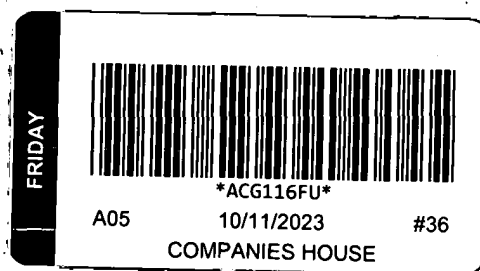


THE ASSOCIATION OF NORTH EAST COUNCILS LIMITED
(A Company Limited by Guarantee)

FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR
FOR THE YEAR ENDED 31 MARCH 2023



Kinnair
Associates
CHARTERED ACCOUNTANTS



THE ASSOCIATION OF NORTH EAST COUNCILS LIMITED
(A Company Limited by Guarantee)
REGISTERED NUMBER: 05014821

BALANCE SHEET
AS AT 31 MARCH 2023

	Note	2023 £	As restated 2022 £
Fixed assets			
Intangible assets		1,781,610	1,292,332
		<u>1,781,610</u>	<u>1,292,332</u>
Current assets			
Debtors: amounts falling due within one year	5	2,391,949	1,312,389
Cash at bank and in hand	6	7,077,654	8,615,323
		<u>9,469,603</u>	<u>9,927,712</u>
Creditors: amounts falling due within one year	7	(2,054,202)	(3,297,721)
Net current assets		<u>7,415,401</u>	<u>6,629,991</u>
Total assets less current liabilities		<u>9,197,011</u>	<u>7,922,323</u>
Pension liability/asset		1,657,000	(3,207,000)
Net assets		<u>10,854,011</u>	<u>4,715,323</u>
Capital and reserves			
Profit and loss account		10,854,011	4,715,323
		<u>10,854,011</u>	<u>4,715,323</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

G F Miller
Director



31/10/23

The notes on pages 3 to 11 form part of these financial statements.

THE ASSOCIATION OF NORTH EAST COUNCILS LIMITED
(A Company Limited by Guarantee)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Profit and loss account £	Total equity £
At 1 April 2021 (as previously stated)	432,962	432,962
Prior year adjustment - new accounting policy	933,682	933,682
At 1 April 2021 (as restated)	1,366,644	1,366,644
Comprehensive income for the year		
Profit for the year	768,679	768,679
Actuarial gains on pension scheme	2,580,000	2,580,000
Total comprehensive income for the year	3,348,679	3,348,679
At 1 April 2022 (as previously stated)	3,422,991	3,422,991
Prior year adjustment - new accounting policy	1,292,332	1,292,332
At 1 April 2022 (as restated)	4,715,323	4,715,323
Comprehensive income for the year		
Profit for the year	753,688	753,688
Actuarial gains on pension scheme	5,385,000	5,385,000
Total comprehensive income for the year	6,138,688	6,138,688
At 31 March 2023	10,854,011	10,854,011

The notes on pages 3 to 11 form part of these financial statements.

THE ASSOCIATION OF NORTH EAST COUNCILS LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

1. General information

The Association of North East Councils Limited is a private company limited by guarantee incorporated in England and Wales, registered number 05014821. The registered office is City Hall, Sunderland City Council, Plater Way, Sunderland, SR1 3AA

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

The following principal accounting policies have been applied:

2.2 Prior year adjustment - new accounting policy

The company has introduced a new accounting policy to capitalise software costs within an e-procurement project. As a consequence, other costs relating to this project from the previous year have also been capitalised. Further information is provided in note 11.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue comprises subscriptions receivable from the members of the association, and rebates receivable from suppliers relating to associate members, exclusive of Value Added Tax.

Subscriptions are recognised on a straight line basis over the period covered.

Rebates are recognised when due to the company under the supplier agreement. This is based on the date on which the member or associate member incurs the expenditure.

2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.5 Government grants

Grants are accounted under the accruals model as permitted by FRS 102.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure

THE ASSOCIATION OF NORTH EAST COUNCILS LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.6 Pensions

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2.7 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Capitalised costs relating to a new e-procurement system have not yet been brought into use and are not yet amortised as the system is not yet in use and is still under development.

THE ASSOCIATION OF NORTH EAST COUNCILS LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash held in a current bank account and funds held by Gateshead MBC on behalf of the Company.

2.10 Creditors

Short term creditors are measured at the transaction price.

2.11 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

3. Employees

The average monthly number of employees during the year was 35 (2022 - 43).

4. Intangible assets

	Computer software £
Cost	
At 1 April 2022 (as previously stated)	933,682
Prior Year Adjustment	358,650
At 1 April 2022 (as restated)	1,292,332
Additions	489,278
At 31 March 2023	1,781,610
Net book value	
At 31 March 2023	1,781,610
At 31 March 2022 (as restated)	1,292,332

THE ASSOCIATION OF NORTH EAST COUNCILS LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

4. Intangible assets (continued)

5. Debtors

	2023 £	2022 £
Other debtors	2,199,331	1,312,389
Prepayments and accrued income	192,618	-
	<u>2,391,949</u>	<u>1,312,389</u>

Other debtors includes suppliers rebates due to the company of £2,070,287 (2022: £1,118,421).

6. Cash and cash equivalents

	2023 £	2022 £
Cash at bank and in hand	7,077,654	8,615,323
	<u>7,077,654</u>	<u>8,615,323</u>

7. Creditors: Amounts falling due within one year

	2023 £	2022 £
Trade creditors	8,593	9,237
Other taxation and social security	111,452	169,156
Other creditors	1,687,807	2,977,004
Accruals and deferred income	246,350	142,324
	<u>2,054,202</u>	<u>3,297,721</u>

Other creditors includes £1,648,135 (2022: £2,933,792) due to Local Authority members in respect of supplier rebates collected on behalf of member Authorities.

THE ASSOCIATION OF NORTH EAST COUNCILS LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

8. Financial instruments

	2023 £	2022 £
Financial assets		
Financial assets measured at fair value through profit or loss	<u>7,077,654</u>	<u>8,615,323</u>

Financial assets measured at fair value through profit or loss comprises cash held at bank and funds held by Gateshead MBC on behalf of the Company.

9. Prior year adjustment

Previously the company did not have an accounting policy for the capitalisation of software costs. Previous years' software costs either related to services received in the year or were otherwise immaterial so that capitalisation was not required. This year, the company has incurred material costs of £489,278 in relation to an e-procurement project and so these costs have been capitalised.

As a consequence of this change of accounting policy other costs relating to this e-procurement project which were expensed in previous years have now also been capitalised resulting in an increase in the reserves brought forward of £1,292,332.

THE ASSOCIATION OF NORTH EAST COUNCILS LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

10. Pension commitments

The Company operates a Defined Benefit Pension Scheme.

The pension cost and provision for the year ended 31 March 2023 are based on the advice of a professionally qualified actuary. The most recent triennial valuation is dated 31 March 2019, which has been updated to reflect conditions at the balance sheet date. The assumptions that have the most significant effect on the results of the valuation are the discount rate applied to the defined benefit liability and those relating to the rate of increase in salaries and pensions. It was assumed that salary increases would average 4.2% per year (2022: 4.4%) and that present and future pensions would increase at the rate of 2.7% (2022: 2.9%) per year. The discount rate was assumed to be 4.7% p.a. (2022: 2.7%).

On 26 October 2018 the High Court ruled that equalisation for the effect of unequal Guaranteed Minimum Pensions (GMPs) is required. The ruling confirmed that trustees have a duty "to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs". An approximate allowance was made within the figures last year.

In October 2020 a second ruling in respect of GMP equalisation and indexation clarified that compensation would be required to members who transferred benefits out since May 1990. No allowance has been made for this ruling on the grounds that it is not anticipated to be material.

Reconciliation of present value of plan liabilities:

	2023 £	2022 £
Reconciliation of present value of plan liabilities		
At the beginning of the year	17,418,000	18,591,000
Current service cost	476,000	510,000
Interest cost	467,000	388,000
Actuarial gains/losses	(5,793,000)	(1,853,000)
Contributions	81,000	70,000
Benefits paid	(298,000)	(288,000)
At the end of the year	12,351,000	17,418,000

THE ASSOCIATION OF NORTH EAST COUNCILS LIMITED
(A Company Limited by Garantie)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

10. Pension commitments (continued)

Reconciliation of present value of plan assets:

	2023 £	2022 £
At the beginning of the year	14,211,000	13,388,000
Interest income	381,000	279,000
Actuarial gains/losses	(408,000)	727,000
Contributions	122,000	105,000
Benefits paid	(298,000)	(288,000)
At the end of the year	14,008,000	14,211,000

Composition of plan assets:

Total plan assets

	2023 £	2022 £
Fair value of plan assets	14,008,000	14,211,000
Present value of plan liabilities	(12,351,000)	(17,418,000)
Net pension scheme liability	1,657,000	(3,207,000)

The amounts recognised in profit or loss are as follows:

	2023 £	2022 £
Current service cost	(478,000)	(478,000)
Interest on obligation	(467,000)	(388,000)
Interest income on plan assets	383,000	279,000
Total	(562,000)	(587,000)

The Company expects to contribute £NIL to its Defined Benefit Pension Scheme in 2024.

THE ASSOCIATION OF NORTH EAST COUNCILS LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

10. Pension commitments (continued)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2023 %	2022 %
Discount rate	4.7	2.7
Future salary increases	4.2	4.4
Future pension increases	2.7	2.9
Inflation assumption	2.7	2.9
Mortality rates		
- for a male aged 65 now	21.6	21.8
- at 65 for a male aged 45 now	22.9	23.5
- for a female aged 65 now	24.6	25.0
- at 65 for a female member aged 45 now	26.1	26.7

11. Company status

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

12. Related party transactions

The company transacts with the following local authorities, who are related parties by virtue of being members of the company, and having the ability to appoint one director each to the board of the company.

The company paid miscellaneous recharge cost to Newcastle University of £9,800 (2022- nil).

The company paid rent and room hire charges of £38,078 and other services of £2,233 (2022: total £113,506) from Gateshead Metropolitan Borough Council.

The company made purchases of ICT services of £24,295 from Stockton-on-Tees Borough Council.

No balances were due to or from related parties at the year-end.

THE ASSOCIATION OF NORTH EAST COUNCILS LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

13. Auditors' information

The auditors' report on the financial statements for the year ended 31 March 2023 was unqualified.

The audit report was signed on *for November 2023* by Detlev Anderson (Senior Statutory Auditor) on behalf of Kinnair Associates Limited.