



Auditor's Annual Report
North Tyneside Council – Year ended 31 March 2025

20 February 2025

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Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for North Tyneside Council ('the Council') for the year ended 31 March 2024. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 20 February 2025. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations introduced a statutory deadline for publication of the Council's financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council published its audited financial statements.



Wider reporting responsibilities

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council's financial statements, we anticipate reporting to the National Audit Office (NAO) that we are unable to complete the mandatory audit procedures specified in their Group Audit Instructions. We are awaiting confirmation of when and how this should be reported to the NAO.



Value for Money arrangements

We did not identify any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Council's arrangements.

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Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2023-24 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date. We concluded we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued on 20 February 2025, we have not expressed an opinion on the Council's financial statements.

We have not identified any uncorrected misstatements and we have no internal control recommendations to make.

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Our work on Value for Money
arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance - How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	Yes – see risk on pages 12 and 13	No	Yes – see commentary on pages 12 and 13
 Governance	18	No	No	No
 Improving economy, efficiency and effectiveness	21	No	No	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to the risks identified.

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned procedures and findings
1	<p>Based on the most recent Medium Term Financial Plans (MTFP), the Council's general reserves have decreased significantly and, in common with many other local authorities, the Council faces challenging budget pressures, particularly in children's services and adult social care.</p> <p>This represents a significant risk in respect of the following principle of the financial sustainability criteria:</p> <p><i>Unsustainable planned use of reserves to bridge funding gaps or significant use/reliance on reserves to cover unplanned spending</i></p>	●	●	●	<p>We reviewed the Council's plan to address the underlying deficit in the medium-term financial plan and reduce the reliance on general fund balances in future years.</p> <p>Findings The 2023/24 budget was balanced through £7.229m of reserves and an £8.947m overspend is forecast in 2024/25. The immediate plan is to use reserves, which are adequate, to bridge the gap whilst there are also a number of MTFP projects in place to reduce the burden on the reserves in the coming years.</p> <p>In future years in the newly published 2025/26 to 2028/29 MTFP there is a funding gap of £14.194m . This is a 57% reduction from the £33m gap (covering an earlier 4 year period) initially identified from the 2024 MTFP which demonstrates that the Council is actively working towards identifying savings across programmes to reduce reliance on the use of reserves to bridge the gap. It also reflects a better than expected funding settlement for 2025/26.</p> <p>The gap is significantly driven by adult and children's social care demand, with children's social care the main area of pressure, and inflation on the Council's cost base in general. Alongside an increase in the Council's core spending power in the coming years, most notable in an increase in Social Care Grant of nearly £4m, there is anticipated savings and efficiencies within the MTFP which amount to £14.466m to help reduce the funding gap to 2028/29.</p> <p>Although there is still a funding gap, it is clear the council are aware of the pressures they face, and they have implemented MTFP projects (14 of them in total) to help address these challenges.</p>

VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Financial Sustainability (continued)

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned procedures and findings
1	<p>(Continued)</p> <p>Based on the most recent Medium Term Financial Plans (MTFP), the Council's general reserves have decreased significantly and, in common with many other local authorities, the Council faces challenging budget pressures, particularly in children's services and adult social care.</p> <p>This represents a significant risk in respect of the following principle of the financial sustainability criteria:</p> <p><i>Unsustainable planned use of reserves to bridge funding gaps or significant use/reliance on reserves to cover unplanned spending</i></p>	●	●	●	<p>Findings (continued)</p> <p>Given the work ongoing to address the underlying deficit we do not consider this to be evidence of a significant weakness in arrangements. Management and Members are fully aware of the financial pressures and are taking action to balance the MTFP without drawing further on the Council's reserves.</p> <p>However, we have raised an 'other recommendation' below to highlight the downward trajectory of the Council's financial reserves and the risk to its future financial sustainability should the underlying deficit not be addressed.</p> <p>Other recommendation</p> <p><i>The Council should continue to address the underlying deficit and reduce the reliance on general fund balances within the MTFP. Members need to continuously monitor the financial position and the delivery of any plans that are agreed to address it to secure the medium-term and long-term financial sustainability of the Council.</i></p>

VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have not identified any risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures.

Overall commentary on Financial Sustainability

We have completed our audit of the financial statements of North Tyneside Council. The 2023/24 audit opinion has been disclaimed under the Local Government Backstop Arrangements for Financial Year ending 31 March 2024. Although a full audit was not completed, we were still required to carry out our responsibilities regarding Value for Money arrangements in full.

The Council's Balance Sheet has slightly improved when compared to the prior year, with net assets increasing from £686.0m at 31 March 2023 to £790.3m at 31 March 2024. The most significant change in the balance sheet relates to movements in the Council's share of the pension fund asset/liability; balance was an asset of £24.3m as at the year-end which has increased from a liability of £23.7m in the prior year.

Useable reserves decreased from £124.9m at 31 March 2023 to £114.9m at 31 March 2024. This reflects a decrease of £18.7m within the General Fund – General Reserve, although this decrease is partially offset by increases in the Housing Revenue Account and Earmarked Reserves. These reserves provide some mitigation against future financial challenges; however, the Council will need to ensure that any use of reserves to smooth the financial position over the next few years is properly planned. The use of reserves cannot be relied on to provide a long-term solution to funding gaps, which has been acknowledged by the Council in their Medium-Term Financial Plan (MTFP).

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

In our assessment, we have considered various iterations of the MTFP between 2023/24 and 2024/25, as well as the newly published MTFP for 2025/26 to 2028/29.

The Council has an established process for developing the MTFP with a history of either meeting or underspending against its financial targets with savings consistently delivered over the past few years. In more recent years, pressures in adult and children's social care have created overspends. We discussed the process for developing the MTFP with council officers, including how they identify pressures. Officers explained that the MTFP is a collaborative process between financial management team and other Council services, noting that significant financial pressures are identified, reviewed and addressed, as necessary.

The arrangements for approval and reporting of the budget and MTFP are also well established. Bi-monthly Performance and Financial Management reports are presented to the Cabinet throughout the year, underpinned by budget monitoring within each service line and reporting to the Corporate Management Team. These reports provide a clear summary of the projected outturn and the actuals, along with supporting narrative to explain any significant changes. Implications of overspends and non-delivery of planned savings and efficiencies are set out in each report.

The Council has a strong track record of delivering its budget over the last decade, despite the continued pressures of funding reductions and delivery of savings. In the current financial year (2023/24) the Council continued to report significant financial pressures due to increasing demand and cost increases in service. The outturn report for 2023/24 was presented at the Cabinet meeting in June 2024, with a projected outturn showing as a pressure of £7.233m across all service lines. This position is after use of reserves. The reserves were established for this purpose, so their use is not considered to be unplanned. As such, the Council has planned to use the reserve as part of longer-term budget management, mitigating the need for short term actions. The use and replenishment of the reserve has been considered by the Council as part of the MTFP.

The 2023/24 budget was balanced through £7.229m of reserves and an £8.947m overspend is forecast in 2024/25. The immediate plan is to use reserves, which are adequate, to bridge the gap whilst there are also a number of MTFP projects in place to reduce the burden on the reserves in the coming years.

The Council's capital investment plans are set out in the capital strategy and programme, with the latest approved programme covering the period 2025/26 to 2029/30. The Capital Programme 2023/24 outturn position was also reported to Cabinet in June 2024 and confirmed that the final capital outturn position showed capital expenditure of £85.953m, which is lower than approved Investment Plan capital budget of £95.762m. The new five year plan has been updated to reflect rolling programme projects including asset planned maintenance, technology infrastructure refresh and additional planned highways maintenance works.

We have confirmed that there has been regular monitoring of the Council's financial position throughout the year, which included arrangements to routinely update the MTFP, enabling the Council to respond to any identified financial challenges during the life of the plan. The Council's quarterly reports clearly highlight the continued financial pressures and the need for robust budget monitoring which is crucial to its financial sustainability. Our review of these reports, plus review of minutes of the meetings, show that there is sufficient monitoring and challenge of the information provided.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

How the body plans to bridge its funding gaps and identifies achievable savings

Our review of the MTFP issued over the current reporting period, provides assurance that forecasts are based on prudent assumptions including the Council's latest understanding of future government funding arrangements, local revenue assumptions, service demand and other costs pressures. Arrangements for identifying and delivering savings include a timetable for consultation with stakeholders ahead of approval before each financial year. As in previous years, the Council is also forecasting the use of reserves to support the delivery of a balanced budget.

In the 2024 MTFP, the council identified a £33m gap in its budget. In the subsequent years in the newly published 2025/26 to 2028/29 MTFP notes a reduction of the funding gap to £14.194m. This is a 57% reduction from the £33m gap (covering an earlier 4 year period) initially identified from the 2024 MTFP which demonstrates that the Council is actively working towards identifying savings across programmes to reduce reliance on the use of reserves to bridge the gap.

The gap is significantly driven by adult and children's social care demand, with children's social care the main area of pressure, and inflation on the Council's cost base in general. Alongside an increase in the Council's core spending power in the coming years, most notable in an increase in Social Care Grant of nearly £4m, there is anticipated savings and efficiencies within the MTFP which amount to £14.466m to help reduce the funding gap to 2028/29.

Although there are still a funding gap, it is clear the council are aware of the pressures they face, and they have implemented MTFP projects (14 of them in total) to help address these matters over the next four years. The latest budget and MTFP report (January 2025) set a balanced budget for 2025/26. This is on the basis of the full Council Tax increase in line with Government assumptions, and over the MTFP period further savings of £14m are required. In 2024/25 to date, savings in excess of £10m have been achieved with over £4.7m of savings made in relation to Adult's Social Care. This provides good evidence of the implementation of a range of measures, including care package reviews and a revised Client Contributions policy, withdrawal of school catering service (£3m per annum), £3.6m of treasury management savings, and over £1m of savings linked to the management of buildings and assets following the acquisition of Qadrant East.

Whilst we are satisfied there are no significant weakness in arrangements, we recognise the continued challenge associated with delivering savings throughout the life of the MTFP. Therefore, we have raised an 'other recommendation' for the Council which is set out on pages 12 and 13.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

We confirmed the 2024/25 to 2027/28 (and updated) MTFP was based on reasonable assumptions available at the time of approving the Strategy. We confirmed the MTFP is repeatedly reviewed and, where necessary, the main assumptions used are updated. There is regular reporting including where changes in assumptions impact on the forecast financial position.

The Council's MTFP provides a framework with the express objective of achieving a sustainable financial position over the medium-term and is based around services and service priorities. It is aligned to the Council's strategic 'Our North Tyneside' priorities. The strategic approach of 'Building A Better North Tyneside Looking To The Future' provides the framework for delivery of the Council's priorities. This uses the five themes of the strategic vision: Thriving, Family-Friendly, Caring, Secure and Green.

Our review confirmed there is regular budget monitoring including bi-monthly forecast of outturn reports which support the identification of in-year pressures, whether savings are being achieved and if resources need to be redirected to areas in need. We have not identified evidence of significant short-term measures. Our review of the outturn as well as the financial statements has not highlighted any apparent reliance on significant one-off accounting measures. The outturn report for 2023/24 detailed pressures faced by the Council. The most significant overspend reported is within the Children, Young People and Learning (CYPL) which was reported as being over budget by £12.804m due to an increasing number of external residential care and external supported accommodation. The Council were able to manage the in-year position overall, but recognise actions are required in the future to address the overspends. Our review of the MTFP 2025/26 to 2028/29 has not identified significant one-off measures to balance the budget.

Ofsted Inspection- Children's services

However, it is worth noting, that despite the pressures, in November 2024 the Children's services were subject to a regulatory OFSTED inspection in which a rating of "Outstanding" was received across all measures.

Judgement	Grade
The impact of leaders on social work practice with children and families	Outstanding
The experiences and progress of children who need help and protection	Outstanding
The experiences and progress of children in care	Outstanding
The experiences and progress of care leavers	Outstanding
Overall effectiveness	Outstanding

A key point in the report noting that the approach of the Council is "significantly benefiting children in care and care leavers as their needs are better understood and responded to."

The results from the inspection provides further evidence in an external form of assurance that the Council has sound quality of assurance systems internally. This can create more opportunities for better decision making and effective allocation of resources. Findings note that the Council has a good understanding of existing cases where senior leaders are able to make effective use of performance management information on what works well, and what needs strengthening. OFSTED further noted that services continue to develop in line with national developments and social care reforms. There is evidence that the Council's development of their early intervention works well which is key to managing demand.

The outstanding rating is also noted on the effectiveness across children's services, which is where the highest pressures are felt. This is a key service for the Council and fundamentally provides strong evidence for the future delivery of its strategies and potential outcomes.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

How the body ensures that its financial plan is consistent with other plans

The Council's MTFP sets out the financial context for the Council's resource allocation process and budget setting. Given the on-going financial pressures, the Council recognises that its budget approach needs to be more clearly linked to the hierarchy of delivering on Our North Tyneside priorities.

The Council's Performance Management aims to support the Council's strategy by aligning performance with the overall approach to the budget to support financial sustainability and ensure that resources are deployed on the outcomes for creating a North Tyneside that is thriving, family-friendly, caring, secure and green.

We confirmed consultation takes place with internal and external stakeholders as part of the MTFP and annual budget setting. This is designed to ensure there is consistency with other strategic plans.

How the body identifies and manages risks to financial resilience

The Council has an established MTFP process which is designed to reflect changes that affect the Council's financial plans. We confirmed the MTFP outlines uncertainties, challenges, and risks facing the Council over the life of the plan. MTFP reports to Cabinet also include risk assessment of the level of risk faced by the Council. The latest MTFP recognises the higher-than-normal risks created by high inflation, demand for services and short-term settlements. There is a clear recognition that the identification of new savings is becoming increasingly more difficult, particularly where the Council is looking to protect the impact on front line services. However, as noted above, the MTFP model is established and there is evidence that it is updated on a regular basis to address financial pressures as they emerge.

As part of the annual budget report setting, the Council's Section 151 Officer sets out his assessment of the adequacy of reserves and the robustness of budget estimates. We confirmed appropriate risk factors are considered as part of this assessment, including the level of reserves, prudential and treasury indicators and the robustness of inflationary estimates.

The Council also manages risks to its financial resilience through the maintenance of a general fund balance. The Council's policy for the level of this balance is set out in the MTFP annually, along with the Section 151 Officer's assessment. The Council will maintain its general fund unearmarked reserve at a minimum of £7m. The Council will aim to balance its revenue budget over the period of the MTFP without reliance on the use of the general reserve. Our review of the MTFP over recent years has confirmed that the Council has regularly included this requirement in their MTFP. For the year ended 31 March 2024, the Council's general fund

balance decreased to £40.997m.

We confirmed there was regular reporting of the Council's 2023/24 financial position throughout the year. The outturn report presented to the June 2024 Cabinet meeting was consistent with the financial position reported during the year and did not indicate a weakness in the Council's budget monitoring and reporting arrangements.

Our review of committee reports and attendance of Audit Committee, provides assurance that the Council monitors and identifies mitigations to manage any changes in demand and assumptions in the MTFP. The Council also has an established risk management framework, with regular reviews and reporting to Audit Committee. Attendance of Committee meeting confirm it receives regular risk management updates.

Based on the above considerations we have identified no evidence of a significant weakness in North Tyneside Council's arrangements in relation to financial sustainability. We have, however, raised an other recommendation associated with the continuing challenges associated with delivering savings targets and the risk this poses to the Council's financial sustainability.

Other recommendation

The Council should continue to address the underlying deficit and reduce the reliance on general fund balances within the MTFP. Members need to continuously monitor the financial position and the delivery of any plans that are agreed to address it to secure the medium-term and long-term financial sustainability of the Council.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Risks of significant weaknesses in arrangements in relation to Governance

We have not identified any risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures.

Overall commentary on Governance

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

We confirmed North Tyneside has a comprehensive risk management system in place which is embedded into the governance structure of the organisation. The Council's Constitution, available on the Council website, is in place and sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Council also have a Local Code of Governance, which is reviewed annually by Cabinet, and which is consistent with the seven principles of good governance as identified in the CIPFA/SOLACE 2016 Framework – "Delivering Good Governance in Local Government". Our review of the above items has not identified any evidence of a significant weakness.

The Council's overall arrangements are set out in its Annual Governance Statement. As part of our audit procedures, we considered the Annual Governance Statement for 2023/24 and whether it is consistent with our knowledge of the Council, with no significant issues identified. Our review confirmed that the Annual Governance Statement is underpinned by a system of internal control and governance arrangements, and there is comprehensive evidence that this has been subject to annual review and appropriate reporting.

Feeding into the Annual Governance Statement, the Council obtains annual self-assessments from Cabinet Members and also service directors as to the effectiveness of the Council's corporate governance arrangements.

As part of the Council's governance framework, the Audit Committee are responsible for providing assurance over the adequacy of the Council's risk management framework and associated control environment. We have attended all Audit Committees held in the year and confirmed the Committee received regular updates on the Internal Audit Plan that was developed for 2023/24. Internal Audit reviews highlight weaknesses and recommends actions when required to strengthen processes or procedures. We have observed that the Committee monitors management actions in response to recommendations and this is reported on a regular basis. We observed that the Audit Committee challenges management if recommendations are not implemented within the agreed timeframe.

Risk management is embedded in the Council through a Risk Management Framework which includes the requirement to identify strategic and operational risks. We confirmed the Audit Committee received quarterly reports on risk management and took action to ensure that corporate business risks were being actively managed. The Committee also received the annual corporate risk management report which details the effectiveness of the Council's risk management arrangements.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, North Tyneside has a team of internal auditors, led by the Chief Internal Auditor. At the start of the financial year, the annual Internal Audit plan is agreed with management. In-year reviews then highlight weaknesses, and the Internal Audit team are able recommend actions where the Council is required to strengthen processes or procedures. Finally, at the end of the financial year, the Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control, risk management and governance arrangements. We confirmed both the Internal Audit Plan and Internal Audit Annual Report were reviewed by the Council's Audit and Standards Committee. The Internal Audit Annual Report, reported to the May 2024 Audit Committee, concluded that the system of internal audit was 'effective' (consistent with opinions in previous years).

In addition, we confirmed an Annual Report on Counter Fraud Arrangements is presented to the Audit Committee setting out arrangements in place and examples of work carried out to counter fraud. We observed that the Council has a counter fraud response and strategy in place which includes fraud governance and arrangements to prevent, detect and pursue fraud. Our review has not identified any matters indicating a significant weakness in arrangements.

Further risk management arrangements are in place, and we noted that the Annual Risk Management Summary Report was also presented to the Audit Committee in May. Our review of these reports has not highlighted any significant weaknesses in arrangements.

How the body approaches and carries out its annual budget setting process

The Council's MTFP arrangement includes the identification and evaluation of risks to the Council's finances. The annual budget setting process remained consistent year on year, and the arrangements for the 2024/25 budget setting process have largely followed the arrangements in place for 2023/24.

We have reviewed the budget setting arrangements through observation and discussions with officers. Consistent with iterative approach taken by the Council, following the confirmation of the 2024/25 budget in February 2024, the MTFP was immediately refreshed to prepare for the next 4 years. Future years targets are considered at this point based around organisational priorities and a strategic approach.

Overall, we observed evidence that the Council is aware of the financial pressure it faces. We confirmed that scenario plans are in place to identify the potential financial impact of risks occurring. No matters have been identified indicating a significant weakness in arrangements.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

We observed that regular reporting of the financial position took place throughout the 2023/24 financial year. Bi-monthly forecasts of outturn reports were presented to Senior Management Teams, Corporate Management Team, and Cabinet. The reports included details of movements in the budget between quarters and remedial measures taken. The Council continue to highlight key areas of pressure consistent with other local authorities, however the bi-monthly and year-end positions, have not highlighted any weakness in the Council's monitoring and reporting arrangements.

As well as financial performance data the Cabinet received bi-monthly performance management reports which presented an overview of progress towards achieving the key outcomes of the corporate performance framework and highlighted key messages to inform strategic priorities and work programmes.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

The Council has a comprehensive committee structure in place, as detailed in the Council Constitution. The committee structure includes the Overview and Scrutiny Co-ordination and Finance Committee. This committee is in place to oversee and coordinate work of the Council, and to allow for challenge of decisions. We have reviewed meetings held in 2023/24 and identified no evidence to suggest this function has not been fulfilled or any matters that indicate a significant weakness in arrangements.

Membership of the Audit Committee includes Councillors and independent co-opted members. We have attended all meetings held in the year since we were appointed as the external auditor and post year end and found meetings to be effective and well represented. The Terms of Reference of the Audit Committee are detailed in the Constitution, and we have identified no evidence to indicate they are not being delivered.

The Council publishes on its website notice of key decisions and all officer decisions made under the Officer Scheme of Delegations. The website also includes details on how decisions are made in the Council.

Minutes of the meetings are available on the Council website. We have reviewed Council minutes in the year and have not identified any evidence of a weakness in arrangements. The reports we reviewed support informed decision-making and were clear in the decision or recommendation Members were asked to make.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour

The Council's Constitution sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that decisions are efficient and transparent. We are satisfied the arrangements in place do not indicate a significant weakness in arrangements.

Supporting the Constitution are Codes of Conduct for Members and Officers. As set out in the Constitution, the Monitoring Officer includes the responsibility of "ensuring lawfulness and fairness of decision making". The Monitoring Officer is currently the Head of Law. Based on review we are not aware of any evidence of this role not being delivered in the year.

Registers of gifts and hospitality and registers of interest are maintained for Members and officers. These are available on the Council website. The Statement of Accounts records material related party transactions as well as senior officer pay and Member allowances. We did not carry out any detailed work on these areas under the Local Government Backstop Arrangements .

We confirmed that contract procedure rules are in place and require procurement decisions to comply with appropriate standards. Contract registers are available on the Council website.

There is regular reporting of treasury management activity that details the Council's investments, cash and borrowing positions. The Treasury Management Strategy is approved ahead of each financial year and sets out the Council's measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the Council's finances and we identified no evidence to indicate a significant weakness in arrangements.

The Audit Committee is responsible for promoting and maintaining high standards of conduct by councillors and co-opted members, as well as monitoring the operation of the Members' Code of Conduct.

Based on the above considerations we have identified no evidence of a significant weakness in North Tyneside Council's arrangements in relation to governance.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Risks of significant weaknesses in arrangements in relation to Improving Economy, Efficiency and Effectiveness

We have not identified any risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures

Overall commentary on Improving Economy, Efficiency and Effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement

The Council has a corporate suite of strategic performance indicators. These are designed to enable effective monitoring of the Council's strategic approach through which the quality of service is measured via strategic outcome indicators. The Senior Management Group Services and Performance plays a key role in monitoring the Performance before reports are presented to Overview and Scrutiny Committees and Cabinet on a regular basis.

The Council produces Performance and Financial Management Reports on a bi-monthly basis, which have a clear focus on priorities, delivery, measurement, and analysis of impact. A key message of the Council's Performance Monitoring is how every employee and Councillor contributes to the Our North Tyneside agenda and, therefore, to this performance monitoring.

The bi-monthly reports are based on the seven key service areas. Information is informed by qualitative and quantitative assessment to inform policy and resource decisions. For each key service area, there is a summary of key performance indicators; this is then followed by relevant analysis providing valuable context.

The 2023/24 Year End assessment of performance was presented to Cabinet in May 2024. The Council recognises that performance monitoring is an area of on-going development.

As detailed in the previous sections we confirmed there was regular financial reporting during the year. The Council's financial performance is also reported on a regular basis to Cabinet with details of the financial position along with rationale for any changes and factors to be considered.

How the Council evaluates the services it provides to assess performance and identify areas for improvement

Alongside the performance monitoring in place, the Council considers the output from regulators to evaluate performance and identify areas for improvement. Our review has not indicated any matters that would indicate a weakness in arrangements. Indeed, it is worth noting, that despite the pressures the Council faces, in November 2024 the Children's services were subject to a regulatory OFSTED inspection in which a rating of "Outstanding" was received across all measures. This is set out in more detail on page 16 of this report.

The Council's Cabinet and scrutiny committees received regular performance management reports throughout 2023/24. Reports were in a consistent format and designed to report on the direction of travel of indicators and compare the Council's performance against national and regional comparatives. Our attendance at Audit Committee confirmed regular reporting by Internal Audit of recommendations raised and management's response. We observed the Committee challenging management on individual reviews and also the actions taken in following up on recommendations.

How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council has arrangements in place for the consistent management of partnerships, with risk assessments carried out for the most significant partnerships.

The Council has five Local Authority Trading Companies (LATC) that it wholly owns for the purposes of trading with the private sector and individuals where there is a dominant commercial purpose. These are:

- North Tyneside Trading Company
- North Tyneside Trading Company (Consulting) Limited
- North Tyneside Trading Company (Development) Limited
- North Tyneside Trading Company Aurora Properties (Rental) Limited
- North Tyneside Trading Companies Aurora Properties (Sale) Limited

The Council's Medium-Term Financial Plan sets out the need for income generation to help reduce the funding gap the Council faces and ensure that resource is available to fund Council policy priorities.

The companies support the delivery of the Council's priorities through their activities. This includes North Tyneside Trading Company supporting the ongoing affordable housing crisis within the region as well as providing employment support to residents.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

Yearly budget reports are presented to Cabinet to ensure there is appropriate oversight of the Council companies in their capacity as shareholder. The accounts of the Companies are subject to annual external audit.

The Council uses various channels of communication and feedback mechanisms, including social media (Twitter, Facebook, Instagram and YouTube) to reach out to and meet the needs of its communities.

Where the Council commissions or procures services, how the Council ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Council assesses whether it is realising the expected benefits

A Corporate Procurement Plan is presented to Cabinet for consideration approximately twice a year, with the most recent report presented to Cabinet in October 2024. The report includes sufficient detail to provide Cabinet with an updated picture of all current and recently concluded procurement activity. It includes contracts that have already been awarded through delegated schemes of authority, as well as those that require Cabinet approval to either invite tenders, use appropriate frameworks or directly award. Contracts exceeding £500k in value require Cabinet approval, however details of contracts of lesser value are also included in the report to give Cabinet sufficient oversight of all procurement activity that is either planned or underway. Following approval by client, the contracts will form the basis of the Council's Procurement Pipeline. A central list of all procurement contracts awarded is also available on the Council's website.

As noted above, the Council has several companies / joint arrangements used to deliver the priorities of the Council. Discussions with officers have not indicated any evidence of a significant weakness in arrangements. Review of company accounts as part of group planning is not indicative of poor financial performance impacting on the services provided on behalf of the Council.

Based on the above considerations we have identified no evidence of a significant weakness in North Tyneside Council's arrangements in relation to improving economy, efficiency and effectiveness.

Other reporting responsibilities

Other reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We received two questions, one of which was from a local elector. In both cases, the issues raised were referred to management and neither case resulted in a formal objection being made.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council's financial statements, we anticipate reporting to the National Audit Office (NAO) that we are unable to complete the mandatory audit procedures specified in their Group Audit Instructions. We are awaiting confirmation of when and how this should be reported to the NAO.

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Audit fees and other services

Audit fees and other services

Fees for audit and other services

The fees (exclusive of VAT) for the audit of North Tyneside Council for the year ended 31 March 2024 and for any non-audit assurance services or other non-audit services provided by Forvis Mazars LLP in the period, are outlined below. **As the audit has been subject to the backstop, the actual fee will only reflect the work that we have undertaken. At this stage, we are unable to confirm the actual fee for the audit.**

Fees for work as the Council's appointed auditor

Area of work	2023/24 Proposed Fee	2023/24 Actual Fee
Code Audit Work – Scale fee set by Public Sector Audit Appointments (PSAA) Limited	£355,170	To be determined
Additional audit work under revised ISA (UK) 315 (risks of material misstatement) and the related impact of ISA (UK) 240 (fraud)*	£15,960	To be determined
Total Fees	£371,130	To be determined

*The additional fee of £15,960 is because PSAA did not consolidate additional fees for these aspects into the 2023/24 scale fees, because at the time the 2023/24 scale fees were set PSAA had not reached a conclusion on what would be the appropriate fee for this. An explanation for this including that there would therefore be a need to treat this as an additional fee variation is set out on the PSAA website: <https://www.psa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2023-24-auditor-appointments-and-audit-fee-scale/consultation-document-2023-24-audit-fee-scale/3/>

PSAA have subsequently determined the appropriate fees for these aspects as part of its 2024/25 scale fee process <https://www.psa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2024-25-auditor-appointments-and-audit-fee-scale/2024-25-audit-fee-scale/3/>

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. We concluded that there were no threats to our independence in undertaking this work.

Area of work	2023/24 Proposed Fee	2023/24 Actual Fee	Other comments
Other services: Housing Benefits Subsidy Assurance	To be agreed	To be agreed	None
Other services: Teachers' Pensions	£6,300	Not yet completed	We have been engaged to undertake the 2022/23 work for a further £6,300
Other services: Pooling of Housing Capital Receipts	£4,700	Not yet completed	We have been engaged to undertake the 2022/23 work for a further £4,700

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