the total rental income was £2.849m (£2.919m in 2015/16). The future minimum lease payments expected to be received are:

31 March 2016 £000s		31 March 2017 £000s
2,820	Due Year 1	3,012
6,075	Due Years 2-5	7,060
21,578	Due after Year 5	18,796
30,473	**Total**	**28,868**

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 2016/17, the Authority paid £9.770m (£9.271m 2015/16) to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.11% of pensionable pay (15.16% 2015/16). The contributions due to be paid in the next financial year are estimated to be £9.521m.

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. 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; 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.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting polices note.

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 during the year:

Pension Revenue Summary	**2015/16 £000s**				**2016/17 £000s**			
	TWPF		**TPS***	**Total**	**TWPF**		**TPS***	**Total**
	Funded	**Unfunded**			**Funded**	**Unfunded**		
Comprehensive Income & Expenditure Statement								
Cost of Services								
Current Service Costs	20,170	0	0	20,170	20,050	0	0	20,050
Past Service Costs	240	0	130	370	770	0	1,100	1,870
Financing and Investment Income and Expenditure								
Net Interest Expense	10,520	820	1,570	12,910	10,230	820	1,580	12,630
Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	30,930	820	1,700	33,450	31,050	820	2,680	34,550
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement								
Remeasurement of the net defined benefit liability comprising:								
Return on plan assets (excluding the amount included in the net interest expense)	9,400	0	0	9,400	(115,700)	0	0	(115,700)
Actuarial (gains)/losses arising on changes in demographic assumptions	0	0	0	0	4,130	980	2,610	7,720
Actuarial (gains)/ losses arising on changes in financial assumptions	(35,510)	(720)	(1,460)	(37,690)	195,900	2,150	5,630	203,680
Actuarial (gains)/losses due to liability experience	(9,120)	(460)	(890)	(10,470)	(30,670)	(440)	(360)	(31,470)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(35,230)	(1,180)	(2,350)	(38,760)	53,660	2,690	7,880	64,230

Pension Revenue Summary	2015/16 £000s				2016/17 £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	(30,930)	(820)	(1,700)	(33,450)	(31,050)	(820)	(2,680)	(34,550)
Actual amount charged against the Cost of Services for pensions in the year								
Employer's contributions payable to the scheme	23,410	0	0	23,410	24,130	0	0	24,130
Retirement benefits payable to pensioners	0	1,840	3,840	5,680	0	1,800	3,730	5,530

*This is an unfunded scheme as detailed on Page 70

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:

	2015/16 £000s				2016/17 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Present value of the defined benefit obligation	(943,430)	(25,120)	(47,900)	(1,016,450)	(1,137,500)	(26,830)	(54,730)	(1,219,060)
Fair Value of plan assets	630,570	0	0	630,570	764,060	0	0	764,060
Sub Total	(312,860)	(25,120)	(47,900)	(385,880)	(373,440)	(26,830)	(54,730)	(455,000)
Other movements in the liability (asset) if applicable	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(312,860)	(25,120)	(47,900)	(385,880)	(373,440)	(26,830)	(54,730)	(455,000)

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

	2015/16 £000s				2016/17 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Opening fair value of scheme assets	620,030	0	0	620,030	630,570	0	0	630,570
Interest Income	19,850	0	0	19,850	21,380	0	0	21,380
Remeasurement gain/ (loss):								
• The return on plan assets, excluding the amount included in the net interest expense	(9,400)	0	0	(9,400)	115,700	0	0	115,700
Contributions from employer	23,410	1,840	3,840	29,090	24,130	1,800	3,730	29,660
Contributions from employees into the scheme	5,190	0	0	5,190	5,150	0	0	5,150
Benefits paid	(28,510)	(1,840)	(3,840)	(34,190)	(32,870)	(1,800)	(3,730)	(38,400)
Closing fair value of scheme assets	630,570	0	0	630,570	764,060	0	0	764,060

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)

	2015/16				2016/17			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded £000s	Unfunded £000s	£000s	£000s	Funded £000s	Unfunded £000s	£000s	£000s
Opening balance at 1 April	(960,600)	(27,320)	(52,390)	(1,040,310)	(943,430)	(25,120)	(47,900)	(1,016,450)
Current Service Cost	(20,170)	0	0	(20,170)	(20,050)	0	0	(20,050)
Interest Cost	(30,370)	(820)	(1,570)	(32,760)	(31,610)	(820)	(1,580)	(34,010)
Contributions by participants	(5,190)	0	0	(5,190)	(5,150)	0	0	(5,150)
Remeasurement (gains) and losses:								
• Actuarial (gains)/losses arising from changes in experience assumptions	9,120	460	890	10,470	30,670	440	360	31,470
• Actuarial (gains)/losses arising from changes in demographic assumptions	0	0	0	0	(4,130)	(980)	(2,610)	(7,720)
• Actuarial (gains)/losses arising from changes in financial assumptions	35,510	720	1,460	37,690	(195,900)	(2,150)	(5,630)	(203,680)
Past Service Cost	(240)	0	(130)	(370)	(770)	0	(1,100)	(1,870)
Net Benefits paid	28,510	1,840	3,840	34,190	32,870	1,800	3,730	38,400
Closing balance at 31 March	**(943,430)**	**(25,120)**	**(47,900)**	**(1,016,450)**	**(1,137,500)**	**(26,830)**	**(54,730)**	**(1,219,060)**

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 2016 %	**Asset Split 31 March 2017 %**		
	Total	**Quoted**	**Unquoted**	**Total**
Equities	66.1	59.5	7.4	66.9
Property	10.4	0	9.2	9.2
Government Bonds	3.7	3.9	0	3.9
Corporate Bonds	11.6	11.5	0	11.5
Cash	2.6	2.6	0	2.6
Other*	5.6	3.5	2.4	5.9
Total Assets	100.0	81.0	19.0	100.0

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

Basis for estimating assets and liabilities

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	
	2015/16	2016/17	2015/16	2016/17
Mortality assumptions				
Future lifetime from age 65 (currently 65)				
• Men	23.2	22.8	23.2	22.8
• Women	24.8	26.3	24.8	26.3
Future lifetime from age 65 (currently 45)				
• Men	25.3	25.0	n/a	n/a
• Women	27.1	28.6	n/a	n/a

	TWPF Funded		TPS/TWPF Unfunded	
	2015/16	2016/17	2015/16	2016/17
Rate of Inflation (RPI)	2.9%	3.1%	2.9%	3.1%
Rate of Inflation (CPI)	1.8%	2.0%	1.8%	2.0%
Pensions accounts revaluation rate	1.8%	2.0%	n/a	n/a
Rate of increase in salaries	3.3%	3.5%	n/a	n/a
Rate of increase in pensions	1.8%	2.0%	1.8%	2.0%
Rate for discounting scheme liabilities	3.4%	2.6%	3.4%	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)	(33,130)	32,970
Rate of increase in salaries (increase/decrease by 0.1%)	5,310	(5,250)
Rate of increase in pensions (increase/decrease by 0.1%)	16,110	(15,860)
Rate for discounting scheme liabilities (increase/decrease by 0.1%)	(21,060)	21,460

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 (66.9% of scheme assets) and bonds (15.4%). 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 (9.2%). 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 next triennial valuation is due to be completed on 31 March 2019. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pensions Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipates to pay £24.054m (£24.000m 2015/16) expected contributions to the scheme in respect of LGPS in 2017/18 for the accounting period to 31 March 2018, £1.820m (£1.840m 2015/16) in respect of unfunded benefits and also £3.590m (£3.710m) for enhanced teachers' benefits. The weighted average duration of the defined benefit obligation for the LGPS scheme members is 18.7 years 2016/17 (18.1 years 2015/16). Deficit contribution payments of £8.848m in respect of accounting periods to 31 March 2019 and 31 March 2020 will also be made during the financial year 2017/18.

10 Other Operating Expenditure

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

2015/16 £000s		2016/17 £000s
12,556	Levies	12,160
1,906	Payments to the Government Housing Capital Receipts Pool	1,891
3,015	Losses on the disposal of non current assets	22,448
17,477	**Total**	**36,499**

11 Financing and Investment Income and Expenditure

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

2015/16 £000s		2016/17 £000s
22,235	Interest payable and similar charges	22,868
12,910	Net Interest Expense (Pensions)	12,630
(141)	Interest receivable and similar income	(3,174)
(156)	Income & expenditure in relation to Investment Property and changes in their fair value	(224)
34,848	**Total**	**32,100**

12 Taxation and Non Specific Grant Income

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

2015/16 £000s		2016/17 £000s
(74,955)	Council Tax Income	(79,177)
(27,504)	Retained Business Rates	(29,171)
(15,544)	Business Rates Top Up	(15,673)
(40,800)	Non Ring fenced Government Grants	(31,272)
(23,630)	Capital Grants, Contributions & Donated Assets	(65,806)
(182,433)	**Total**	**(221,099)**

13 Grants and Contributions Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

2015/16 £000s		2016/17 £000s
	Non-Ring fenced Government Grants	
(39,832)	Revenue Support Grant	(31,184)
(968)	Other Non-Ring fenced Government Grants (individually under £1.000m)	(88)
(40,800)		(31,272)
	Capital Grants, Contributions and Donations	
(4,210)	Department for Education	(45,976)
(2,225)	North East Local Enterprise Partnership (NELEP) – Local Growth Fund	(9,617)
(3,203)	Local Transport Plan	(3,426)
(1,292)	Environment Agency	(983)
(101)	Heritage Lottery	(1,874)
(137)	Section 106 Contributions	(1,356)
(5,967)	European Regional Development Fund (ERDF)	0
(3,599)	Growing Places Fund	0
(2,896)	Other Grants and Contributions (individually under £1.000m)	(2,574)
(23,630)		(65,806)

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 2016 £000s		31 March 2017 £000s
	Capital Grants, Contributions and Donations in advance	
(4,983)	Section 106 Agreements	(5,824)
(118)	Other Grants & Contributions (individually under £1.000m)	(118)
(5,101)	**Total**	**(5,942)**

31 March 2016 £000s		31 March 2017 £000s
	Revenue Grants & Contributions Receipt In Advance	
(887)	Other Grants & Contributions (individually under £1.000m)	(382)
(887)	**Total**	**(382)**

The following grants were credited to the Comprehensive Income and Expenditure Statement within the Cost of Services in 2016/17.

2015/16 £000s		2016/17 £000s
	Credited to Services	
(127,689)	Dedicated Schools Grant	(129,527)
(40,343)	Mandatory Rent Allowances Benefit	(39,232)
(34,253)	Rent Rebates Benefit	(32,962)
(13,372)	Private Finance Initiative	(13,372)
(11,737)	Public Health Grant	(13,080)
(8,961)	Pupil Premium Grant	(8,794)
(8,951)	Post 16 Education Grant	(8,754)
(2,645)	New Homes Bonus	(3,434)
(2,888)	Education Services Grant	(2,632)
(2,587)	Department for Education	(2,246)
(2,117)	Small Business Rate Relief Grant	(1,683)
(1,300)	Transformation Challenge Grant	(1,000)
(1,132)	Care Act	0
(1,010)	Housing Benefit Administration Grant	(949)
(7,444)	Other Grants and Contributions (individually under £1.000m)	(6,196)
(266,429)	**Total**	**(263,861)**

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

2015/16						2016/17				
APT&C	LEA Teachers	VA Teachers	Trust Employees	Total	Remuneration Band	APT&C	LEA Teachers	VA Teachers	Trust Employees	Total
32	8	5	33	**78**	£50,000 - £54,999	34	5	5	29	**73**
18	4	5	34	**61**	£55,000 - £59,999	10	6	4	30	**50**
5	8	0	18	**31**	£60,000 - £64,999	6	8	2	13	**29**
5	2	2	7	**16**	£65,000 - £69,999	2	3	1	9	**15**
3	2	0	2	**7**	£70,000 - £74,999	3	2	0	6	**11**
2	1	0	6	**9**	£75,000 - £79,999	0	0	0	5	**5**
0	0	1	4	**5**	£80,000 - £84,999	0	1	1	4	**6**
0	1	0	2	**3**	£85,000 - £89,999	0	0	0	1	**1**
0	0	0	1	**1**	£90,000 - £94,999	1	0	0	1	**2**
0	0	0	2	**2**	£95,000 - £99,999	0	1	0	2	**3**
0	0	0	1	**1**	£100,000 - £104,999	0	0	0	1	**1**
0	0	0	1	**1**	£105,000 - £109,999	0	0	0	0	**0**
0	0	0	0	**0**	£110,000 - £114,999	0	0	0	1	**1**
0	0	0	0	**0**	£115,000 - £119,999	0	0	0	0	**0**
0	0	0	0	**0**	£120,000 - £124,999	0	0	0	0	**0**
0	0	0	0	**0**	£125,000 - £129,999	0	0	0	0	**0**
0	0	0	0	**0**	£130,000 - £134,999	0	0	0	0	**0**
0	0	0	0	**0**	£135,000 - £139,999	0	0	0	0	**0**
65	**26**	**13**	**111**	**215**	**Total**	**56**	**26**	**13**	**102**	**197**

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.

2016/17

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**

[1] Current post holder of Head of Environment, Housing & Leisure on long term sick leave – duties being shared out

Post Holder Information (2015/16)	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	144,625	0	0	0	144,625	23,454	**168,079**
Deputy Chief Executive	119,750	0	0	0	119,750	19,424	**139,174**
Director of Public Health[1]	78,751	0	0	0	78,751	11,283	**90,034**
Head of Health, Education, Care & Safeguarding[2]	98,280	0	0	0	98,280	15,946	**114,226**
Head of Environment, Housing & Leisure	95,781	0	0	0	95,781	15,541	**111,322**
Head of Law & Governance	91,752	0	0	0	91,752	14,888	**106,640**
Head of Commissioning & Investment	87,927	0	0	0	87,927	13,597	**101,524**
Head of Commercial Services and Business Redesign	84,306	0	0	0	84,306	12,957	**97,263**
Head of Business & Economic Development	80,940	0	0	0	80,940	13,137	**94,077**
Head of Corporate Strategy	77,727	0	0	0	77,727	12,616	**90,343**

Post Holder Information (2015/16)	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 Human Resources & Organisational Development[5]	68,798	0	0	0	68,798	10,450	**79,248**
Head of Finance (S151 Officer)[4]	45,341	0	0	0	45,341	7,360	**52,701**
Head of Children, Young People & Learning[3]	44,325	0	0	0	44,325	7,166	**51,491**
Strategic Manager (Finance) – Deputy S151 Officer[3]	29,614	0	0	0	29,614	4,807	**34,421**
Total	**1,147,917**	**0**	**0**	**0**	**1,147,917**	**182,626**	**1,330,543**

[1] Person acting in this post
[2] Post title renamed from Head of Adult Social Care
[3] Post deleted September 2015
[4] New Post created September 2015
[5] Post title renamed from Head of Human Resources

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	
£	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**
£0 - £20,000	37	29	69	133	106	162	1,038	1,314
£20,001 - £40,000	6	2	27	30	33	32	919	840
£40,001 - £60,000	0	0	7	5	7	5	345	249
£60,001 - £80,000	0	0	2	0	2	0	132	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
Total	**43**	**31**	**105**	**168**	**148**	**199**	**2,434**	**2,403**

There is a provision for redundancy payments (see Note 28) included within the Comprehensive Income and Expenditure Statement of £0.152m (£0.194m 2015/16). These figures have been included in the table above. There is also a reserve for redundancy payments of £1.500m (£1.980m 2015/16) (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:

2015/16 £000s		2016/17 £000s
577	Basic Allowances	602
164	Special Responsibility Allowances	161
9	Expenses	7
750	**Total**	**770**

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 2016/17 is shown in Note 15. During 2016/17, 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 £11.144m to voluntary and other statutory bodies in which a number Members had declared an interest (£2.261m in 2015/16), of this amount 63% was paid to one organisation – The Northumbria Healthcare NHS Foundation Trust. 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 2016/17 an officer declared a pecuniary interest regarding a payment of £0.188m (£0.189m in 2015/16) made by the Authority to a regional body with an interest in learning and education.

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) – 9 Members of the Authority serve as members of NECA boards. During 2016/17 the Authority paid grants and other sums totalling £0.199m (£0.055m in 2015/16) to the organisation, together with a transport levy of £11.802m (£12.199m in 2015/16) (see Note 10).

17 Audit Costs

In 2016/17 the Authority incurred the following fees relating to external audit.

2015/16 £000s		2016/17 £000s
136	Fees payable to the appointed auditor with regard to external audit services	136
17	Fees payable to the appointed auditor in respect of grant claims and returns	12
9	Other fees payable in respect of other assurance work (grant claims and returns)	8
162	Total fees payable	156

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

2016/17 was the fourteenth 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

2016/17 was the thirteenth 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
2016/17 was the fourth 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)
2016/17 was the tenth year of a twenty five year Local Improvement Finance Trust (LIFT) contract for the construction, maintenance and operation of a joint service centre at 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)
2016/17 was the fifth year of a twenty five year Local Improvement Finance Trust (LIFT) contract for the construction, maintenance and operation of a joint service centre at Whitley Bay. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Newcastle & North Tyneside LIFTco, took on the obligation to construct and maintain the building, plant and equipment required to operate the joint service centre. At the end of the twenty five year contract, the Authority has the right to purchase the building, plant and equipment from the operator.

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

<u>Payments</u>
The Authority makes an agreed payment under each contract each year, all of which increase each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the contracts at 31 March 2017 (excluding any estimation of inflation and availability/performance deductions) are as detailed below:

2015/16 Total £000s		Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	2016/17 Total £000s
15,450	Payable in one year	4,585	3,525	8,678	16,788
67,889	Payable within 2-5 yrs	19,210	16,256	32,799	68,265
87,521	Payable within 6-10 yrs	24,227	26,259	35,272	85,758
84,041	Payable within 11-15 yrs	24,119	30,206	26,351	80,676
64,543	Payable within 16-20 yrs	15,871	27,924	16,073	59,868
48,385	Payable within 21-25 yrs	12,739	28,282	6,447	47,468
9,313	Payable within 26-30 yrs	0	0	0	0
377,142	**Total**	**100,751**	**132,452**	**125,620**	**358,823**

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:

2015/16 £000s		2016/17 £000s
77,824	Balance outstanding at start of year	107,378
(2,217)	Payments made during the year	(2,416)
31,771	Additional liabilities incurred in the year	19,431
107,378	**Balance outstanding at year-end**	**124,393**

In March 2014, the North Tyneside Living PFI became operational and an initial amount was recognised on the Authority's Balance Sheet. The construction period was three years and was completed at the end of 2016/17. The £19.184m value of construction undertaken in 2016/17 has been added to the Authority's Balance Sheet.

An additional £0.247m has been recognised on the Authority's Balance Sheet for the Street Lighting PFI scheme in relation to the purchase of new equipment.

Other than this, there have been no renewals or terminations of the above schemes during 2016/17 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

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**

	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	114,070
At 31 March 2016 (restated)	504,891	409,104	11,189	126,932	7,494	2,389	48,806	1,110,805	100,910

Restated* 2015/16	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 2015 (restated)	500,810	445,350	17,773	149,799	8,062	10,888	42,236	1,174,918	83,882
Additions	32,198	11,749	4,392	15,179	94	274	31,345	95,231	32,178
Revaluations increases/(decreases) recognised in the Revaluation Reserve	374	(4,281)	0	0	0	(669)	0	(4,576)	334
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(19,018)	(11,996)	0	0	0	(5,984)	0	(36,998)	(13,678)
Derecognition - Disposals	(4,868)	(10)	0	0	0	(1,349)	0	(6,227)	0
Derecognition - Other	(5,724)	(1)	(2,037)	(355)	0	(554)	0	(8,671)	0
Assets reclassified (to)/from Held for Sale	0	(720)	0	0	0	(275)	0	(995)	0
Other movements in Cost or Valuation	18,407	1,865	0	4,334	0	169	(24,775)	0	8,176
At 31 March 2016	**522,179**	**441,956**	**20,128**	**168,957**	**8,156**	**2,500**	**48,806**	**1,212,682**	**110,892**

*See Note A for further details

2015/16	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 2015 (restated)	(805)	(22,786)	(6,872)	(37,408)	(651)	(909)	0	(69,431)	(8,195)
Depreciation charge	(14,707)	(19,896)	(4,104)	(4,972)	(11)	(241)	0	(43,931)	(1,986)
Depreciation written out to the Revaluation Reserve	18	8,863	0	0	0	41	0	8,922	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	403	2,626	0	0	0	618	0	3,647	403
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	49	0	0	0	1	0	50	0
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	(2,474)	(1,710)	0	0	0	0	0	(4,184)	0
Derecognition – Disposals	0	1	0	0	0	133	0	134	0
Derecognition - Other	277	0	2,037	355	0	247	0	2,916	0
Other movements in Depreciation & Impairment	0	1	0	0	0	(1)	0	0	(204)
At 31 March 2016	**(17,288)**	**(32,852)**	**(8,939)**	**(42,025)**	**(662)**	**(111)**	**0**	**(101,877)**	**(9,982)**
Net Book Value									
At 31 March 2016	504,891	409,104	11,189	126,932	7,494	2,389	48,806	1,110,805	100,910
At 31 March 2015 (restated)	500,005	422,564	10,901	112,391	7,411	9,979	42,236	1,105,487	75,687

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 40).

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Surplus Assets £000s	Total £000s
Valued at historical cost	0	0	22,892	0	22,892
Valued at current value as at:					
2013/14	0	20,380	0	0	20,380
2014/15	0	23,683	0	0	23,683
2015/16	0	38,954	0	341	39,295
2016/17	634,163	377,985	0	857	1,013,005
Gross Book Value	**634,163**	**461,002**	**22,892**	**1,198**	**1,119,255**

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

	£000s
Net Book Value at 31 March 2017	1,250,423
Social Housing Adjustment	(700,237)
Net Book Value after Adjustment for Social Housing	**550,186**

Note 42 provides more details of the housing stock.

20 Assets Held For Sale

31 March 2016 £000s		**31 March 2017 £000s**
214	Balance at 1 April	995
	Assets newly classified as held for sale:	
995	Property, Plant & Equipment	5,162
0	Revaluation Losses	(510)
0	Impairment Losses	(81)
	Assets declassified as held for sale:	
(214)	Property, Plant & Equipment	0
0	Assets Sold	(470)
995	Balance at 31 March	**5,096**

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 2016 Fair Value £000s	31 March 2017 Fair Value £000s
Level 2	Quoted prices in active markets for identical assets	995	5,096

21 Summary of Capital Expenditure and Sources of Finance

2015/16 £000s		2016/17 £000s
601,324	**Opening Capital Financing Requirement**	**621,578**
	Capital Investment	
95,231	Property, Plant & Equipment	118,558
0	Investment Properties	17
43	Share Capital	1,307
40	Intangible Assets	727
0	Assets Held for Sale	81
0	Capital Loans	140
388	Heritage Assets	6
2,569	Revenue Expenditure Funded from Capital Under Statute	1,668
98,271		**122,504**
	Sources of Finance	
(7,489)	Capital Receipts	(574)
(2,616)	Capital Receipts Set Aside - HRA	(2,633)
(26,588)	Government Grants and Other Contributions	(25,099)
(388)	Government Grants and Other Contributions Donated	(41,159)
(14,344)	Major Repairs Reserve	(14,281)
(8,641)	Direct Revenue Contributions	(5,763)
(17,951)	Minimum Revenue Provision	(14,720)
(78,017)		**(104,229)**
621,578	**Closing Capital Financing Requirement**	**639,853**
	Explanation of Movements in Year	
(4,696)	Decrease in underlying need to borrow (supported by Government financial assistance)	(2,254)
(4,480)	Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	3,373
(154)	Movement in Assets acquired under Finance Leases	0
29,584	Movement in Assets acquired under PFI or similar Contracts	17,156
20,254	**Increase in Capital Financing Requirement**	**18,275**

22 Capital Commitments

Council approved the General Fund Investment Plan and the Housing Investment Plan for 2017-2019 on 16 February 2017. The current contractually committed schemes contained within the approved plan comprise of:

31 March 2016 £000s		31 March 2017 £000s
0	Adult Social Care	805
1,921	Central Services	1,625
522	Children's & Education Services	329
1,049	Cultural & Related Services	0
9,371	Environment & Regulatory Services	10,505
4,793	Highways & Transport	5,271
34,616	Housing Services	10,025
2,029	Planning	10,918
54,301		**39,478**

Major schemes within the above totals include:

	£000s
Coastal Regeneration	10,549
HRA Housing Services	9,496
Street Lighting PFI	8,059
Local Transport Plan & Highways	5,271
ICT Projects	1,297

23 Long Term Investments

31 March 2016 £000s		31 March 2017 £000s
10,784	£1 Ordinary shares in Newcastle Airport Local Authority Holding Company Ltd	10,784
43	£1 Ordinary shares in North Tyneside Trading Company	1,350
0	Kier North Tyneside Limited – 200 £1 "A" ordinary shares	0
10,827		**12,134**

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. The last valuation is based on the sale of shares to AMP Capital Investors Limited in 2012. As no such events have occurred during 2016/17 the valuation remains unchanged.

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 £2.722m was received for the year ended 31 December 2016 (nil for the year ended 31 December 2015).

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

NIAL Group Ltd made a loss before tax of £2.266m and a loss after tax of £0.499m for the year ended 31 December 2016. In the previous year, the Group made a profit before tax of £2.300m and a profit after tax of £4.556m.

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. Between 1 April 2016 and 31 March 2017, Kier North Tyneside Limited invoiced the Authority £40.682m (net of VAT) (£43.751m in 2015/16) for completed works and services.

In respect of revenue works, the Authority paid monthly cash-flow payments to Kier North Tyneside Limited of £13.128m from April 2016 through to March 2017. Other service streams within the contract are based on monthly invoices the net balance outstanding to Kier North Tyneside Limited in respect of these as at 31 March 2017 was £0.472m net of VAT.

The Authority received a dividend of £0.350m during 2016/17 (£0.100m in 2015/16) 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 2017. 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. All of these properties are now tenanted with the first leases commencing on the 3 April 2017.

Funding for the construction of the homes is provided to North Tyneside Trading Company (Development) Limited by the Parent Company, North Tyneside Trading Company and ultimately by the Authority in the form of equity funding. For the 2016/17 financial year, 1,307,000 £1 Ordinary Shares were purchased in North Tyneside Trading Company by the Authority which in turn purchased the same amount of equity in North Tyneside Trading Company (Development) Limited. This funding was used as a payment for the construction works on site. In addition, £0.066m grant funding was provided to the North Tyneside Trading Company (Development) Limited by the Authority in order to fund company running costs.

Late in the 2016/17 financial year, the North Tyneside Trading Company (Development) Limited agreed a purchasing strategy to acquire homes on the open market to then let at an affordable rent, with the first 2 homes in the process of being purchased by the North Tyneside Trading Company (Development).

During 2016/17, two further subsidiaries of North Tyneside Trading Company Limited were incorporated, Aurora Properties (Sale) Limited and Aurora Properties (Rental) Limited. 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. As both Companies were incorporated in March 2017 (Aurora Properties (Sale) Limited – 25 March 2017 and Aurora Properties (Rental) Limited – 1 March 2017), no activity has taken place during 2016/17. It is anticipated that work will commence by the Aurora Properties (Sale) on its first two sites during 2017/18 – Northumberland Square in North Shields and the Avenue site in Whitley Bay. Funding for the construction of the homes will be in the form of both debt and equity funding. Aurora Properties (Rental) Limited is dormant.

A full set of audited accounts for the North Tyneside Trading Company and subsidiaries for their accounting period ending 31 March 2017 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 2017, but which should be repaid within one year.

31 March 2016 £000s		31 March 2017 £000s
6,867	Central Government Bodies	11,215
871	Other Local Authorities	1,284
2,476	NHS Bodies	7,752
182	Public Corporations and Trading Funds	0
36,666	Other Entities and Individuals	39,989
47,062	**Total**	**60,240**

This year the Authority set aside a sum of £16.034m (£16.386m 2015/16) to cover bad and doubtful debts. Of this £7.566m (£8.281m 2015/16) relates to the General Fund, £2.749m (£2.459m 2015/16) relates to the Housing Revenue Account and £5.719m (£5.646m 2015/16) relates to the Collection Fund.

25 Cash and Cash Equivalents

31 March 2016 £000s		31 March 2017 £000s
118	Cash held by the Authority	112
9,948	Schools Cash at Bank	9,770
(11,678)	Bank Current Accounts	(10,973)
14,200	Short term deposits	5,200
12,588	**Total**	**4,109**

26 Short Term Borrowing

31 March 2016 £000s		31 March 2017 £000s
(28,511)	Public Works Loans Board (PWLB)	(19,050)
(77,846)	Market Loans (including other local authorities)	(97,818)
(10,162)	Lender's Option Borrower's Option (LOBO)	(160)
(116,519)	**Total**	**(117,028)**

27 Short Term Creditors

The table below shows an analysis of the Authority's creditors as at the 31 March 2017.

31 March 2016 £000s		31 March 2017 £000s
(7,022)	Central Government Bodies	(5,954)
(832)	Other Local Authorities	(1,845)
(468)	NHS Bodies	(2,664)
(25,421)	Other Entities and Individuals	(25,797)
(33,743)	**Total**	**(36,260)**

28 Provisions

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

	Long Term Estimated Insurance Liabilities (a) £000s	Short Term General Provisions (b) £000s	Total £000s
Balance at 1 April 2015	(4,916)	(2,759)	(7,675)
Additional provisions	0	(1,119)	(1,119)
Amounts written off	0	149	149
Amounts used	522	1,094	1,616
Balance at 31 March 2016	**(4,394)**	**(2,635)**	**(7,029)**

	Long Term Estimated Insurance Liabilities (a) £000s	Short Term General Provisions (b) £000s	Total £000s
Balance at 1 April 2016	(4,394)	(2,635)	(7,029)
Additional provisions made	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)**

(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 £0.152m, 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 2017 is a principal of £323.443m. The following table analyses the debt by lender and maturity:

31 March 2016 £000s		31 March 2017 £000s
	(a) by lender category	
(312,043)	Public Works Loan Board (PWLB)	(303,443)
(10,000)	Lender's Option Borrower's Option (LOBO) – Europaise Hypothekenbank	(20,000)
(322,043)		(323,443)
	(b) by maturity	
(15,750)	Maturing between 1 and 2 years	(25,000)
(32,000)	Maturing between 2 and 5 years	(17,000)
(14,000)	Maturing between 5 and 10 years	(17,575)
(260,293)	Maturing more than 10 years	(263,868)
(322,043)		**(323,443)**

30 Long Term Creditors

The table below shows an analysis of the Authority's creditors as at 31 March 2017.

31 March 2016 £000s		31 March 2017 £000s
(25)	Central Government Bodies	(25)
(3,858)	Other Entities and Individuals	(2,996)
(3,883)	**Total**	**(3,021)**

31 Useable Reserves

*Restated 31 March 2016 £000s		31 March 2017 £000s
56,667	General Fund Balances and Reserves (See Note 32)	51,380
20,892	Housing Revenue Account Balance and Reserves (See Note 32)	27,633
4,475	Capital Receipts Reserve	5,501
1,685	Major Repairs Reserve	2,231
5,227	Capital Grants Unapplied	5,521
88,946	**Total Useable Reserves**	**92,266**

*The format of this note has been restated to comply with the changes in the Code in 2016/17 in respect of the revised format of the Movement in Reserves Statement.

31 (a) <u>General Fund Balance including Earmarked Reserves Balances</u>

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 128-136.

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

The Authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA 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 MRA that has yet to be applied at year end. See page 132 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 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**

	Balance 1 April 2015 £000s	Transfers out 2015/16 £000s	Transfers in 2015/16 £000s	Balance 31 March 2016 £000s
General Fund Balances				
School Balances	7,637	(654)	0	6,983
General Fund	6,604	0	0	6,604
Total General Fund Balances	14,241	(654)	0	13,587
General Fund Reserves				
Strategic Reserve	13,634	0	1,576	15,210
Insurance Reserve	3,545	(445)	2,082	5,182
Support Change Fund Programme	4,194	0	0	4,194
Schools PFI Lifecycle costs (capital)	2,332	(151)	262	2,443
Dudley & Shiremoor Joint Service Centres	1,756	0	238	1,994
Redundancy Reserve	1,676	(1,510)	1,814	1,980
Education PFI Reserve	1,727	0	50	1,777
Whitley Bay Customer First Centre PFI	798	0	379	1,177
Non Domestic Rates Appeals	1,766	(1,766)	0	0
General Fund Reserves (individually under £1.000m)	4,584	(1,434)	704	3,854
Dedicated Schools Grant	2,424	(2,424)	643	643
Weekly Waste Collection Grant	1,757	(496)	0	1,261
Transformation Challenge Grant	0	0	1,000	1,000
Other Grants (individually under £1.000m)	3,245	(2,016)	1,136	2,365
Total General Fund Reserves	43,438	(10,242)	9,884	43,080
Total General Fund Balances & Reserves	57,679	(10,896)	9,884	56,667
HRA Balances & Reserves				
HRA Balances	3,732	0	656	4,388
North Tyneside Living PFI Reserve	5,689	0	4,561	10,250
New Build Council Housing	2,788	0	1,071	3,859
Housing PFI Lifecycle Costs	736	0	743	1,479
HRA Reserves (individually under £1.000m)	772	(51)	195	916
Total HRA Balances & Reserves	13,717	(51)	7,226	20,892
Total Balances & Reserves	**71,396**	**(10,947)**	**17,110**	**77,559**

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.
Housing PFI	Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the PFI contract.
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.
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 cashflows over a 25-year period to enable the yearly equalisation of the additional costs of the Customer First Centre.

Purpose of main Grant Reserves

Reserve	Purpose
Dedicated Schools Grant	Ring fenced grant that can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008.
Weekly Waste Collection Grant	Funding to support delivery around Weekly Waste Collection Support Scheme
Transformation Grant	Project to develop a single point for people of North Tyneside to access advice and information for adult and children's social care services and to develop enhanced integration with secondary mental health services.

33 Unuseable Reserves

*Restated 31 March 2016 £000s		31 March 2017 £000s
112,307	Revaluation Reserve	145,300
10,549	Available for Sale Reserve	10,549
382,245	Capital Adjustment Account	458,099
(1,050)	Financial Instruments Adjustment Account	(1,273)
(385,880)	Pensions Reserve	(455,000)
1,175	Deferred Capital Receipts Reserve	1,173
(1,561)	Collection Fund Adjustment Account	(300)
(3,015)	Accumulated Absences Account	(4,138)
114,770	**Total Unuseable Reserves**	**154,410**

*See Note A for further details on restatement

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.

Restated* **2015/16 £000s**		**2016/17 £000s**	
116,507	**Balance at 1 April**		112,307
13,470	Upward revaluation of assets	64,941	
(9,072)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(15,268)	
4,398	Surplus on revaluation of non-current assets not posted to the Surplus/ Deficit on the Provision of Services		49,673
(7,807)	Difference between fair value depreciation and historical cost depreciation	(10,159)	
(791)	Accumulated gains on assets sold or scrapped	(6,521)	
(8,598)	Amount written off to the Capital Adjustment Account		(16,680)
112,307	**Balance at 31 March**		**145,300**

*See Note A for further details

33(b) Available for Sale Reserve

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

- Revalued downwards or impaired and the gains are lost; and
- Disposed of and the gains are realised.

2015/16 £000s		2016/17 £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.

Restated* 2015/16 £000s		2016/17 £000s	2016/17 £000s
	Capital Adjustment Account		
391,781	**Balance at 1 April**		382,245
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
(48,242)	Charges for depreciation & impairment of non current assets	(48,537)	
(33,228)	Revaluation gains/(losses) on Property, Plant & Equipment	33,716	
(79)	Amortisation of intangible assets	(92)	
(2,569)	Revenue expenditure funded from capital under statute	(1,668)	
1,239	Revenue expenditure funded from capital under statute (Grant Funded)	746	
(12,061)	Amounts of non current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(28,571)	
(94,940)			(44,406)
8,598	Adjusting amounts written out of the Revaluation Reserve		16,680
(86,342)	**Net written out amount of the cost of non current assets consumed in the year**		**(27,726)**
	Capital financing applied in the year:		
7,489	Use of the Capital Receipts Reserve to finance new capital expenditure	574	
14,344	Use of the Major Repairs Reserve to finance new capital expenditure	14,281	
20,628	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	61,959	
5,109	Application of grants to capital financing from the Capital Grants Unapplied Account	3,553	
20,567	Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	17,353	
8,641	Capital expenditure charged against the General Fund & HRA balances	5,765	103,485
28	Movements in the market value of investment Property debited or credited to the Comprehensive Income & Expenditure Statement		95
382,245	**Balance at 31 March**		**458,099**

*See Note A for further details

33(d) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the account to manage premiums and discounts paid or received on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balances to the account in the Movement in Reserves Statement.

Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Authority's case, this period is the unexpired term of the replacement loan. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are received, but reversed out of the General Fund Balances to the account in the Movement in Reserves Statement. Income is posted back to the General Fund Balance in accordance with statutory arrangements over the lesser of the unexpired period of the loan or 10 years.

2015/16 £000s		2016/17 £000s	2016/17 £000s
(822)	**Balance at 1 April**		(1,050)
33	Proportion of premiums incurred in previous financial years to be charged in accordance with statutory requirements	33	
(261)	Proportion of discounts received in previous financial years to be credited in accordance with statutory requirements	(256)	
(228)	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		(223)
(1,050)	**Balance at 31 March**		**(1,273)**

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 employers 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.

2015/16 £000s		2016/17 £000s
(420,280)	**Balance at 1 April**	(385,880)
38,760	Remeasurement of the net defined benefit liability	(64,230)
(33,450)	Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits	(34,550)
29,090	Employer's pensions contributions and direct payments to pensioners payable in the year	29,660
(385,880)	**Balance at 31 March**	**(455,000)**

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.

2015/16 £000s		2016/17 £000s
1,427	**Balance at 1 April**	1,175
(252)	Transfer to the Capital Receipts Reserve upon receipt of cash	(2)
1,175	**Balance at 31 March**	**1,173**

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.

2015/16 £000s		2016/17 £000s
(2,668)	**Balance at 1 April**	(1,561)
1,107	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	1,261
(1,561)	**Balance at 31 March**	**(300)**

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.

2015/16 £000s		2016/17 £000s	2016/17 £000s
(4,209)	**Balance at 1 April**		(3,015)
1,131	Adjustment to the accrual required	(1,143)	
63	Adjustment to the debtor in respect of leave & flexi taken in advance	20	
1,194	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,123)
(3,015)	**Balance at 31 March**		**(4,138)**

34 Contingent Liabilities

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. Establishing this contract included transfer of staff under TUPE (Transfer of Undertakings, Protection of Employment) Regulations arrangements to Kier North Tyneside Limited, with an agreement in place that allowed those staff transferred to continue membership of the Local Government Pension Scheme.

Kier North Tyneside Limited then became an admitted body to the Tyne & Wear Pension Fund with the Authority acting as guarantor. In establishing this agreement, Kier North Tyneside Limited agreed to acquire a bond to protect the Pension Fund against costs that might arise should the contract with Kier North Tyneside Limited cease prematurely. The bond has been agreed at £3.000m, but North Tyneside Council remains liable for any liability in excess of the level of the bond. The Authority is also liable for any employer contribution costs above the agreed contribution rate that arise from an actuarial valuation.

ENGIE

A contract with Balfour Beatty Workplace Limited (became part of Cofely GDF Suez in December 2013 and subsequently renamed to ENGIE in January 2016) was established in November 2012 to deliver the Business Services for North Tyneside Council. Establishing this contract included transfer of staff under TUPE Regulations arrangements to ENGIE, with an agreement in place that allowed those staff transferred to continue membership of the Local Government Pension Scheme.

ENGIE is an admitted body to the Tyne & Wear Pension Fund with the Authority acting as guarantor. In establishing this agreement, ENGIE agreed to acquire a bond to protect the Pension Fund against costs that might arise should the contract with ENGIE cease prematurely. The bond has been agreed at £5.830m. The Authority remains liable for any liability in excess of the bond.

The employer contribution rate represents the costs that are payable to the Fund by the employer to purchase the benefits of the staff. The contract reflects a risk share of the employer contribution rate that may change as a result of the triennial valuation and the Authority will be liable for any contribution rate that is more than 3% above the contribution rate set at the contract start date.

The termination of the contract, or certain other trigger events, can give rise to an obligation on the partner to pay a capital amount to the fund to cover any deficit in the value of the Fund with respect to its liabilities at that point. ENGIE will bear the first £1.000m of any exit debt, and the Authority would bear any exit debt in excess of that amount.

Capita Property & Infrastructure

A contract with Capita Symonds Limited (now Capita Property & Infrastructure) was established in November 2012 to deliver the Technical Services for North Tyneside Council. Establishing this contract included transfer of staff under TUPE Regulations arrangements to Capita Property & Infrastructure, with an agreement in place that allowed those staff transferred to continue membership of the Local Government Pension Scheme.

Capita Property & Infrastructure is an admitted body to the Tyne & Wear Pension Fund with the Authority acting as guarantor. In establishing this agreement, Capita Property & Infrastructure agreed to acquire a bond to protect the Pension Fund against costs that might arise should the contract with Capita Property & Infrastructure cease prematurely. The bond has been agreed at £3.750m. The Authority remains liable for any liability in excess of the bond.

The employer contribution rate represents the costs that are payable to the Fund by the employer to purchase the benefits of the staff. The contract reflects a risk share of the employer contribution rate that may change as a result of the triennial valuation and the Authority will be liable for any contribution rate that is more than 3% above the contribution rate set at the contract start date.

The termination of the contract, or certain other trigger events, can give rise to an obligation on the partner to pay a capital amount to the fund to cover any deficit in the value of the Fund with respect to its liabilities at that point. Liability to the Fund for the exit debt would lie with the partner however any deficit arising will be paid by the Authority. The partner has agreed to work with the Authority to minimise the risk of a deficit to the fund towards the end of the contractual term.

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 2017, 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.

General

North Tyneside Council together with the other Tyne & Wear districts, are also guarantors to a number of organisations that cover the Tyne & Wear Pension Fund and Newcastle International Airport Company Limited. A liability would arise at the time these bodies default on contributions to the fund or cease operations. The cost to the Authority would only be known following an actuarial terminal valuation.

North Tyneside Council is guarantor to the Tyne & Wear Pension Fund in respect of a number of admitted bodies. A liability would arise at the time these bodies default on contributions to the fund or cease operations. The cost to the Authority would only be known following an actuarial terminal valuation.

35 School Balances

	Schools with Surpluses £000s	Schools with Deficits £000s	Net Surplus £000s
Balance at 1 April 2016	8,837	(1,854)	6,983
Net (underspend)/overspend during year	93	(2,089)	(1,996)
Balance at 31 March 2017	**8,930**	**(3,943)**	**4,987**

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 2016/17 are as follows:

	Central Expenditure £000s	Individual Schools budget £000s	Total £000s
Final DSG for 2016/17 before Academy recoupment			140,697
Academy figure recouped for 2016/17			(11,170)
Total DSG after Academy recoupment for 2016/17			129,527
Brought forward from 2015/16 as agreed with the Department for Education			643
Agreed initial budgeted distribution in 2016/17	5,050	125,120	130,170
In year adjustments	0	(72)	(72)
Final budgeted distribution for 2016/17	5,050	125,048	130,098
Less actual central expenditure	(5,687)	0	(5,687)
Less actual ISB deployed to schools	0	(124,882)	(124,882)
Carry forward to 2017/18	**(637)**	**166**	**(471)**

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.

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.

2015/16 £000s		2016/17 £000s	2016/17 £000s
	Contributions		
1,364	North Tyneside Council (Non Pooled)	1,307	
12,233	North Tyneside Clinical Commissioning Group (Pooled)	15,724	
13,597	**Total Contributions**		**17,031**
	Spend		
818	North Tyneside Council spend in year (Non Pooled)	797	
546	North Tyneside Council – grant carry forward (Non Pooled)	510	1,307
10,592	North Tyneside Council spend in year (Pooled)	9,982	
68	North Tyneside Council carry forward (Pooled)	0	
1,573	North Tyneside Clinical Commissioning Group spend in year (Pooled)	5,742	15,724
13,597	**Total Spend**		**17,031**

38 Financial Instruments

Categories of Financial Instrument

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

	Long-term		Current	
	31 March 2016 £000s	**31 March 2017 £000s**	**31 March 2016 £000s**	**31 March 2017 £000s**
Investments				
Loans and receivables	848	771	484	621
Available-for-sale financial assets	10,827	12,134	0	0
	11,675	12,905	484	621
Debtors	80	80	20,609	31,251
Total Financial Assets	**11,755**	**12,985**	**21,093**	**31,872**
Borrowings				
Financial Liabilities at amortised cost – loans principal	322,043	323,443	112,709	113,454
Financial Liabilities at amortised cost – loans accrued interest	n/a	n/a	3,810	3,574
	322,043	323,443	116,519	117,028
Other Long Term Liabilities				
PFI Schemes	103,884	120,868	3,494	3,525
	103,884	120,868	3,494	3,525
Creditors	187	187	24,986	16,544
Total Financial Liabilities	**426,114**	**444,498**	**144,999**	**137,097**

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:

	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)**

	2015/16			
	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	(16,231)	0	0	(16,231)
Interest on PFI Schemes	(5,901)	0	0	(5,901)
Interest on Finance Leases	(3)	0	0	(3)
Total Interest Payable	(22,135)	0	0	(22,135)
Interest Income	0	78	0	78
Dividend Received	0	0	100	100
Net gain/(loss) for the year	**(22,135)**	**78**	**100**	**(21,957)**

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 2016 Fair Value £000s	31 March 2017 Fair Value £000s
Available for Sale – Newcastle Airport	Level 2	Observable based on past transactions	10,784	10,784

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. All other available for sale investments are carried at historic cost, as a fair value cannot be established. The total value of these available for sale investments at 31 March 2017 is £1.350m (£0.043m at 31 March 2016.)

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 2017 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 2016 £000s	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s
PWLB loans	340,554	322,493	400,219	411,878
Lender option borrower option loan	20,162	20,160	27,903	33,595
Market loans (including other local authorities)	77,846	97,818	77,880	97,752
PFI Contracts	107,379	124,393	107,379	124,393
Total Financial liabilities	**545,941**	**564,864**	**613,381**	**667,618**

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 2017 £000s	**Estimated maximum exposure to default and uncollectability £000s**
Customers (gross)*	40,816	10,315

*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 2017 this provision is £10.315m 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 £12.604m of the gross debtors balance disclosed above. £4.167m of the trade debtors balance is more than one month, i.e. past its due date, and can be analysed as follows:

31 March 2016 £000s		31 March 2017 £000s
612	1-3 months	1,529
454	3-6 months	168
3,340	6-12 months	585
1,683	Over 1 year	1,885
6,089	**Total**	**4,167**

No credit limits were exceeded during the financial year ended 31 March 2017 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 2016 £000s		31 March 2017 £000s
116,519	Less than 1 year	117,027
15,750	Between 1 and 2 years	25,000
32,000	Between 2 and 5 years	17,000
14,000	Between 5 and 10 years	17,575
260,293	More than 10 years	263,868
438,562		**440,470**

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 2016/17.

According to this investment strategy, as at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2016 £000s		31 March 2017 £000s
0	Change in fair value of fixed rate investments	0
59,303	Decrease in fair value of fixed rate borrowing liabilities (which does not have an impact on the Comprehensive Income and Expenditure Statement)	68,073

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 £1.350m 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:

2015/16 £000s		2016/17 £000s
141	Interest Received	127
(23,163)	Interest Paid	(23,104)
0	Dividends Received	3,047

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

Restated* 2015/16 £000s		2016/17 £000s
48,242	Depreciation & Impairment	48,537
33,228	Revaluations	(33,716)
79	Amortisation of intangible assets	92
(16,603)	Increase/(Decrease) in Creditors	1,816
0	Donated Assets	(41,159)
8,669	(Increase)/Decrease in Debtors	(11,925)
(17)	Decrease/(Increase) in Inventories	27
4,360	Pension Liability	4,890
12,061	Carrying amount of non-current assets sold	28,571
520	Other non-cash items charged to the surplus/deficit on the provision of services	(1,856)
90,539		(4,723)

*See Note A for further details

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

2015/16 £000s		2016/17 £000s
(8,794)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,123)
(24,869)	Any other items for which the cash effects are investing or financing cash flows	(66,549)
(33,663)		(72,672)

40 Notes to the Cash Flow – Investing Activities

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

2015/16 £000s		2016/17 £000s
(65,518)	Purchase of Property, Plant & Equipment, investment property and intangible assets	(59,195)
(225)	Purchase of short and long term investments	(1,444)
8,794	Proceeds from the sale of Property, Plant & Equipment, investment property and intangible assets	6,123
252	Deferred Capital Receipts received	2
27,877	Other receipts from Investing Activities	66,314
(28,820)	**Net Cash Flows from Investing Activities**	**11,800**

41 Notes to the Cash Flow – Financing Activities

2015/16 £000s		2016/17 £000s
123,701	Cash receipts of short and long term borrowing	116,783
(129,600)	Repayment of short and long term borrowing	(114,746)
(2,371)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2,416)
(228)	Other payments for financing activities	(22)
(8,498)	**Net Cash Flows from Financing Activities**	**(401)**

Housing Revenue Account – Income & Expenditure Statement for year ended 31 March 2017

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.

2015/16 £000s		Note	2016/17 £000s	2016/17 £000s
	Expenditure			
11,702	Repairs & Maintenance		11,455	
9,550	Supervision and Management		9,489	
1,576	PFI Unitary Charge Payments		1,417	
562	Rents, Rates, Taxes and other charges		672	
548	Movement in the allowance for bad debts	45	422	
37,264	Capital Charges – including Depreciation, Revaluation and Impairment of non current assets	48 & 53	(21,765)	
61,202	Total Expenditure			1,690
	Income			
(58,037)	Dwelling rents (Gross)		(57,474)	
(641)	Non-dwelling rents (Gross)		(642)	
(2,341)	Charges for services and facilities		(2,638)	
(2,397)	Contributions towards expenditure		(2,592)	
(7,693)	PFI Credits		(7,693)	
(71,109)	Total Income			(71,039)
(9,907)	**Net cost of HRA services as included in the Comprehensive Income & Expenditure Statement**			**(69,349)**
317	HRA service's share of Central Costs			317
2,366	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services			2,488
(7,224)	**Net Income for HRA Services**			**(66,544)**
	HRA Share of the operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
5,393	Loss on disposal of HRA non-current assets		1,139	
13,258	Interest payable and similar charges		14,555	
(47)	Interest and investment income		(48)	
544	Pensions interest cost and expected return on pensions assets	49	425	
(861)	Capital Grants and Contributions		0	16,071
11,063	**(Surplus)/Deficit for the year on HRA Services**			**(50,473)**

Movement on the Housing Revenue Account Statement

**Restated 2015/16 £000s		2016/17 £000s
13,717	Balance on the HRA at the end of the previous year	20,892
(11,063)	Surplus/(deficit) for the year on the HRA Services	50,473
18,238	*Adjustments between accounting basis and funding basis under statute	(43,732)
7,175	Increase in year on the HRA	6,741
20,892	**Balance on the HRA at the end of the year**	**27,633**

*Note 3 provides more detail in respect of these adjustments

**Due to the changes in the requirements of the Code, the format of the Movement in Reserves Statement (MiRS) has changed. The opening and closing balance of the MiRS now includes both the reserves and balances relating to the Housing Revenue Account. This has resulted in the need to restate the 2015/16 for comparator purposes. The total balance of £20.892m includes general balance of £4.388m and reserves of £16.504m. A corresponding adjustment has been made within the main Movement in Reserves Statement shown on page 24.

Notes to the Housing Revenue Account

42 Housing Stock

The Authority was responsible for managing 14,924 dwellings at 31 March 2017 compared with 14,945 at 31 March 2016. The net reduction of 21 properties includes 136 properties sold, 2 properties disposed of subject to a change of use and the addition of 5 properties subject to a change of use. In addition a total of 241 PFI properties came off the system due to closure or refurbishment, replaced by 353 properties which were new build or newly refurbished.

The number of voids included in the above figures as at 31 March 2017 stands at 486 compared with 497 at 31 March 2016.

The stock is made up as follows:

1 April 2016		31 March 2017
	Low Rise Flats	
1,555	- 1 Bed	1,529
1,029	- 2 Bed	1,038
115	- 3+ Bed	115
	Medium Rise Flats	
489	- 1 Bed	564
1,132	- 2 Bed	1,156
61	- 3+ Bed	61
	Houses and Bungalows	
1,566	- 1 Bed	1,566
3,088	- 2 Bed	3,061
5,557	- 3 Bed	5,483
353	- 4+ Bed	351
14,945	**Total**	**14,924**

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 2016 £000s		31 March 2017 £000s
504,891	Houses	615,271
2,113	Land & Buildings	2,075
1,312	Vehicles, Plant & Equipment	1,238
0	Assets Held for Sale	4,000
10	Infrastructure	10
37,715	Assets Under Construction	501
546,041		**623,095**

44 Vacant Possession

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

1 April 2016 £ms		31 March 2017 £ms
1,365	Vacant Possession Value of HRA Dwellings	1,250

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 2016/17 (37% 2015/16).

As a consequence the Authority recognises council dwellings at a value of £550.186m on the Balance Sheet. The value of these properties if vacant would be £1,250.423m, therefore recognising an economic cost to the government of providing council housing at less than open market rents of £700.237m.

45 Rent Arrears and Bad Debt Allowance

Overall rent arrears have increased by £0.279m during 2016/17, from £3.295m at 31 March 2016 to £3.574m at 31 March 2017. These figures include rent, service charge and water rate arrears.

	£000s	£000s
Opening Rent Arrears at 1 April 2016 - consisting of:		
Current Tenant Arrears at 1 April 2016	1,949	
Former Tenant Arrears at 1 April 2016	1,346	3,295
Closing Rent Arrears at 31 March 2017 - consisting of:		
Current Tenant Arrears at 31 March 2017	2,025	
Former Tenant Arrears at 31 March 2017	1,549	3,574

The provision for bad debt required at 31 March 2017 is £2.749m compared with £2.459m at 31 March 2016, an increase of £0.290m. Bad debts of £0.132m were written off during the year, and a contribution of £0.422m was made:

£000s 2015/16		£000s 2016/17
2,063	Opening Provision for Bad Debt at 1 April	2,459
(152)	Bad debts written off during year	(132)
548	Additional contributions to bad debt provision during year	422
2,459	**Provision for Bad Debts at 31 March**	**2,749**

46 Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). 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:

2015/16 £000s		2016/17 £000s
1,685	Balance as at 1 April	1,685
15,144	Depreciation transferred into MRR	15,627
(14,344)	Financing of HRA capital expenditure: Houses	(14,281)
(800)	Set aside for debt repayment	(800)
1,685	**Balance as at 31 March**	**2,231**

47 Housing Capital Expenditure and Financing

Capital expenditure of £20.785m was incurred in the HRA during 2016/17.

2015/16 £000s		2016/17 £000s
26,436	Houses	20,631
683	Revenue Expenditure Funded from Capital under Statute	154
27,119		**20,785**

This was financed as follows:

2015/16 £000s		2016/17 £000s
14,344	Major Repairs Reserve	14,281
7,799	Revenue Contribution	5,459
0	Other contributions	0
423	Usable Capital Receipts – RTB Retained	161
3,315	Usable Capital Receipts - other	0
1,238	Grants	884
27,119		**20,785**

Total Gross Capital Receipts:

2015/16 £000s		2016/17 £000s
5,553	Houses	5,632
765	Land	264
6,318		**5,896**

48 Depreciation for HRA Assets

The charges for depreciation within the HRA for 2016/17 were as follows:

2015/16 £000s		2016/17 £000s
14,707	Houses	15,176
398	Vehicles, Plant & Equipment	413
38	Land & Buildings	38
1	Other	0
15,144		**15,627**

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 2016/17 in accordance with IAS19 were as follows:

2015/16 £000s		2016/17 £000s
362	Allocated to Services	287
544	Interest on Net Defined Benefit Liability	425
(906)	Movement on Pension Reserve	(712)

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.

2015/16 £000s		2016/17 £000s
184	Balance as at 1 April	154
(30)	Drawdown to fund spend	(9)
0	Additional contributions to fund	0
154	**Balance as at 31 March**	**145**

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 2016/17, 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 £0.074m of roof rental payments in 2016/17 and the Authority also received a gain-share payment of £0.022m for the excess electricity generated and exported back to the National Grid. Hence, the Green Fund contained a balance of £0.460m at the end of 2016/17.

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 2016/17 there were 8 compensation events resulting in the removal of solar PV systems, which resulted in total compensation payments of £0.042m from the risk pot.

2015/16 £000s		2016/17 £000s
	Solar PV – Risk Pot	
123	Balance as at 1 April	102
(22)	Drawdown to fund compensation events	(42)
1	Gain Share payments for maintenance on New Build properties	0
102	**Balance as at 31 March**	**60**

2015/16 £000s		2016/17 £000s
	Solar PV – Green Fund	
246	Balance as at 1 April	364
44	In year Gain-Share Payments from EON	22
74	In year Roof Rental Payments from EON	74
364	**Balance as at 31 March**	**460**

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 2016 the balance on the account was £3.859m of which £3.621m had been allocated to finance the 2016/17 HRA Investment Plan new build programme, however due to re-programming in-year this financing was not required, and hence will be carried forward to fund the re-programmed works in 2017/18 and future years.

	2016/17 £000s
House-building Fund	
Balance as at 1 April 2016	3,859
Budget Contribution 2016/17	1,071
Balance as at 31 March 2017	**4,930**

Of these sums identified 2016/17, £4.692m has already been allocated to the New Build Programme for 2017/18. 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:

2015/16 £000s		2016/17 £000s
15,144	Depreciation	15,627
18,968	Downwards Revaluations	29,882
2,475	Impairments	4,572
(5)	Revaluation Increases*	(72,000)
683	Revenue Expenditure Funded from Capital Under Statute	154
37,265		**(21,765)**

*As detailed in section 3.5 of the Narrative Statement the change in the Social Housing Discount Factor has had an impact on the revaluation increases charged to the Comprehensive Income & Expenditure Statement.

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 will carry 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 2016/17 total contributions of £3.113m were made to the reserve as follows:

	2016/17 £000s
Balance as at 1 April 2016	10,250
Contributions to reserve in year as per Financial Model	2,867
Additional contributions to reserve	47
Interest earned on the reserve	199
Balance as at 31 March 2017	**13,363**

55 Revenue Expenditure funded from Capital under Statute

The amount of revenue expenditure funded from capital under statute in 2016/17 is £0.154m (£0.683m 2015/16). The charges 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 £10.278m for 2016/17 (£10.652m 2015/16).

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 fixed assets (details shown in Note 19 of the main accounts) together with debt management expenses (£0.027m in 2016/17 and £0.047m in 2015/16) are included in the Net Cost of Services to reflect the true cost of the use of assets.

Interest payable and similar charges (£14.555m in 2016/17 and £13.258m in 2015/16) are charged after the Net Cost of Services.

Depreciation and impairment charges, other than valuation reductions on non-dwelling assets, are reversed out through the Statement of Movement on the HRA Balance (details shown in Note 3).

Collection Fund Statement for year ended 31 March 2017

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.

2015/16 £000s		Note	2016/17 £000s Business Rates	£000s Council Tax	£000s Total
	Income				
(84,786)	Council Tax	58	0	(89,770)	(89,770)
79	Council Tax Benefits		0	35	35
(57,987)	Business Rates Receivable	59	(62,613)	0	(62,613)
(142,694)	**Total Income**		(62,613)	(89,735)	(152,348)
	Expenditure				
	Precepts, Demands & Shares:	60			
26,653	Central Government		30,182	0	30,182
101,053	North Tyneside Council Demand		29,578	78,653	108,231
4,984	Police and Crime Commissioner for Northumbria		0	5,315	5,315
4,744	Tyne & Wear Fire & Rescue Authority		604	4,334	4,938
137,434			60,364	88,302	148,666
	Distribution of Collection Fund Surplus:	61			
37	North Tyneside Council		0	26	26
2	Police and Crime Commissioner for Northumbria		0	2	2
2	Tyne & Wear Fire & Rescue Authority		0	2	2
41			0	30	30
	Charges to the Collection Fund:	62			
155	Write offs of Uncollectable Amounts		1,489	231	1,720
1,887	Increase/(decrease) in Provision for Appeals		(434)	0	(434)
125	Increase/(decrease) in Impairment Allowance		(975)	612	(363)
229	Cost of Collection		231	0	231
25	Disregarded Amounts		95	0	95
257	Transitional Protection Payment		223	0	223
2,678			629	843	1,472
140,153	**Total Expenditure**		60,993	89,175	150,168
(2,541)	(Surplus)/Deficit for the year		(1,620)	(560)	(2,180)
5,816	(Surplus)/Deficit as at 1 April		3,305	(30)	3,275
3,275	**(Surplus)/Deficit as at 31 March**	63	**1,685**	**(590)**	**1,095**

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: (56,948 in 2016/17).

This basic amount of Council Tax for Band D property (£1,550.58 in 2016/17) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax Base Calculation

Band	Properties	Less Discounts at 25%	Total Properties	Proportion of Band D Equivalent	Band D Equivalent
A*	103	(15)	88	5/9	49
A	36,872	(5,822)	31,050	6/9	20,700
B	13,774	(1,347)	12,427	7/9	9,665
C	17,517	(1,215)	16,302	8/9	14,491
D	7,247	(367)	6,880	9/9	6,880
E	3,304	(117)	3,187	11/9	3,895
F	1,091	(42)	1,049	13/9	1,515
G	351	(22)	329	15/9	548
H	13	(2)	11	18/9	22
	80,272	**(8,949)**	**71,323**		**57,765**

*Band A - Entitled to Disabled Relief Reduction.

	Band D Equivalents	Collection Rate	Council Tax Base
Tax Base Calculation	57,765	98.50%	56,898
Add Payments in Lieu			50
2016/17 Council Tax Base			56,948

59 Non Domestic Rates (NDR) (Business Rates)

The NDR multipliers (the rate in the £) are set annually by Central Government. For 2016/17, the standard rates multiplier was set at 49.7 pence in the £ and the small business multiplier was set at 48.4 pence in the £.

From 1 April 2013 there has been a fundamental change to the system of Local Government Finance with the introduction of the Business Rates Retention Scheme. This system allows Authorities to retain a proportion of business rates revenues, as well as growth generated in their area. In the case of North Tyneside Council, the retained share (local share) of business rates income is 49%. Of the remainder, 50% is distributed to Central Government and 1% to the Tyne and Wear Fire and Rescue Authority.

At the outset of the Business Rates Retention Scheme the government undertook calculations to ensure that Councils with greater needs than their business rates income would receive a 'top up' payment and Councils with more business rates than their current spending will make a 'tariff' payment to Central Government. In the case of North Tyneside Council the 'top up' payment for 2016/17 is £15.673m. 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 2017 was £148,870,998 (£147,145,196 at 31 March 2016).

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 2016/17 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:

2015/16 £000s		2016/17 £000s
74,933	North Tyneside Council Demand	78,653
4,984	Police and Crime Commissioner for Northumbria Precept	5,315
4,211	Tyne & Wear Fire & Rescue Authority Precept	4,334
84,128		**88,302**

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 2016/17, these amounts were as follows:

2015/16 £000s		2016/17 £000s
37	North Tyneside Council	26
2	Police and Crime Commissioner for Northumbria Precept	2
2	Tyne & Wear Fire & Rescue Authority Precept	2
41		**30**

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 2016/17 are £0.231m (£0.155m 2015/16) for Council Tax and £1.489m for NDR (£0 2015/16).

Bad Debt provisions are re-calculated on an annual basis, and for 2016/17 the Council Tax bad debt provision has been increased by £0.612m (£0.365m 2015/16) and the NDR bad debt provision decreased by £0.975m (£0.240m 2015/16).

The other significant item here is the provision for the NDR appeals as part of the Business Rates System £1.424m in 2016/17 (£3.340m 2015/16).

63 Collection Fund (Surplus)/Deficit

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

	Business Rates Deficit £000s	Council Tax (Surplus) £000s
North Tyneside Council	826	(525)
Central Government	842	n/a
Police and Crime Commissioner for Northumbria Precept	n/a	(36)
Tyne & Wear Fire & Rescue Authority Precept	17	(29)
	1,685	**(590)**

2016/17 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 2017 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

SUPPORTING PRINCIPLE

Managing performance

SUPPORTING PRINCIPLE

Robust internal control

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

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

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 section 9 "Annual Governance Statement 2016/17" of the Internal Audit Service report "2016/17 Opinion on the Framework of Governance, Risk Management and Control".

As a result of reviewing the evidence outlined in sections 3 and 4, the Senior Leadership Team has taken the view that as a whole, the governance arrangements in operation during 2016/17 within the Authority were adequate.

5.1 Outlook

As a result of reviewing the evidence outlined in sections 3 and 4, together with the Authority's assurance statement, some issues were identified that will need to be monitored during 2017/18. 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	Current Controls
Housing Revenue Account (HRA) – as a result of reduced income to the HRA there is a risk that the Authority will be unable to protect its housing asset and services to tenants. 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. The Government's White Paper, Fixing Our Broken Housing Market, was published on 7	• 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. • Kier North Tyneside Review, a Cabinet sub-group has been established to consider options post 2019 in respect of the contract. • The Authority has representation on the DCLG (Department for Communities & Local Government) and the CIPFA HRA working groups. Specific issues can be raised through these forums and the

Potential Governance Issue	Current Controls
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.
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. To enable the objectives of the CBF to be met it is important that the current monitoring processes that are in place will enable robust financial and service challenges to continue throughout the year. There is a risk that budget monitoring does not fully align with the CBF and TOM.	• 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 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

Potential Governance Issue	Current Controls
	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.
Impact of the Northumberland, Tyne & Wear and North Durham (NTWND) Sustainability & Transformation Plan (STP) - 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 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	• 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 was agreed by Council and details the review of the STP and service reductions that have been undertaken.

Potential Governance Issue	Current Controls
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. Concern has been expressed about the extent to which the Authority has been a true partner in the development of the STP. In particular, the concern centres around 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.	
Business Rates - the Chancellor of the Exchequer announced in October 2015 that local authorities will be able to keep all the business rates that they collect from local businesses. The original business rate retention scheme gave local authorities the potential to retain 50% of business rate income and up to half of any growth in business rates revenue from new assessments added to the rating list. The remainder was returned to central government and redistributed. Full retention will potentially give local authorities greater ability to plan for the long term, more financial independence and an increased incentive to generate growth as 100% of business rates will be retained. There are a number of risks with the new proposals which the Authority will need to address. For example, a lack of business growth or the shutting of a business will impact on the Authority's revenues. The Authority will also have to bear 100% of business rates appeals, this was previously 50%.	• 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 DCLG of an officer-level steering group and 3 working groups. The working groups meet regularly and cover service responsibilities, needs & redistribution, system design, accounting & accountability and business interests. • Presentations have been received from DCLG 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.

Potential Governance Issue	Current Controls
The current business rates system has a safety net in place for those local authorities that see a reduction in business rate income by more than 7.5%. It is anticipated that this will stay in place, but this hasn't been confirmed. The Authority will need to assess and plan for this potential risk. In addition resource implications will need to be taken into account to manage the change in the administration of 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. • DCLG issued further consultation on 100% Business Rates Retention in February 2017, which the Authority will respond to. This links in with Governments Fair Funding Review and devolution of further responsibilities. • Proposals to change risk on appeals, Central Government bearing cost, with top slice to each authority's funding. • 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.
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. 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. If the Authority fails to have robust policies in place there is a risk that the Data Protection Act could be breached leading to fines and	• 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. The completion date for this training was 31 March 2017. • Strategic Information Management Forum. This is an assurance group which consists of Heads of Service and Senior

Potential Governance Issue	Current Controls
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).	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. • Strategic Information 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 is reviewing its approach to governance and how it manages Data Protection as a corporate issue.

Potential Governance Issue	Current Controls
Partnerships – the Authority needs to continue to embed and review governance arrangements that are in place in respect of all partnerships to ensure required services are delivered satisfactorily, whilst also achieving and sustaining 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.	• The Governance structure that is in place ensures that the governance to manage partnerships is in place, e.g. Strategic Partnering Boards, Operational Partnering Boards, Senior Client Groups and a Commercial Group. • 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 have been asked to contribute to the Authority's 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.
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.

Potential Governance Issue	Current Controls
	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.
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 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 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. • 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.

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 24 May 2017) was satisfied on the basis of the information available to it, that the Annual Governance Statement 2016/17, 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 …………………………………………

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.

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 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.

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.

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.

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.

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.

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

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.

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.

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.

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

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).

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

Major Repairs Allowance (MRA): represents the capital cost of keeping Council Dwellings in their current condition.

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

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.

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

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.

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).