

Annual Report and Statement of Accounts 2013/14

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Newcastle
City Council 

Newcastle City Council

Annual Report & Statement of Accounts 2013/14

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Part 1: Explanatory Foreword and Statement of Responsibilities

Comprising:

- Explanatory Foreword
- Statement of Responsibilities for the Statement of Accounts

Explanatory Foreword

Introduction

The information contained within these accounts is presented as simply as possible. However, the accounts of such a large and diverse organisation as Newcastle City Council are by their nature both technical and complex and so this foreword explains some of the statements and sections in this document and provides a summary of the Council's financial performance for 2013/14 and its financial prospects.

This foreword provides the reader with:

- A guide to the different financial statements.
- An overview of the activities and significant matters which occurred during the year.
- A summary of the Council's financial performance during the year ended 31 March 2014 and its financial position at that date.
- A look ahead to 2014/15 and beyond.

The accounts set out the financial performance of the Council for the year ended 31 March 2014 and its financial position at that date, and have been prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code requires that the accounts give a true and fair view of the financial position of the Council. In line with the Code, suitable accounting policies have been applied and where necessary prudent judgements and estimates have been made.

The accounts features four main financial statements:

- Movement in Reserves Statement.
- Comprehensive Income and Expenditure Statement.
- Balance Sheet.
- Cash Flow Statement.

The purpose of each of the above statements is described at the end of the foreword, and the actual statements are followed by notes that give further details about specific amounts and balances.

The main statements are supplemented by three further sections:

- Housing Revenue Account (HRA).
- Collection Fund.
- Annual Governance Statement.

Explanatory Foreword

These accounts provide a comprehensive view of the Council's financial position during the period to which they relate. In order to obtain a wider view of the Council's activities, priorities and plans, the following published documents should be consulted:

- **The Council Plan** sets out Newcastle City Council's priorities for the year ahead and the values that underpin our work. By explaining what the Council will do to improve outcomes for people in the city, it helps staff see how the work they do makes a difference to the lives of people who live, work and learn in Newcastle. The plan informs the allocation of resources through our revenue budget and capital investments, creates the basis for the planning of services across the Council, and makes the Council's contribution to citywide issues clear to our partners.
- **Budget 2016** sets out the financial policy to ensure financial resources are aligned with the delivery of Council policy and the principles and objectives for our financial management.

Key points to note from the accounts are as follows:

- The Council's underlying financial position is sound and generally better than forecast in the revised budget.
- The Council maintained overall spend within the net revenue budget.
- The General Fund unearmarked reserve was maintained at £10.1m.
- Net assets/total reserves decreased during the year from £393.3m to £351.4m due mainly to asset disposals and valuations. Within this, General Fund earmarked reserves (excluding school balances, revenue grants unapplied and PFI lifecycle replacement costs) increased from £32.7m to £53.9m. The £53.9m consists of the Strategic Reserve (£26.4m), Pension Reserve (£7.1m), Private Finance Initiative Reserve (£6.7m), Finance Risk & Resilience Reserve (£4.0m), Transformation Reserve (£4.0m), Public Health Reserve (£2.1m), Housing Benefit Subsidy Reserve (£1.3m), Accelerated Development Zone Reserve (£1.1m), Risk Management & Insurance Reserve (£0.2m) and Other Reserves (£1.0m).
- Total capital investment during the year was £117.8m.

Revenue Spending

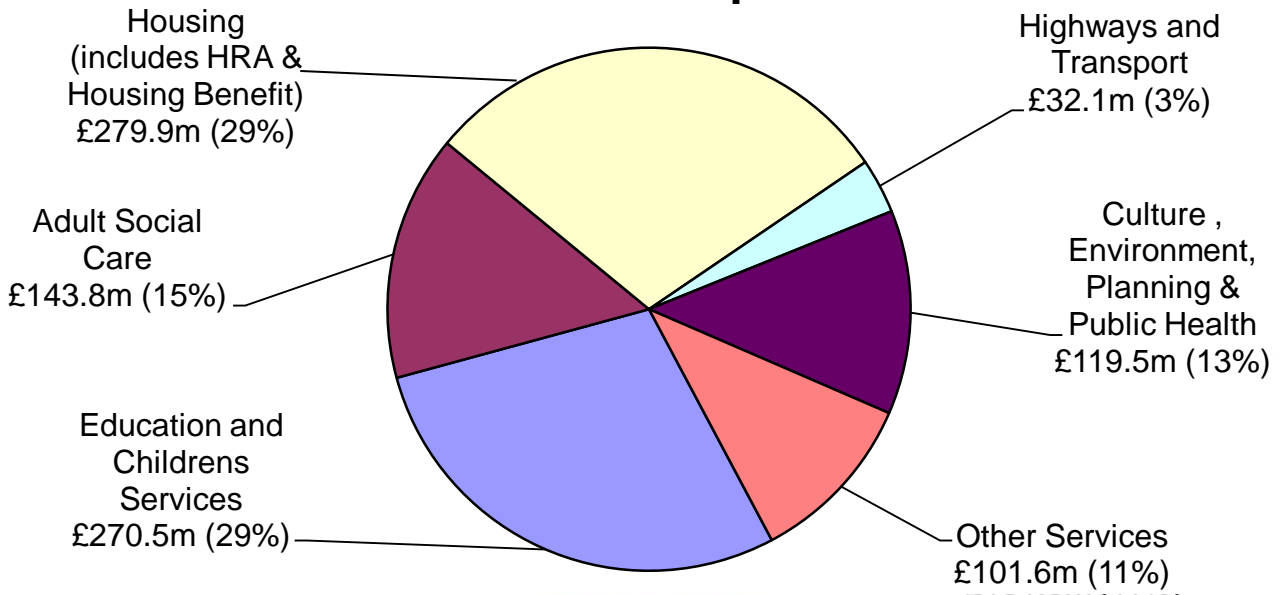
Revenue expenditure covers the cost of the Council's day to day operations and contributions to and from reserves. Although the major area of spending is on employees' salaries, other significant areas include premises costs, supplies and services and the costs of capital financing. This expenditure is offset by income from grants from government and other organisations, income from Business Rate payers and Council Tax payers and charging users of certain services.

Explanatory Foreword

The Comprehensive Income & Expenditure Statement (CI&ES) on page 20 sets out the Council's financial position for the year before taking account of statutory adjustments required to be made to the accounts. The Movement in Reserves Statement (MIRS) on page 19 reflects these statutory adjustments and shows how the financial performance for the year has impacted on the Council's reserves.

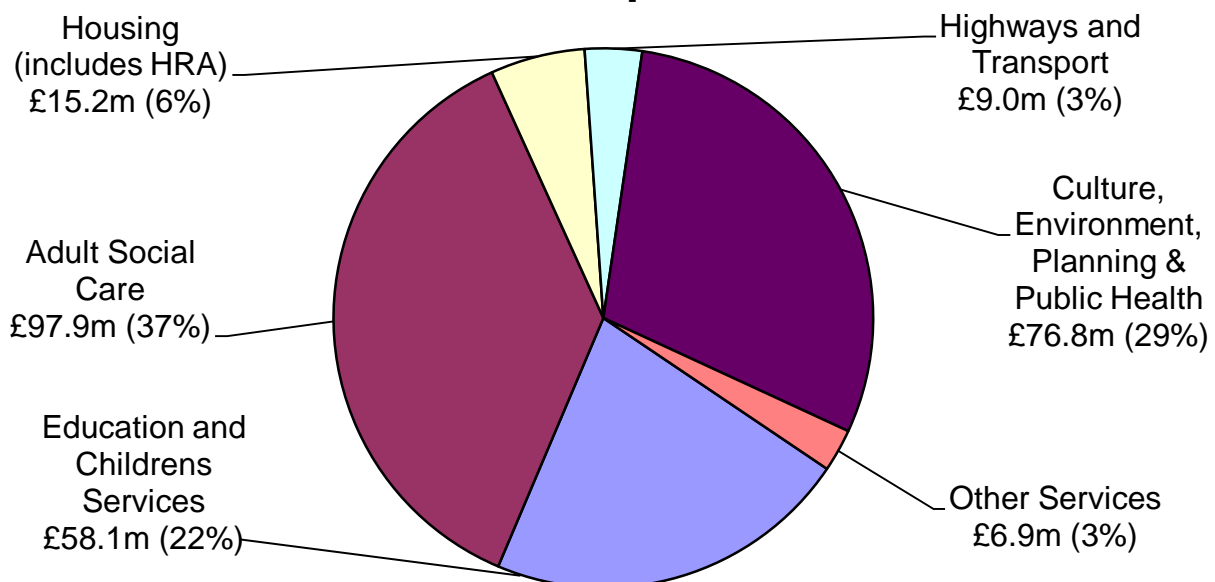
The gross cost of services during the year was £947.4m. This includes both General Fund services and the HRA. After deducting specific grants and income from fees and charges the net cost of services was £263.9m. The breakdown of gross and net cost of services between different service areas is shown in the following charts:

Gross Service Expenditure



The net cost of service of £263.9m was funded from a range of sources including Local Services Support Grant, Business Rates and Council Tax. The Band D Council Tax for 2013/14 was £1,514.19 including Police and Fire precepts.

Net Service Expenditure

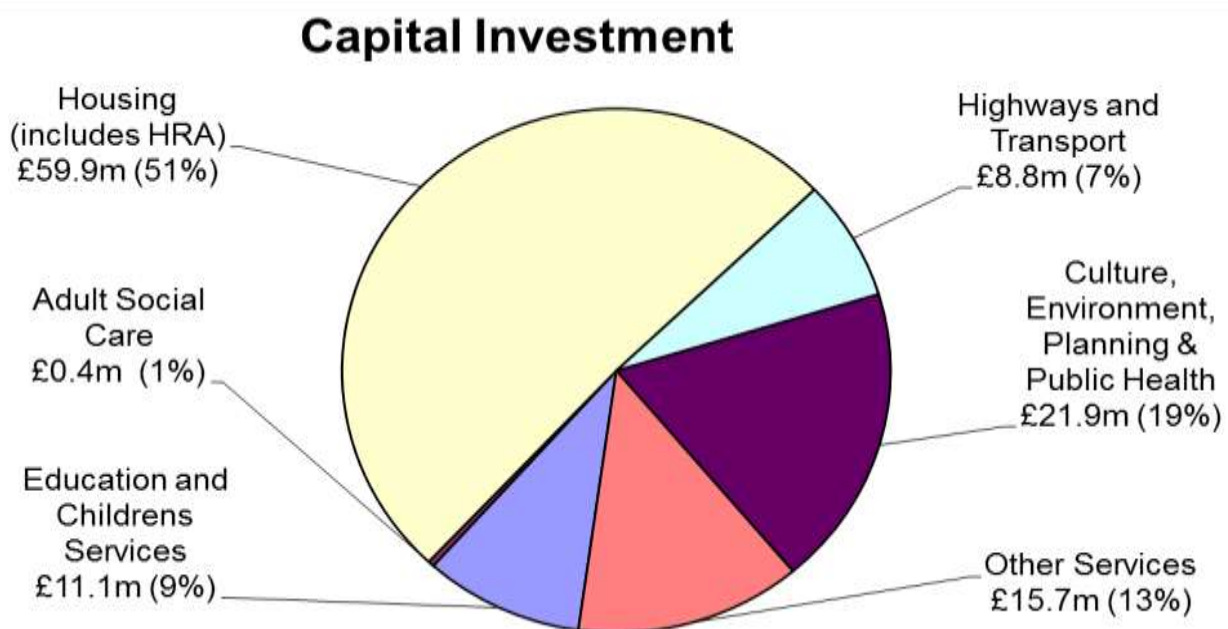


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The CI&ES shows a net deficit for the year of £41.9m. This largely reflects charges for depreciation, impairment and the impact of accounting for pensions under International Accounting Standard (IAS) 19. These charges are reversed out through the Movement in Reserves Statement (MIRS) so they do not have any impact on the underlying level of resources available to the Council.

Capital Investment

Capital investment during the year totalled £117.8m. This consisted of £105.6m direct capital expenditure incurred by the Council and £12.2m capital expenditure via long-term capital loans. An analysis of capital investment by priority and funding source are shown in the following charts:



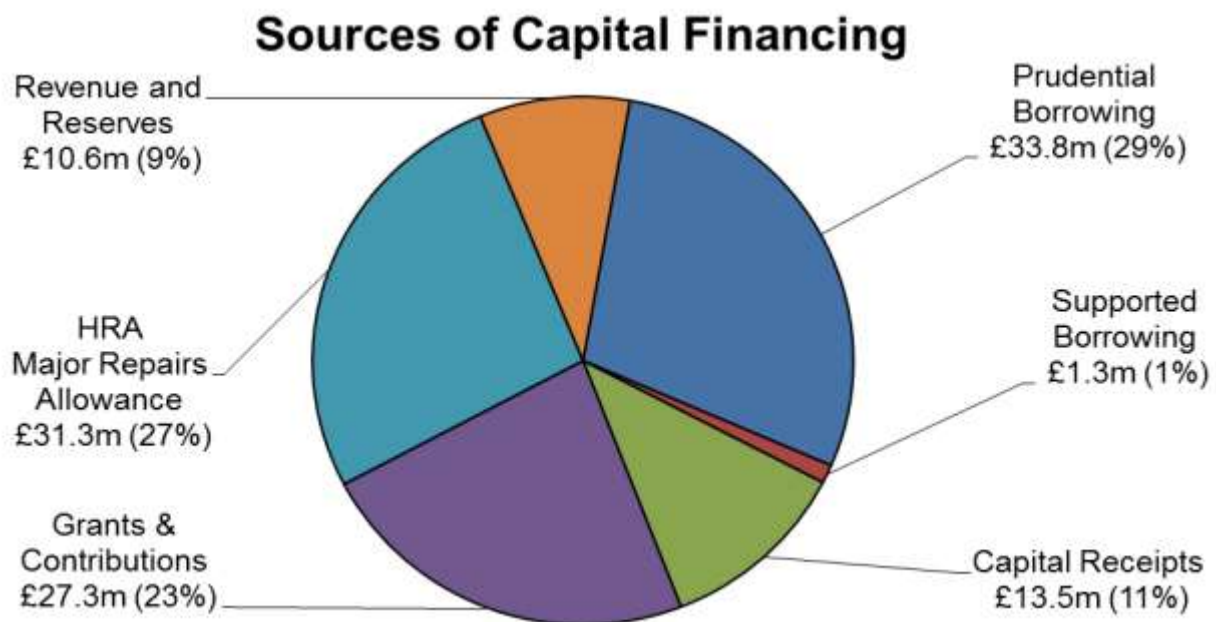
The main programmes/schemes included in these figures are listed below:

- **Council property (HRA) improvements (£28.9m)**
Investment programme schemes benefiting social housing stock.
- **Highways and footpath improvements (£5.8m)**
Improvements to highways and footpaths within Newcastle.
- **Science Central core building (£5.9m)**
Construction of office accommodation with Science Central.
- **Leazes Homes affordable housing (£5.6m)**
Capital contribution to Leazes Homes to facilitate construction of affordable housing.
- **Capital loans to cultural/heritage organisations (£5.5m)**
Loans to facilitate capital works by cultural and heritage organisations.
- **Westgate Hill Primary School (£3.5m)**
Refurbishment of Westgate Hill Primary school to mitigate the forecasted shortage of school places for reception aged children in the Inner West area.

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- **Riverside Dene shopping centre (£2.7m)**
Refurbishment of the Riverside Dene shopping centre.
- **Scotswood site assembly (£3.8m)**
Preparation of the Scotswood Masterplan area for housing development. Involving significant groundworks to improve gradients and provide required infrastructure.
- **Newcastle Great Park Community Centre (£2.1m)**
The provision of a new community building in conjunction with housing developments taking place at Newcastle Great Park.
- **Central Gateway (£1.8m)**
Infrastructure improvements around the Central Station area.

An analysis of how this capital investment was financed is shown in the following chart:



Housing Revenue Account (HRA)

The HRA Income & Expenditure Statement on page 131 sets out the financial position for the year before taking account of statutory adjustments required to be made to the accounts. The Statement of Movement on the HRA Balance on page 132 reflects these statutory adjustments and shows how the financial performance for the year has impacted on HRA reserves.

The HRA Income & Expenditure Statement shows a net deficit for the year of £12.4m, this largely reflects charges for depreciation and impairment. These charges are reversed out through the HRA Movement in Reserves Statement so they do not have any impact on the underlying level of resources available to the Council.

Explanatory Foreword

Treasury Management

The Balance Sheet on page 21 shows external borrowing of £620.5m at the end of the year, which is split between short term borrowing (£63.1m) and long term borrowing (£557.4m). This compares to £712.6m for 2012/13, the decrease is due to utilising investments to meet cash flow deficits rather than borrow.

The Balance Sheet also shows short term external investments of £18.5m at the end of the year compared to £45.4m at the end of the previous year. The reduction is down to using investments to meet cash flow needs rather than borrow. The interest rates on investments fell steadily throughout the year as counterparties reduced the interest given on investments as cheap borrowing from Government initiatives such as the Fund for Lending became available to kick start the economy.

Debtors

The Balance Sheet on page 21 shows short term debtors of £93.1m at the end of the year compared to £92.9m at the end of the previous year. These balances are analysed in more detail in Note 15 on page 49. The main reasons for the movement during the year are:

- Central Government Bodies decreased from £17.0m to £11.1m due to changes in accounting for Non Domestic Rates (NDR) (see page 10 for further details).
- NHS bodies increased from £0.3m to £5.9m due to the transfer of services between the Newcastle Primary Care Trust and newly created Clinical Commissioning Units, invoices and payments were delayed towards the end of the financial year.
- PFI Life Cycle Prepayments increased from £9.0m to £11.6m which is a technical amount arising from the need to account for future lifecycle costs of assets.

Income Collection

96.9% of Council Tax and 99.3% of Business Rates due in the year were collected, which is consistent with performance in the previous year.

99.5% of rent due in the year was collected, which is an increase when compared with performance in the previous year.

The Council will continue to collect any outstanding income following the end of the financial year.

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Schools Balances

Individual school balances at the end of the year totalled £12.9m compared to £11.5m at the end of the previous year. Schools continue to hold balances to mitigate against a range of financial risks. Schools holding balances need to be able to illustrate that the balance is held for a specific purpose, will be spent within a defined timescale and have been approved by governors. Currently schools are planning for the implementation of a national school funding formula (amongst other known cost pressures) and the increase reflects the needs of individual schools to react and plan to address these factors.

Pensions Costs

The Council is a member of the Tyne and Wear Pension Fund (the pension fund), which is part of the Local Government Pension Scheme, which provides defined benefits based on members' final pensionable salary and years of service. In accordance with IAS19, the Council is required to value all pension liabilities that have accumulated at the end of the year consisting of:

- Pension benefits that are being paid out to former employees who have retired.
- Pension benefits earned to date by current employees but not yet paid out.

IAS19 also requires the Council to value all investments held by the pension fund at market value at the end of the year.

When the assets and liabilities at the year end are compared this results in a surplus or deficit.

At the end of the year there was a pension fund deficit of £569.2m and this is disclosed on the Balance Sheet on page 21. This compares with a deficit of £579.5m at the end of the previous year. The main reason for the decrease is a reduction in the overall pensionable payroll from the previous year.

Further disclosures related to the pension fund are included in Note 40 on pages 85 to 90.

Claims under the Equal Pay Act 1970

The Council has a number of equal value claims to resolve, some of which raise different legal arguments to the claims previously settled. As the legal arguments are complex, and these claims are still progressing through the tribunal system, we are not currently in a position to accurately estimate the potential total liability relating to these claims. Accordingly, a contingent liability has been included in Note 41.

Material Items of Income and Expenditure

There was only one material item of income and expenditure in 2013/14:

Explanatory Foreword

- There were two School Trusts created during 2013/14, Newcastle North West Learning Trust incorporating 8 of the Council's primary schools, and a Special School Trust incorporating 3 of the Council's special schools including a hospital based teaching unit. The value of the land and buildings written out of the Council's accounts is £12.7m for Newcastle North West Learning Trust and £14.2m for the Special School Trust.

Accounting Developments

The main changes in the current year are as follows:

- **Accounting for Business Rates Retention** - the new localisation of Business Rates scheme changes the way in which NDR (Non-Domestic Rates) is collected from where the Council collected purely on behalf of central government to one where the income is shared between central government (50%), the Council (49%) and the Tyne & Wear Fire & Rescue Authority (1%) the major preceptor.
Under the retention of Business Rates the Council assumes the liability for refunding ratepayers who have successfully appealed against the rateable values of their properties on the rating list. This includes amounts that were paid over to central government in respect of 2012/13 and prior years. Previously such items would not have been recognised as income by the Council, but would have been transferred to CLG. The Council has recognised a provision of £8.2m for estimated losses on appeal.
- **Post-employment Benefits (IAS19)** - the revised standard implements a change to the expected return on the asset component of the pension cost. The change means that the expected return on assets is calculated at the discount rate, instead of an expected rate of return based on actual plan assets held. Note 49 to the accounts gives further details and the 2012/13 comparators have been restated accordingly.
- **Presentation of Financial Statements** - the Code of Practice has made amendments to the format of the Comprehensive Income & Expenditure Statement in respect of items that are potentially re-classifiable to the Surplus or Deficit on the Provision of Services. The Council has no such transactions and therefore no change is required to the financial statements.

Financial Planning - Priorities

It is essential the Council is clear on the outcomes to be achieved for the residents of the city so that we can prioritise how we use our resources accordingly. To that end the following priorities were agreed when the current administration assumed control of the Council in May 2011:

- **A Working City** – creating a new generation of good quality jobs, in a range of sectors, and helping local people develop the skills to do them.
- **Decent Neighbourhoods** – working with local communities to look after each other and the environment.
- **Tackling Inequalities** – tackling discrimination and inequalities which prevent people and communities fulfilling their true potential.
- **A Fit for Purpose Organisation** – a council which leads our city by enabling and empowering others to achieve.

Explanatory Foreword

The Newcastle Future Needs Assessment (NFNA) underpins the achievement of these outcomes by providing an integrated and coherent evidence base for the city as a whole. Its core objective is the reduction of the inequalities that have held Newcastle back for too long, and it will be informed by key datasets, statistics and analysis, by the experience of practitioners across all sectors in Newcastle and elsewhere, and critically by direct input from residents via Let's Talk Newcastle.

Looking Ahead

The Council is facing significant government funding cuts in future years. Combined with cost pressures arising from increased demand for services and the economic downturn, it means that savings totalling £35.9m are required in 2014/15 (12.9% of the 2013/14 net revenue budget). It is anticipated that further significant savings will be required annually for the foreseeable future.

The Council's net revenue budget for 2014/15 will be £263.8m which is a significant reduction in cash terms of £13.5m or 4.9% of the 2013/14 net revenue budget.

The Council's agreed three-year capital programme is currently £469.7m (General Fund £314.9m and HRA £154.8m), £54.0m of the total planned capital expenditure will be financed from capital receipts, £73.7m will be financed from grants/contributions and £104.8m will be financed from revenue (mainly HRA) and up to £237.2m financed by borrowing. The majority of planned borrowing will be undertaken on a self-financing basis, i.e. the revenue costs associated with the borrowing will be funded by efficiency savings or income generated as a direct result of the capital investment and will not therefore result in a cost pressure on the revenue budget.

Looking ahead, the key financial challenges for 2014/15 and beyond are as follows:

- Realise the benefits of the City Deal and unlock the resources required to boost capital investment across the city.
- Ensure resources are allocated in line with the priorities of the Council – this will involve making tough decisions about services.
- Transform services in line with the Council's cooperative values and ambitions.
- Make further improvements to value for money and identify further efficiency savings to help protect front-line services to residents.
- Maintain high income collection rates, in particular, Council Tax and Business Rates.
- Balance the revenue budget in the face of significant government funding cuts and cost pressures, and ensuring we spend in line with this.
- Continue to lobby for a fairer level of funding for the city from government.
- Maximise other external resources such as European funding.
- Generate one-off capital receipts and on-going revenue savings from improved asset management.
- Resolve equal pay claims at the lowest possible cost to the Council.

Explanatory Foreword

Description of the purposes of the main financial statements

Movement in Reserves Statement (page 19)

This statement shows the movement during the year on the different reserves held by the Council, analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The surplus or deficit on the provision of services shows the full cost of providing services during the year, more detail of which is shown in the Comprehensive Income & Expenditure Statement.

These are different from the amounts required to be charged to the General Fund unearmarked reserve and the Housing Revenue Account unearmarked reserve for Council Tax setting and dwellings rent setting purposes. The statement also shows discretionary transfers to/from earmarked reserves.

Comprehensive Income & Expenditure Statement (page 20)

This statement shows the full cost of providing services (as defined by the CIPFA Service Reporting Code of Practice) during the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, which may be different from the cost of services in accounting terms.

Balance Sheet (page 21)

The Balance Sheet shows the value of all assets and liabilities at the start and end of the year. The net assets of the Council (i.e. assets less liabilities) are matched by the Council's reserves. Reserves are categorised in two ways - useable and unusable reserves. Useable reserves may be used to fund expenditure or reduce local taxation subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (e.g. the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). Whereas unusable reserves usually have a specific legislative or accounting purpose and generally consist of timing differences between accounting requirements and the underlying resource position of the Council.

Cash Flow Statement (page 22)

This statement shows the changes in cash and cash equivalents of the Council during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The 'net cash flow from Operating Activities' is a reflection of the extent to which the operations of the Council are funded from taxation, grant income and /or fees and charges. 'Investing Activities' reflects the extent to which the Council has invested in assets that will be used to deliver services over a number of years. 'Financing Activities' reflects the extent to which the Council has sought additional funding to support its capital investment plans.

Explanatory Foreword

Housing Revenue Account - HRA (pages 131 to 138)

This account reflects the statutory obligation to 'ring-fence' and show separately the major elements of the housing revenue expenditure (repairs and maintenance, administration and capital financing costs) and how this is met by rents, subsidies and other income. Included within the section on the HRA is the Statement of Movement on the HRA, which discloses how the HRA Income & Expenditure Account surplus or deficit for the year reconciles to the movement on the HRA balance for the year.

Collection Fund (pages 139 to 141)

This statement summarises the transactions of the Collection Fund, a statutory fund distinct from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised.

The costs of administering the Collection Fund are accounted for in the General Fund.

Annual Governance Statement (pages 145 to 154)

This statement sets out the council's approach to corporate governance and internal control.

Further Information Available to Council Tax Payers

Access to these accounts will be made available to the general public via the Council's website. If, however, you wish to purchase a copy of this printed booklet, a nominal charge of £5.00 will usually be requested to cover printing costs. If this information is needed in another format or language please use the contact below.

As part of the Council's programme of continuous improvement we are striving to improve our system of reporting back to users of services. If you have any problems understanding this publication, any general enquiries on the accounts or have any suggestions on how it may be improved, please contact:

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Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Resources.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Director of Resources' Responsibilities

The Director of Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance & Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

The Director of Resources has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Newcastle City Council at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

Signed:

Tony Kirkham, Director of Resources
Date: 30 September 2014

Approval of the Accounts

I confirm that the Constitutional Committee has approved the attached Statement of Accounts.

Signed:

Cllr Bartlett, Chair of Constitutional Committee
Date: 30 September 2014

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Part 2: Core Financial Statements

Comprising:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Financial Statements

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Housing Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 2012	(10,135)	(55,127)	(9,110)	(11,594)	(62)	(1,715)	(5,905)	(93,648)	(467,151)	(560,799)
Movement in reserves during 2012/13 - Restated *										
Deficit/(Surplus) on Provision of Services	64,731	-	44,218	-	-	-	-	108,949	-	108,949
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	58,550	58,550
Total Comprehensive Income & Expenditure	64,731	-	44,218	-	-	-	-	108,949	58,550	167,499
Adjustments between accounting basis & funding basis under regulations (Note 4)	(66,748)	-	(40,904)	-	6	(4,700)	(2,071)	(114,417)	114,417	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	(2,017)	-	3,314	-	6	(4,700)	(2,071)	(5,468)	172,967	167,499
Transfers (To)/From Earmarked Reserves (Note 5)	2,017	(2,017)	(6,322)	6,322	-	-	-	-	-	-
(Increase)/Decrease in 2012/13	-	(2,017)	(3,008)	6,322	6	(4,700)	(2,071)	(5,468)	172,967	167,499
Balance at 31 March 2013 carried forward	(10,135)	(57,144)	(12,118)	(5,272)	(56)	(6,415)	(7,976)	(99,116)	(294,184)	(393,300)
Movement in reserves during 2013/14										
Deficit/(Surplus) on Provision of Services	62,447	-	12,357	-	-	-	-	74,804	-	74,804
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(32,926)	(32,926)
Total Comprehensive Income & Expenditure	62,447	-	12,357	-	-	-	-	74,804	(32,926)	41,878
Adjustments between accounting basis & funding basis under regulations (Note 4)	(89,083)	-	(10,867)	-	56	(337)	1,097	(99,134)	99,134	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	(26,636)	-	1,490	-	56	(337)	1,097	(24,330)	66,208	41,878
Transfers (To)/From Earmarked Reserves (Note 5)	26,636	(26,636)	1,706	(1,706)	-	-	-	-	-	-
(Increase)/Decrease in 2013/14	-	(26,636)	3,196	(1,706)	56	(337)	1,097	(24,330)	66,208	41,878
Balance at 31 March 2014 carried forward	(10,135)	(83,780)	(8,922)	(6,978)	-	(6,752)	(6,879)	(123,446)	(227,976)	(351,422)

* the Movement in Reserves Statement for 2012/13 has been restated to reflect the changes to accounting for pensions under IAS19. There has been no impact on the level of reserves held by the Council as a result of this change.

Comprehensive Income and Expenditure Statement

← 2012/13 →			← 2013/14 →		
Gross Expenditure	Gross Income	Net Expenditure			
Restated *	Restated *	Restated *			
£000	£000	£000	£000	£000	£000
135,668	(128,866)	6,802	100,775	(92,256)	8,519
3,727	(390)	3,337	3,323	(548)	2,775
(3,033)	(1,056)	(4,089)	(3,226)	(1,878)	(5,104)
614	-	614	720	(1)	719
33,733	(10,212)	23,521	50,665	(9,755)	40,910
41,180	(11,315)	29,865	42,339	(9,464)	32,875
11,941	(3,449)	8,492	9,563	(2,833)	6,730
-	-	-	16,921	(20,721)	(3,800)
285,358	(225,091)	60,267	270,518	(212,432)	58,086
33,973	(29,116)	4,857	32,137	(23,093)	9,044
187,380	(138,560)	48,820	159,747	(145,868)	13,879
136,256	(118,270)	17,986	120,139	(118,852)	1,287
133,546	(55,645)	77,901	143,825	(45,878)	97,947
1,000,343	(721,970)	278,373	947,446	(683,579)	263,867
86,986	-	86,986	47,563	-	47,563
95,297	(28,851)	66,446	93,369	(27,331)	66,038
-	(322,856)	(322,856)	-	(302,664)	(302,664)
		108,949			74,804
		(3,149)			(5,258)
		(15,131)			(928)
		76,830			(26,740)
		58,550			(32,926)
		167,499			41,878
		Total Comprehensive Income & Expenditure Deficit/(Surplus)			

* the 2012/13 Comprehensive Income & Expenditure Statement has been restated to reflect the changes to accounting for pensions under IAS 19 (Note 49).

Balance Sheet

31 Mar 2013 £000		Notes	31 Mar 2014 £000
1,588,555	Property, Plant & Equipment	9	1,505,112
105,318	Heritage Assets	10	104,925
168,371	Investment Property	11	165,783
752	Intangible Assets	12	322
27,047	Long Term Investments	13	29,355
34,466	Long Term Debtors	13	43,431
1,924,509	Long Term Assets		1,848,928
45,438	Short Term Investments	13	18,503
166	Assets Held for Sale	17	4,320
1,428	Inventories	14	1,759
92,867	Short Term Debtors	15	93,148
63,139	Cash and Cash Equivalents	16	12,520
203,038	Current Assets		130,250
(6,620)	Bank Overdraft	16	(4,816)
(176,406)	Short Term Borrowing	13	(63,097)
(184,490)	Short Term Creditors	18	(168,404)
(511)	Provisions	19	(11,598)
(368,027)	Current Liabilities		(247,915)
(233,610)	Long Term Creditors	13	(226,904)
(338)	Deferred Liabilities	13	(338)
(536,233)	Long Term Borrowing	13	(557,382)
(9,877)	Provisions	19	(9,257)
(6,672)	Grants Receipts in Advance	32	(16,810)
(579,490)	Pension Liability	40	(569,150)
(1,366,220)	Long Term Liabilities		(1,379,841)
393,300	Net Assets		351,422
(99,116)	Usable Reserves	20	(123,446)
(294,184)	Unusable Reserves	21	(227,976)
(393,300)	Total Reserves		(351,422)

Director of Resources Certificate

I certify that the accounts set out on pages 19 to 141 give a true and fair view of the financial position of the City Council as at 31 March 2014.

Signed: Tony Kirkham, Director of Resources

30 September 2014

Cash Flow Statement

2012/13 Restated * £000	2013/14 £000
(108,949) Net deficit on the provision of services	(74,804)
315,925 Adjustments to net deficit on the provision of services for non cash movements (Note 22)	295,834
(123,722) Adjustments for items included in the net deficit on the provision of services that are investing and financing activities (Note 22)	(134,959)
83,254 Net cash flows from Operating Activities	86,071
(79,381) Investing Activities (Note 23)	(29,368)
30,904 Financing Activities (Note 24)	(105,518)
34,777 Net (Decrease)/Increase in cash and cash equivalents	(48,815)
21,742 Cash and cash equivalents at the beginning of the reporting period	56,519
56,519 Cash and cash equivalents at the end of the reporting period (Note 16)	7,704

* the Cash Flow Statement for 2012/13 has been restated to reflect the changes to accounting for pensions under IAS 19 (Note 49).

Notes to the Financial Statements

1. Accounting Standards Issued, Not Adopted

Impact of the adoption of the new accounting standards on 2013/14 statements

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) has introduced changes in accounting policy in relation to the following IFRS (International Financial Reporting Standard) statements:

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IAS 27 Separate Financial Statements

IAS 28 Investments in Associates & Joint Ventures

IAS 32 Financial Instruments: Presentations

With the exception of IAS32 the standards shown above deal with the consolidation of financial statements and the publication of group accounts. The amendments to the accounting policies have been reviewed and it has been concluded that the changes do not impact on the requirement for the Council to produce group accounts. Note 48 to the accounts provides further detail on the assessment of group accounts and additionally Note 33 Related Parties details the financial interest that the Council has in other entities.

IAS 32 outlines the accounting requirements for the presentation of financial instruments, particularly the classification of such instruments into financial assets, financial liabilities and equity instruments. Changes to the Code specify when a financial asset and liability can be offset and the net amount presented in the balance sheet. The Council's accounts disclose assets and liabilities separately and no change is required in the 2014/15 accounts.

2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 50, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the accounts are considered to be:

- There is uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to indicate that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Determining whether an arrangement meets the definition of a service concession within the scope of IFRIC (International Financial Reporting Interpretations Committee) 12.
- Determining whether a substantial transfer of risks and rewards has occurred in relation to leased assets.
- Determining whether the Council has to produce group accounts.

Following a review of the Council's contracts, Private Finance Initiative (PFI) schemes continue to be recognised on the balance sheet as they meet the criteria of IFRIC12, however no other contracts are within the scope of IFRIC12. The Council has also reviewed its partnership arrangements against the criteria for group accounts as set out in the Code and has concluded that there are no such material interests that require the preparation of group accounts, see Note 48 to the accounts.

Notes to the Financial Statements

3. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise 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 Council's Balance Sheet at 31 March 2014 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ
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. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2014 and the projected service cost for the year ending 31 March 2015 are set out below.</p> <p>Discount rate assumption, an adjustment to the discount rate of +0.1% p.a. would increase the present value of the total obligation to £1,536.8m, whereas a decrease of -0.1% p.a. results in a decrease to £1,593.9m. The percentage change in the present value of the total obligation would be -1.8% and 1.8% respectively.</p> <p>Rate of general increase in salaries, an adjustment to the salary increase rate of +0.1% p.a. would increase the present value of the total obligation to £1,572.8m, whereas a decrease of -0.1% p.a. results in a decrease of £1,557.5m. The percentage change in the present value of the total obligation would be 0.5% and -0.5% respectively.</p>

Notes to the Financial Statements

Item	Uncertainties	Effect if Actual Results Differ
Pensions Liability		<p>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption, an adjustment to the pension increase rate of +0.1% p.a. would increase the present value of the total obligation to £1,585.9m, whereas a decrease of -0.1% p.a. results in a decrease of £1,544.8m. The percentage change in the present value of the total obligation would be 1.3% and -1.3% respectively.</p> <p>Post mortality assumption, an adjustment to the mortality age rating assumption of -1 year would change the present value of the total obligation to £1,599.5m, whereas an increase of +1 year results in a decrease to £1,530.5m . The percentage change in the present value of the total obligation would be 2.2% and -2.2% respectively.</p>
Arrears	<p>At 31 March 2014, the Council had a gross balance of sundry debtors of £118.9m. A review of historic arrears collection rates suggested that an impairment of doubtful debts of £25.7m was appropriate resulting in net debtors of £93.1m. However, in the current economic climate there is a risk that this will not be sufficient.</p>	<p>If collection rates were to deteriorate then the amount set aside to cover the impairment of doubtful debts would not be sufficient. For example, a 5% reduction in collection rates would require an additional amount of £0.4m to be set aside as an allowance.</p>

Notes to the Financial Statements

4. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	← Usable Reserves →					Movement in Unusable Reserves
	General Fund (GF) Balance	Housing Revenue Account (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
2013/14	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account (Note 21):						
<u>Reversal of items debited or credited to CI&ES:</u>						
Charges for depreciation and impairment of non current assets	(25,362)	(49,299)	-	-	-	74,661
Revaluation losses on Property, Plant and Equipment	(45,825)	(9,317)	-	-	-	55,142
Movements in the fair value of Investment Properties	(7,941)	-	-	-	-	7,941
Amortisation of intangible assets	(644)	(39)	-	-	-	683
Capital grants and contributions applied	23,754	1,048	-	-	-	(24,802)
Revenue expenditure funded from capital under statute	(6,906)	(193)	-	-	-	7,099
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(43,208)	(5,028)	-	-	-	48,236
<u>Insertion of items not debited or credited to CI&ES:</u>						
Statutory provision for the financing of capital investment	22,335	4,022	-	-	-	(26,357)
Capital expenditure charged against the GF & HRA balance	35	10,547	-	-	-	(10,582)
Adjustments involving the Capital Grants Unapplied Account:						
Grants & contributions unapplied credited to the CI&ES	1,382	-	-	-	(1,382)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	2,479	(2,479)

Notes to the Financial Statements

2013/14 continued	← Usable Reserves →					Movement in Unusable Reserves
	General Fund (GF) Balance	Housing Revenue Account (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	14,352	6,423	-	(20,775)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	13,505	-	(13,505)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,104)	-	-	2,104	-	-
Transfer to/ from Deferred Capital Receipts Reserve	-	-	-	2,729	-	(2,729)
Debt Redeemed Using Capital Receipts	-	-	-	2,100	-	(2,100)
Adjustment involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	31,274	-	-	(31,274)
Reversal of Major Repairs Allowance credited to the HRA	-	31,218	(31,218)	-	-	-
Adjustments involving the Financial Instruments Adjustment Reserve (Note 21):						
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	259	(249)	-	-	-	(10)
Adjustments involving the Pensions Reserve (Note 21):						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 40)	(59,460)	-	-	-	-	59,460
Employer's pensions contributions and direct payments to pensioners payable in the year	43,060	-	-	-	-	(43,060)

Notes to the Financial Statements

2013/14 continued	← Usable Reserves →					Movement in Unusable Reserves
	General Fund (GF) Balance	Housing Revenue Account (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments involving the Collection Fund Reserve (Note 21):						
Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements	4,340	-	-	-	-	(4,340)
Amount by which NDR income credited to the CI&ES is different from NDR income calculated for the year in accordance with statutory requirements	(7,739)	-	-	-	-	7,739
Adjustment involving the Accumulated Absences Reserve (Note 21):						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	589	-	-	-	-	(589)
Total Adjustments 2013/14	(89,083)	(10,867)	56	(337)	1,097	99,134

Notes to the Financial Statements

General Fund Balance is the statutory fund into which all receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments 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 Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council 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 that is required to be recovered from tenants in future years.

Major Repairs Reserve 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 the year-end.

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.

Capital Grants Unapplied holds the grants and contributions received towards capital projects for which the Council 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.

	← Usable Reserves →					
	General Fund (GF) Balance	Housing Revenue Account (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
2012/13						
Adjustments involving the Capital Adjustment Account (Note 21):						
<u>Reversal of items debited or credited to CI&ES:</u>						
Charges for depreciation and impairment of non current assets	(34,549)	(54,411)	-	-	-	88,960

Notes to the Financial Statements

2012/13 continued	← Usable Reserves →					Movement in Unusable Reserves
	General Fund (GF) Balance	Housing Revenue Account (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Revaluation losses on Property, Plant and Equipment	(42,011)	(18,111)	-	-	-	60,122
Movements in the fair value of Investment Properties	(954)	-	-	-	-	954
Amortisation of intangible assets	(832)	(39)	-	-	-	871
Capital grants and contributions applied	25,774	1,734	-	-	-	(27,508)
Write-back of long term debtor	394	-	-	-	-	(394)
Revenue expenditure funded from capital under statute	(7,243)	-	-	-	-	7,243
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(40,800)	(43,023)	-	-	-	83,823
Investment received in exchange for non current assets transferred to Science Central LLP	9,451	-	-	-	-	(9,451)
<u>Insertion of items not debited or credited to CI&ES:</u>						
Statutory provision for the financing of capital investment	29,001	4,194	-	-	-	(33,195)
Capital expenditure charged against the General Fund and HRA balances	-	11,088	-	-	-	(11,088)
Adjustments involving the Capital Grants Unapplied Account:						
Grants & contributions unapplied credited to the CI&ES	2,383	-	-	-	(2,383)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	312	(312)
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	3,192	4,639	-	(7,831)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	1,712	-	(1,712)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,847)	-	-	1,847	-	-

Notes to the Financial Statements

2012/13 continued

	← Usable Reserves →					
	General Fund (GF) Balance	Housing Revenue Account (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Transfer from Deferred Capital Receipts Reserve	-	-	-	(428)	-	428
Byker Stock Transfer - Loan Repayments	-	23,923	-	(23,923)	-	-
Debt Redeemed Using Capital Receipts	-	-	-	23,923	-	(23,923)
Adjustment involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	29,352	-	-	(29,352)
Reversal of Major Repairs Allowance credited to the HRA	-	29,346	(29,346)	-	-	-
Adjustments involving the Financial Instruments						
Adjustment Reserve (Note 21):						
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	273	(244)	-	-	-	(29)
Adjustments involving the Pensions Reserve (Note 21):						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 40)	(53,810)	-	-	-	-	53,810
Employer's pensions contributions and direct payments to pensioners payable in the year	43,340	-	-	-	-	(43,340)
Adjustments involving the Collection Fund Reserve (Note 21):						
Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements	1,189	-	-	-	-	(1,189)

Notes to the Financial Statements

2012/13 continued

Adjustment involving the Accumulated Absences Reserve (Note 21):

Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

Total Adjustments 2012/13

← Usable Reserves →						
General Fund (GF) Balance	Housing Revenue Account (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	
£000	£000	£000	£000	£000	£000	£000
301	-	-	-	-	(301)	
(66,748)	(40,904)	6	(4,700)	(2,071)		114,417

Notes to the Financial Statements

5. Transfer to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2013/14.

	Balance at 1 April 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000
General Fund Reserves							
Balances held by Schools under a scheme of delegation	(12,085)	1,449	(837)	(11,473)	-	(1,399)	(12,872)
Collection Fund Reserve (1)	(3,782)	1,010	-	(2,772)	2,772	-	-
Financial Risk & Resilience Reserve (2)	(4,000)	4,000	(4,000)	(4,000)	3,140	(3,140)	(4,000)
Corporate Resource Pool (3)	(392)	222,271	(221,879)	-	-	-	-
Private Finance Initiative (PFI) Reserve (4)	(6,092)	23	(1,652)	(7,721)	1,027	-	(6,694)
Revenue Grants Unapplied Reserve	(1,076)	547	(3,476)	(4,005)	2,244	(3,496)	(5,257)
Risk Management & Insurance Reserve	(631)	283	(9)	(357)	188	(50)	(219)
Strategic Reserve (5)	(19,315)	32,550	(26,583)	(13,348)	19,126	(32,265)	(26,487)
PFI Lifecycle Replacement Reserve	(6,371)	-	(2,630)	(9,001)	-	(2,676)	(11,677)
Pension Reserve (6)	-	-	(3,376)	(3,376)	-	(3,700)	(7,076)
Public Health Reserve (7)	-	-	-	-	-	(2,119)	(2,119)
ADZ Reserve (8)	-	-	-	-	-	(1,105)	(1,105)
Transformation Reserve (9)	-	-	-	-	-	(4,000)	(4,000)
Housing Benefit Subsidy Reserve (10)	-	-	-	-	-	(1,250)	(1,250)
Other Reserves	(1,383)	3,108	(2,816)	(1,091)	455	(388)	(1,024)
	(55,127)	265,241	(267,258)	(57,144)	28,952	(55,588)	(83,780)
Housing Revenue Account Reserves							
Furniture Investment Reserve (11)	(2,897)	3,674	(2,732)	(1,955)	522	(1,000)	(2,433)
Capital Programme Reserve	(1,660)	1,660	-	-	-	-	-
Renewals Fund Reserve	(412)	73	(151)	(490)	500	(10)	-
Workforce Planning Reserve	(446)	446	-	-	-	-	-
Concierge Projects Reserve	(1,963)	1,681	(401)	(683)	683	-	-
Revenue Projects Reserve	(1,000)	1,000	-	-	-	-	-
Demolitions Projects Reserve (12)	(2,216)	1,072	-	(1,144)	399	(355)	(1,100)
Welfare Reform Reserve	-	-	(1,000)	(1,000)	1,000	-	-
Repairs Fund Reserve	(1,000)	21,818	(20,818)	-	21,135	(21,135)	-
Tenant Broadband Reserve	-	-	-	-	-	(65)	(65)
Invest to Save Reserve (13)	-	-	-	-	-	(3,380)	(3,380)
	(11,594)	31,424	(25,102)	(5,272)	24,239	(25,945)	(6,978)
Total General Fund & HRA	(66,721)	296,665	(292,360)	(62,416)	53,191	(81,533)	(90,758)

(1) The Collection Fund Reserve was set up to help fund the Council's share of the Collection Fund deficit and was fully utilised as at 31 March 2014.

Notes to the Financial Statements

- (2) The Financial Risk & Resilience Reserve holds funding to help meet any shortfalls arising from the delayed implementation of budget proposals.
- (3) The Corporate Resource Pool Reserve was used to record advances and repayments to/from Directorates, but was closed down in 2012/13.
- (4) The PFI Reserve holds funding to meet future payments under the Council's PFI contracts.
- (5) The Strategic Reserve holds funding to help meet the estimated costs arising from implementing budget proposals (e.g. redundancy costs and the strain on the pension fund) and other corporate risks as well as a range of directorate commitments.
- (6) The Pensions Reserve includes amounts set aside to fund pension costs in future years.
- (7) The Public Health Reserve holds unspent public health grant funding.
- (8) The ADZ Reserve holds business rates retained by the Council in the Accelerated Development Zone.
- (9) The Transformation Reserve holds funding set aside for future transformation/public sector reform work.
- (10) The Housing Subsidy Reserve includes amounts set aside to fund cost pressures in this area.
- (11) The Furniture Investment Reserve ensures resources are available to cover the initial investment in furniture and grow the furniture rental operations.
- (12) Demolition Projects Reserve is in place to ensure there is sufficient financing available for current regeneration plans.
- (13) Invest to Save Reserve is for projects that drive efficiencies and help meet the challenges of Welfare Reform.

Notes to the Financial Statements

6. Other Operating Expenditure

	2012/13 £000	2013/14 £000
Parish Council precepts	76	63
Levies	18,521	17,935
Payments to the Government Housing Capital Receipts Pool	1,847	2,104
Losses on the disposal of non current assets	66,542	27,461
Total	86,986	47,563

7. Financing and Investment Income and Expenditure

	2012/13 Restated £000	2013/14 £000
Interest payable and similar charges	52,483	41,524
Interest on net defined benefit liability (Note 40)	21,920	24,320
Interest receivable and similar income	(4,504)	(3,551)
Income and expenditure in relation to investment properties and changes in their fair value (Note 11)	(2,203)	4,740
External trading accounts (Note 26)	(1,250)	(995)
Total	66,446	66,038

8. Taxation and Non Specific Grant Income

	2012/13 £000	2013/14 £000
Council Tax income (Note 32)	(104,513)	(83,470)
Non Domestic Rates (Note 32)	(157,684)	(64,224)
Non-ringfenced government grants (Note 32)	(5,977)	(131,204)
Capital grants and contributions (Note 32)	(54,682)	(23,766)
Total	(322,856)	(302,664)

Notes to the Financial Statements

9. Property, Plant and Equipment

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movements in 2013/14									
Cost or Valuation									
At 1 April 2013	717,723	548,325	197,898	321,323	1,435	6,961	1,457	1,795,122	178,733
Additions	30,808	16,821	19,834	13,984	1,971	132	9,549	93,099	223
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(410)	(5,963)	-	-	-	(829)	-	(7,202)	(884)
Revaluation increases/(decreases) recognised in the Deficit on the Provision of Services	(52,290)	(50,314)	(1,390)	-	(1,971)	183	-	(105,782)	(5,722)
Derecognition - Disposals	(4,900)	(34,603)	(28,180)	(35)	-	(24)	-	(67,742)	(15,118)
Assets reclassified (to)/from Held for Sale	-	(1,962)	-	-	-	(2,218)	-	(4,180)	-
Other reclassifications	(326)	(133)	1,935	-	-	(415)	(1,061)	-	-
At 31 March 2014	690,605	472,171	190,097	335,272	1,435	3,790	9,945	1,703,315	157,232
Accumulated Depreciation and Impairment									
At 1 April 2013	(50,011)	(20,508)	(71,000)	(64,686)	(208)	(154)	-	(206,567)	(26,881)
Depreciation charge	(25,144)	(5,719)	(17,516)	(8,134)	(28)	(36)	-	(56,577)	(4,976)
Depreciation written out to the Revaluation Reserve	2,942	8,202	-	-	-	75	-	11,219	658
Depreciation written out to Deficit on Provision of Services	21,410	1,379	232	-	-	(24)	-	22,997	505
Impairment losses/(reversals) recognised in Revaluation Reserve	(1,377)	2,978	-	-	-	33	-	1,634	8
Impairment losses recognised in deficit on the Provision of Services	(18,081)	(1)	-	-	-	-	-	(18,082)	52
Impairment reversals recognised in the Deficit on the Provision of Services as a result of revaluation	25,188	2,451	-	-	-	2	-	27,641	-
Derecognition - Disposals	-	140	19,357	35	-	-	-	19,532	684
Reclassifications	316	(261)	(53)	-	-	(2)	-	-	-
At 31 March 2014	(44,757)	(11,339)	(68,980)	(72,785)	(236)	(106)	-	(198,203)	(29,950)
Net Book Value at 31 March 2014	645,848	460,832	121,117	262,487	1,199	3,684	9,945	1,505,112	127,282
Net Book Value at 31 March 2013	667,712	527,817	126,898	256,637	1,227	6,807	1,457	1,588,555	151,852

Notes to the Financial Statements

Comparative Movements in 2012/13												
	Cost or Valuation											
	At 1 April 2012											
	Technical Adjustments											
	Additions											
	Revaluation increases/(decreases) recognised in the Revaluation Reserve											
	Revaluation increases/(decreases) recognised in the Deficit on the Provision of Services											
	Derecognition - Disposals											
	Assets reclassified (to)/from Held for Sale											
	Other reclassifications											
	At 31 March 2013											
	Accumulated Depreciation and Impairment											
	At 1 April 2012											
	Technical Adjustments											
	Depreciation charge											
	Depreciation written out to the Revaluation Reserve											
	Depreciation written out to Deficit on Provision of Services											
	Impairment losses/(reversals) recognised in Revaluation Reserve											
	Impairment losses/(reversals) recognised in the Deficit on the Provision of Services											
	Impairment reversals recognised in the Deficit on the Provision of Services as a result of revaluation											
	Derecognition - Disposals											
	Reclassifications											
	At 31 March 2013											
		Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment	Total Property, Plant and Equipment	£000
		797,610	599,716	202,486	310,185	6,019	12,064	10,087	1,938,167	204,554	1,938,167	£000
		(13)	(133)	(153)	-	-	(220)	-	(519)	-	(519)	£000
		39,581	23,428	16,802	11,278	1,858	32	1,326	94,305	218	94,305	£000
		(5,084)	(8,813)	1,400	-	(70)	19	-	(12,548)	(3,195)	(12,548)	£000
		(72,243)	(48,557)	-	-	(4,796)	101	-	(125,495)	(17,187)	(125,495)	£000
		(42,128)	(24,037)	(22,712)	(1,448)	-	(8,444)	-	(98,769)	(5,657)	(98,769)	£000
		-	-	-	-	-	(19)	-	(19)	-	(19)	£000
		-	6,721	75	1,308	(1,576)	3,428	(9,956)	-	-	-	£000
		717,723	548,325	197,898	321,323	1,435	6,961	1,457	1,795,122	178,733	1,795,122	£000
		(60,645)	(27,796)	(64,512)	(57,088)	(2,380)	(298)	-	(212,719)	(23,838)	(212,719)	£000
		13	133	153	-	-	220	-	519	-	519	£000
		(24,352)	(7,118)	(20,426)	(7,791)	(28)	(51)	-	(59,766)	(6,044)	(59,766)	£000
		7,486	8,176	-	-	-	-	-	15,662	1,647	15,662	£000
		11,950	1,106	-	-	-	-	-	13,056	399	13,056	£000
		(1,580)	114	-	-	-	(1)	-	(1,467)	53	(1,467)	£000
		(25,065)	(4,053)	-	-	-	(30)	-	(29,148)	(335)	(29,148)	£000
		42,182	8,078	-	-	2,090	1	-	52,351	529	52,351	£000
		-	905	13,821	215	-	4	-	14,945	708	14,945	£000
		-	(53)	(36)	(22)	110	1	-	-	-	-	£000
		(50,011)	(20,508)	(71,000)	(64,686)	(208)	(154)	-	(206,567)	(26,881)	(206,567)	£000

Notes to the Financial Statements

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings 50 years
- Other Land and Buildings 25-100 years
- Vehicles, Plant, Furniture & Equipment 3-10 years
- Infrastructure 25-60 years

Capital Commitments

At 31 March 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £37.7m. Similar commitments at 31 March 2013 were £54.0m. The major commitments (£1.0m or more) are:

Housing Revenue Account Programme	£000
External Roofing Programme	8,650
	8,650
General Fund Programme	
Exhibition Park	1,209
Eldon Square Scheme Phase 4 & 4a	7,472
Science Central Core Building	5,108
Science Central Infrastructure Phase 1	1,655
Local Broadband Plan	1,823
Bridgewater	3,000
Byker Secondary Main Upgrades	2,199
Capital Loans (Leazes Homes & Scotswood)	6,586
	29,052
Total Commitments	37,702

Valuation Policies

Assets are carried on the Council's Balance Sheet based upon the Code of Practice and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS):

- Properties classified as operational were valued on the basis of net realisable value in existing use or, where this could not be assessed because there was no market for the subject asset, on the basis of depreciated replacement cost.

Notes to the Financial Statements

- Vehicles, Plant, Furniture and Equipment - non-property assets (furniture and equipment) are included at historical cost net of depreciation. Plant and machinery is included in the valuation of the buildings where it is considered to form part of the building service installation. Vehicles have been included at historic cost less depreciation.
- Council Dwellings were valued on the basis of existing use for social housing. This value is calculated by adjusting the existing use value with vacant possession by a regional factor provided by the Department for Communities and Local Government to reflect their status as social housing. Consequently Council Dwellings are included in the balance sheet at 37% of current value (2012/13: 37%).
- Properties classified as non-operational have been valued on the basis of market value.
- Community assets are recorded at historical cost, depreciated where appropriate. Community assets can include parks and historic buildings. Museum exhibits/collections are within the Heritage Asset category.
- Infrastructure assets are included at historical cost, net of depreciation. It should be noted that where a capital scheme includes some infrastructure works (such as the building of roads and sewers in the construction of a housing estate) these have usually been included in the category 'council dwellings' or 'other land and buildings' as appropriate. It is not always possible to identify the full cost separately.
- Surplus assets are included at fair value based on existing use value applying the same assumptions relating to the level of usage as those of the most recent revaluation as an operational asset.
- Assets under construction are included at depreciated historical cost.
- It is a requirement that assets carried at current value are reviewed at periods of not more than 5 years, and when circumstances occur that materially change the valuations. In addition the Code of Practice requires revaluations within a class of PPE to be revalued simultaneously to avoid selective revaluation of assets. The process of review is a 5 year rolling programme and accordingly at least 20% of the property asset register was valued during 2013/14. The Council has adopted a policy of componentisation for assets which is described on page 120. Assets have been valued in accordance with the principles of the RICS Appraisal and Valuation Standards. The valuations were supervised by P. Scaplehorn, MRICS, Interim Service Manager, Strategic Property, Newcastle City Council.

The table below summarises when assets were most recently valued and shows the progress of the Council's 5 year rolling programme for assets that are carried at current value:

Notes to the Financial Statements

	Council Dwellings £000	Other Land and Buildings £000	Surplus Assets £000	Investment Properties £000	Total £000
Valued at fair value as at:					
2013/14	645,848	363,188	224	165,783	1,175,043
2012/13	-	23,192	315	-	23,507
2011/12	-	17,273	2,614	-	19,887
2010/11	-	38,327	531	-	38,858
2009/10	-	18,852	-	-	18,852
Total Cost or Valuation	645,848	460,832	3,684	165,783	1,276,147

Notes to the Financial Statements

10. Heritage Assets

Reconciliation of the carrying value of heritage assets held by the Council.

	Mansion House £000	Civic Insignia £000	Museums £000	Total £000
Cost or Valuation				
1 April 2012	1,184	701	101,930	103,815
Additions	-	-	59	59
Revaluations	-	283	1,161	1,444
31 March 2013	1,184	984	103,150	105,318
Cost or Valuation				
1 April 2013	1,184	984	103,150	105,318
Disposals	(231)	-	-	(231)
Revaluations	(192)	-	30	(162)
31 March 2014	761	984	103,180	104,925

Museums

Heritage Assets are assets that are managed by the Tyne & Wear Archives & Museums Joint Committee 'principally for their contribution to knowledge or culture'. The heritage assets held and managed by the Joint Committee are the collections of assets and artefacts either exhibited or stored in:

- Shipley Art Gallery (founded 1915)
- Discovery Museum (founded 1934) (Newcastle City Council)
- Tyne and Wear Archives (based at Discovery Museum, est. 1974) (NCC)
- Great North Museum: Hancock (founded 1829)
- Great North Museum: Resource Centre (based at Discovery Museum, est 2009) (NCC)
- Hatton Gallery: Great North Museum (founded 1926)
- Laing Art Gallery (founded 1901) (NCC)
- Segedunum Roman Fort, Baths & Museum (founded 2000)
- Stephenson Railway Museum (founded 1986)
- Arbeia Roman Fort & Museum (founded 1953)
- South Shields Museum & Art Gallery (founded 1876)
- Monkwearmouth Station Museum (founded 1973)
- Sunderland Museum & Winter Gardens (founded 1846)
- Washington F Pit (founded 1976)
- Regional Museums Store and Regional Resource Centre (in partnership with and based at Beamish Open Air Museum (est. 2002))

The art collection shown on the Balance Sheet is based on detailed insurance valuations (based on market values). Items in the art collection estimated to be worth in excess of £10k are identified separately for insurance purposes. From these records the valuation of this collection as at 31 March 2014 would be £126.7m.

Notes to the Financial Statements

We believe it is not practicable to value the remaining collections as this would incur a disproportionate cost, even if it were possible, and that cost would not be commensurate with any benefits to the organisation or its users. This exemption is permitted by the Code.

The Joint Committee considers that the heritage assets will have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation on these assets.

The following table shows the value and numbers of the art collection included within heritage assets as per the requirements of the Code. The increase in assets in the balance sheet is offset by an increase in the Revaluation Reserve. All valuations were carried out internally by qualified Tyne & Wear Archives & Museum staff.

	Estimated number of Art objects valued at £10k or above as at 1 April 2013	Additional Objects recognised in the year	Estimated number of Art objects valued at £10k or above as at 31 March 2014	Heritage Assets recognised at valuation as at 1 April 2013	Revaluation and purchase of Art Objects	Carrying Values as at 31 March 2014
District	No.	No.	No.	£m	£m	£m
Gateshead	166	1	167	13.85	0.01	13.86
Newcastle	717	(3)	714	103.15	0.03	103.18
North Tyneside	-	-	-	-	-	-
South Tyneside	13	-	13	0.49	-	0.49
Sunderland	134	(1)	133	9.14	(0.01)	9.13
Total	1,030	(3)	1,027	126.63	0.03	126.66

Mansion House

The collection of Heritage assets held at the Mansion House are included on the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are reviewed on a regular basis, see Note 44.

Civic Insignia (see Note 44 to the accounts)

The Civic Insignia include the following:

- Lord Mayors Chain
- Lady Mayoress Chain
- Sheriffs Chain
- Consort Medallion
- Great Mace
- Swords Of State
- Silver Gallery - a permanent display of Civic Plate and Regalia, housed in the Lord Mayor's Silver Gallery, Civic Centre, together with some of the gifts made to the City.

Notes to the Financial Statements

This collection has been recognised on the balance sheet based on the detailed insurance valuation, with a corresponding revaluation gain. Note 50 to the accounts gives further information on the accounting policies adopted for Heritage Assets.

11. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2012/13 £000	2013/14 £000
Rental income from investment property	(9,541)	(10,141)
Direct operating expenses arising from investment property	7,338	14,881
Total	(2,203)	4,740

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2012/13 £000	2013/14 £000
Balance at start of the year	169,312	168,371
Subsequent expenditure	83	5,353
Impairment	(70)	-
Net losses from fair value adjustments	(954)	(7,941)
Balance at end of the year	168,371	165,783

12. Intangible Assets

The intangible assets relate to purchased licenses. The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The cost of software licences is written-off over the five-year life of the licences.

The software licences are held for various systems within the Council, such as e-mail, teamware and archiving, contact centre and mainframe migration.

Notes to the Financial Statements

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £683k charged to revenue in 2013/14 was charged to the following lines in the Comprehensive Income & Expenditure Statement: Central Services £570k; Education & Children's Services £45k; Local Authority Housing (HRA) £39k; Adult Social Care £25k and Environmental & Regulatory Services £4k.

The movement on intangible asset balances during the year is as follows:

	2012/13 £000	2013/14 £000
Balance at start of year:		
Gross carrying amounts	10,096	10,164
Accumulated amortisation	(8,541)	(9,412)
Net carrying amount at start of year	1,555	752
Additions:		
Purchases	68	253
Amortisation for the period	(871)	(683)
Net carrying amount at end of year	752	322
Comprising:		
Gross carrying amounts	10,164	10,417
Accumulated amortisation	(9,412)	(10,095)
Total	752	322

Notes to the Financial Statements

13. Financial Instruments

The following categories of financial instrument are carried in the balance sheet:

	31 Mar 2013 £000	31 Mar 2014 £000
Long term investments:		
Available-for-sale financial assets	26,894	29,201
Unquoted equity investment at cost	153	154
Total long term investments	27,047	29,355
Short term investments:		
Bank deposits	35,438	11,003
Nexus investments	10,000	7,500
Total short term investments	45,438	18,503

Available-for-sale financial assets represent the Council's investment in Newcastle Airport Local Holding Company Ltd of £15.4m (2012/13 £15.5m), Science Central LLP £11.2m (2012/13 £10.3m) and New Tyne West Development Co Ltd £2.6m (2012/13 £1.2m). The unquoted equity investments are LIFTCo and Eldon Square Company Ltd £0.2m (2012/13 £0.2m). The increase in long term investments is due to further investment in New Tyne West Development Co Ltd (£1.4m) and Science Central LLP (£0.9m). The decrease in short term investments is in line with the Council's Treasury Management Strategy.

	31 Mar 2013 £000	31 Mar 2014 £000
Long term debtors:		
Council house mortgages & major works	172	160
Car loans (principal outstanding)	76	75
Loans to other local authorities - North Tyneside Council (transferred debt)	3,234	3,105
Leazes Homes	10,981	13,759
The Cedars	3,659	3,325
Airport loan	13,675	12,915
Loans to cultural & heritage organisations	-	5,450
Other	2,669	4,642
Total long term debtors	34,466	43,431
Short term debtors:		
Short term debtors (less Council Tax)	84,360	84,965
Total short term debtors	84,360	84,965

	31 Mar 2013 £000	31 Mar 2014 £000
Borrowings:		
Short term borrowing	(176,406)	(63,097)
Financial liabilities at amortised cost - long term borrowing	(536,233)	(557,382)
Total Borrowings	(712,639)	(620,479)

Notes to the Financial Statements

	31 Mar 2013 £000	31 Mar 2014 £000
Other Long Term Liabilities:		
Long term creditors - PFI finance lease	(233,610)	(226,904)
Deferred liabilities	(338)	(338)
Total other long term liabilities	(233,948)	(227,242)
Short term creditors:		
Short term creditors (less Council Tax)	(183,006)	(166,839)
Total short term creditors	(183,006)	(166,839)

Income, Expense, Gains and Losses

The gains and losses recognised in the CI&ES in relation to financial instruments are made up as follows:

	2012/13			2013/14		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	(52,483)	-	(52,483)	(41,524)	-	(41,524)
Total expense in Deficit on the Provision of Services	(52,483)	-	(52,483)	(41,524)	-	(41,524)
Investment income	-	4,504	4,504	-	3,551	3,551
Total income in Deficit on the Provision of Services	-	4,504	4,504	-	3,551	3,551
Net Gain/(Loss) for the year	(52,483)	4,504	(47,979)	(41,524)	3,551	(37,973)

Fair Value of Assets & Liabilities carried at Amortised Cost

Financial liabilities and assets represented by loans and receivables and long-term debtors and creditors are carried in 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, using the following assumptions:

Notes to the Financial Statements

- PWLB (Public Works Loan Board) interest rates for new fixed rate borrowing in the appropriate maturity bands as at 31 March 2014.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Estimated ranges of interest rates at 31 March 2014 of 1.95% to 2.77% for loans from the PWLB and 0.40% to 4.01% for other loans receivable and payable, based on new lending rates for equivalent loans at that date.

The fair values calculated are as follows:

Financial Liabilities

	31 March 2013		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	(712,639)	(882,799)	(620,479)	(723,145)
Long-term creditors	(233,948)	(233,948)	(227,242)	(227,242)
	(946,587)	(1,116,747)	(847,721)	(950,387)

Financial Assets

	31 March 2013		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Long-term investments	(27,047)	(27,047)	(29,355)	(29,355)
Long-term debtors	(34,466)	(34,466)	(43,431)	(43,431)
	(61,513)	(61,513)	(72,786)	(72,786)

The fair value differs from the carrying value as fair value is assessed according to market rates relating to the outstanding life of the loan. Carrying amount relates to the actual interest rate applicable to the loan outstanding. The fair value differences for financial instruments relates to the fact that the Council has loans at fixed rates that result in it paying a higher interest charge than if it had taken out variable rate loans.

The fair value of the Private Finance Initiative schemes is taken to be the same as the carrying value as the interest rate applied is driven from the overall calculation of the unitary charge in the operators' models. This calculation takes into account wider factors applying to the contract, therefore it is not considered appropriate to apply an interest rate from a simple loan over a comparable contract term.

Notes to the Financial Statements

14. Inventories

	Assistant Chief Executive		Communities		Investment & Development		Resources		Wellbeing, Care & Learning		Total	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at start of year	6	4	1,275	1,147	-	34	41	99	217	144	1,539	1,428
Purchases	45	60	4,501	4,979	9	3	481	479	1	1,672	5,037	7,193
Recognised as an expense in the year	(47)	(61)	(4,629)	(4,689)	25	19	(423)	(538)	(74)	(1,609)	(5,148)	(6,878)
Written off balances	-	-	-	16	-	-	-	-	-	-	-	16
Balance at year-end	4	3	1,147	1,453	34	56	99	40	144	207	1,428	1,759

The information below gives the split of the 2013/14 opening and closing balances by category of stock.

	Assistant Chief Executive		Communities		Investment & Development		Resources		Wellbeing, Care & Learning		Total	
	01.04.13	31.03.14	01.04.13	31.03.14	01.04.13	31.03.14	01.04.13	31.03.14	01.04.13	31.03.14	01.04.13	31.03.14
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Consumables	4	3	292	451	34	-	99	40	144	207	573	701
Building Materials	-	-	855	1,002	-	56	-	-	-	-	855	1,058
Balance at year-end	4	3	1,147	1,453	34	56	99	40	144	207	1,428	1,759

Notes to the Financial Statements

15. Short Term Debtors

	31 Mar 2013	31 Mar 2014
	£000	£000
Central government bodies	16,967	11,094
Other local authorities	5,427	4,095
NHS bodies	284	5,884
Public corporations and trading funds	772	543
Council Tax	8,507	8,183
Housing Tenants	846	1,592
Private Finance Initiative lifecycle prepayments	9,001	11,677
Other entities and individuals	51,063	50,080
Total	92,867	93,148

The significant level of debtors shown under the heading “other entities and individuals” in the main relates to highways works and utility works £11.4m (2012/13 £11.0m); corporate debtors £10.0m (2012/13 £10.8m); prepayments (e.g. airport interest accrual, ICT upgrade programme) £4.5m (2012/13 £3.8m); Eldon Square equity rent and deferred income £4.2m (2012/13 £4.1m); amortisation of lease payments and smoothing of stepped annual rent for Partnership House £2.8m (2012/13 £2.3m) and ground rents £2.6m (2012/13 £2.6m).

16. Cash and Cash Equivalents

	31 Mar 2013	31 Mar 2014
	£000	£000
Cash held by the Council	273	270
Short-term deposits with financial institutions	62,866	12,250
	63,139	12,520
Bank overdraft	(6,620)	(4,816)
Total Cash and Cash Equivalents	56,519	7,704

17. Current Assets Held for Sale

	2012/13	2013/14
	£000	£000
Balance at start of year	147	166
Assets newly classified as held for sale:		
Property, Plant and Equipment	19	4,180
Assets sold	-	(26)
Total	166	4,320

Notes to the Financial Statements

18. Short Term Creditors

	31 Mar 2013 £000	31 Mar 2014 £000
Central government bodies	(19,713)	(8,087)
Other local authorities	(1,514)	(1,126)
NHS bodies	(210)	(988)
Public corporations and trading funds	(127)	(359)
Council Tax	(1,484)	(1,565)
Private Finance Initiative lease creditor	(6,438)	(6,929)
Accumulated absences accrual	(7,049)	(6,460)
Monies held on behalf of other organisations	(79,020)	(59,457)
Other entities and individuals	(68,935)	(83,433)
Total	(184,490)	(168,404)

Monies held on behalf of other organisations represents cash held and invested under treasury management agreements on behalf of partner organisations where the Council is the lead authority which must be returned on request. This includes Tyne & Wear Integrated Transport Authority (£52.0m), Theatre Royal (£6.8m), Your Homes Newcastle (£0.4m), Tynexe (£0.2m) and Byker Trust (£0.01m).

Notes to the Financial Statements

19. Provisions

	Insurance	Other Provisions	Total
	£000	£000	£000
Balance at 1 April 2013	(9,646)	(742)	(10,388)
Additional provisions made in 2013/14	-	(11,087)	(11,087)
Amounts used in 2013/14	543	77	620
Unused amounts reversed in 2013/14	-	-	-
Balances at 31 March 2014	(9,103)	(11,752)	(20,855)
Which is split:			
Short Term	-	(11,598)	(11,598)
Long Term	(9,103)	(154)	(9,257)

Insurances

From 1991 the City Council has self-funded the first £100k of each and every public and employer's liability claim subject to aggregate protection. In 2003 this increased to £250k. Since April 1994 the Council has self-insured the first £100k of fire damage claims for schools and the first £5k of all other fire damage claims (except Housing). Motor vehicle own damage is self-funded and there is an excess of £25k in respect of third party claims.

The insurance provision of £9.1m at 31 March 2014 (31 March 2013 £9.6m) covers, in the main, the Council's liabilities in respect of outstanding claims already reported.

It is expected that some insurance claims will be settled within the next financial year and others over a longer period of time, but it is not possible to say on a claim-by-claim basis when particular claims will be settled due to their varied nature.

Municipal Mutual Insurance Ltd (MMI) was the Council's insurer prior to ceasing its underwriting operations in September 1992 having suffered substantial losses. The Council elected to participate in the 'Scheme of Arrangements', effectively becoming a 'Scheme Creditor'. This means that the Council has paid back part of its claims for which it has received settlements since 1993 as the Scheme of Arrangements has been triggered. The insurance provision includes an amount to cover this.

Other Provisions

Other provisions consists of Business Rates Appeals provision £8.2m, Redundancy provision including Strain on the Fund £2.9m, Carbon Reduction Commitment scheme provision £0.5m and other miscellaneous provisions of £0.2m.

Notes to the Financial Statements

20. Usable Reserves

	31 Mar 2013	31 Mar 2014
	£000	£000
General Fund Balance	(10,135)	(10,135)
Earmarked General Fund Balances (Note 5)	(57,144)	(83,780)
Housing Revenue Account (HRA) Balance	(12,118)	(8,922)
Earmarked HRA Balances (Note 5)	(5,272)	(6,978)
Housing Major Repairs Reserve	(56)	-
Capital Receipts Reserve	(6,415)	(6,752)
Capital Grants Unapplied	(7,976)	(6,879)
Total Usable Reserves	(99,116)	(123,446)

The movements in Usable Reserves are detailed in the Movement in Reserves Statement.

21. Unusable Reserves

	31 Mar 2013	31 Mar 2014
	£000	£000
Revaluation Reserve	(323,879)	(316,169)
Available for Sale Financial Instruments Reserve	(15,874)	(16,802)
Capital Adjustment Account	(552,379)	(482,684)
Financial Instruments Adjustment Account	7,547	7,537
Pensions Reserve	579,490	569,150
Deferred Capital Receipts Reserve	(59)	(2,788)
Collection Fund Adjustment Account	3,921	7,320
Accumulated Absences Account	7,049	6,460
Total Unusable Reserves	(294,184)	(227,976)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and 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.
- Disposed of and the gains are realised.

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

Notes to the Financial Statements

	2012/13 £000	2013/14 £000
Balance at 1 April	(326,008)	(323,879)
Upward revaluation of assets	(25,634)	(52,428)
(Upward)/Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	22,485	47,170
Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	(3,149)	(5,258)
Difference between fair value depreciation and historical cost depreciation	2,626	2,383
Accumulated gains on assets sold or scrapped	2,652	10,585
Amount written off to the Capital Adjustment Account	5,278	12,968
Balance at 31 March	(323,879)	(316,169)

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council 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 either revalued downwards or impaired and the gains are realised. The reserve represents the long term investment in Newcastle Airport Local Authority Holding Company Limited and also Science Central LLP.

	2012/13 £000	2013/14 £000
Balance at 1 April	(743)	(15,874)
Upward revaluation of investments not charged to the Deficit on the Provision of Services	(15,131)	(928)
Balance at 31 March	(15,874)	(16,802)

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 and 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 Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created

Notes to the Financial Statements

to hold such gains. Note 4 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2012/13 £000	2013/14 £000
Balance at 1 April	(652,140)	(552,379)
Reversal of items relating to capital expenditure debited or credited to the CI&ES:		
Charges for depreciation and impairment of non-current assets	88,960	74,661
Revaluation losses on Property, Plant and Equipment	60,122	55,142
Amortisation of Intangible Assets	871	683
Revenue expenditure funded from capital under statute	7,243	7,099
Debt redeemed using capital receipts	(23,923)	(2,100)
Write back of long term debtors	(394)	-
Amounts of non current assets written off on disposal or sale as part of the (gain)/loss on disposal to the CI&ES	74,373	48,236
	207,252	183,721
Adjusting amounts written out of the Revaluation Reserve	(5,278)	(12,968)
Net written out amount of the cost of non current assets consumed in the year	201,974	170,753
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,712)	(13,505)
Use of the Major Repairs Reserve to finance new capital expenditure	(29,352)	(31,274)
Capital grants and contributions credited to the CI&ES that have been applied to capital financing	(27,508)	(24,802)
Application of grants to capital financing from the Capital Grants Unapplied Account	(312)	(2,479)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(33,195)	(26,357)
Capital expenditure charged against the General Fund and HRA balances	(11,088)	(10,582)
	(103,167)	(108,999)
Movements in the market value of Investment Properties debited or credited to the CI&ES	954	7,941
Balance at 31 March	(552,379)	(482,684)

Notes to the Financial Statements

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 benefitting from gains per statutory provisions. It provides a balancing mechanism between the different rates at which gains and losses (e.g. premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

	2012/13	2013/14
	£000	£000
Balance at 1 April	7,576	7,547
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(29)	(10)
Balance at 31 March	7,547	7,537

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 Council 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 Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council 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.

	2012/13	2013/14
	Restated	
	£000	£000
Balance at 1 April	492,190	579,490
Remeasurement of the net defined benefit Liability/(Asset)	76,830	(26,740)
Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the CI&ES	53,810	59,460
Employer's pensions contributions and direct payments to pensioners payable in the year	(43,340)	(43,060)
Balance at 31 March	579,490	569,150

Notes to the Financial Statements

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 Council does not treat these gains as usable 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.

	2012/13 £000	2013/14 £000
Balance at 1 April	(486)	(59)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CI&ES	-	(2,745)
Transfer to the Capital Receipts Reserve upon receipt of cash	427	16
Balance at 31 March	(59)	(2,788)

Collection Fund & Non Domestic Rates (NDR) Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2012/13 £000	2013/14 £000
Balance at 1 April	5,110	3,921
Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements	(1,189)	(4,340)
Amount by which NDR income credited to the CI&ES is different from business rate income calculated for the year in accordance with statutory requirements	-	7,739
Balance at 31 March	3,921	7,320

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 Balance is neutralised by transfers to or from the Account.

	2012/13 £000	2013/14 £000
Balance at 1 April	7,350	7,049
Amounts accrued at the end of the current year	(301)	(589)
Balance at 31 March	7,049	6,460

Notes to the Financial Statements

22. Adjustments to net surplus or deficit on the provision of services for non cash movements and items that are Investing or Financing Activities

	2012/13 Restated £000	2013/14 £000
Deficit on the provision of services	(108,949)	(74,804)
Adjustments to the Deficit on Provision of Services for Non-Cash Movements:		
Depreciation/Impairment & Amortisation	149,954	130,486
Increase/(Decrease) in Creditors	6,639	(18,613)
(Increase)/Decrease in Debtors	(12,292)	7,247
(Increase)/Decrease in Stock	111	(331)
Movement in Pension Liability	10,470	16,400
Carrying amount of long term and short term investments sold	86,000	88,000
Carrying amount of noncurrent assets held for sale, sold or derecognised	74,372	48,236
Other non-cash items charged to the net deficit on the provision of services	671	24,409
	315,925	295,834
Adjustments for items included in the net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities:		
Capital grants credited to Surplus/(Deficit) on provision of services	(29,891)	(26,184)
Proceeds from the sale of long term and short term investments	(86,000)	(88,000)
Proceeds from the sale of PPE, Investment Property, Intangible assets & heritage assets	(7,831)	(20,775)
	(123,722)	(134,959)
Net cash flow from Operating Activities	83,254	86,071

Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2012/13 £000	2013/14 £000
Interest received	1,974	1,916
Interest paid	(41,873)	(41,261)

Notes to the Financial Statements

23. Cash Flow Statement - Investing Activities

	2012/13 £000	2013/14 £000
Purchase of property, plant and equipment, investment property and intangible assets	(94,468)	(98,705)
Purchase of short-term and long-term investments	(86,896)	(62,880)
Other payments for investing activities	(16,896)	(9,933)
Proceeds from the sale of property, plant and equipment, investment property, intangible assets and heritage assets	7,831	20,775
Proceeds from short-term and long-term investments	86,000	88,000
Other receipts from investing activities	25,048	33,375
Net cash flows from Investing Activities	(79,381)	(29,368)

24. Cash Flow Statement - Financing Activities

	2012/13 £000	2013/14 £000
Cash receipts of short and long-term borrowing	553,014	287,441
Other receipts from financing activities	(9,467)	(5,088)
Cash payments for the reduction of the outstanding liabilities relating to on-balance sheet PFI contracts	(8,346)	(8,891)
Repayments of short and long-term borrowing	(504,297)	(378,980)
Net cash flows from Financing Activities	30,904	(105,518)

25. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular: no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement); the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year and expenditure on some support services is budgeted for centrally and not charged to Directorates.

The income and expenditure of the Council's principal Directorates for the year is as follows:

Directorate Income and Expenditure 2013/14

	Assistant Chief Executive's £000	Communities £000	Investment & Development £000	Resources £000	Wellbeing, Care & Learning £000	Housing Revenue Account £000	Total £000
Fees, charges & other service income	(22,771)	(140,947)	(8,863)	(11,998)	(84,263)	(118,852)	(387,694)
Government grants	(1,086)	(11,951)	(661)	(3,843)	(218,401)	-	(235,942)
Total Income	(23,857)	(152,898)	(9,524)	(15,841)	(302,664)	(118,852)	(623,636)
Employee expenses	11,101	72,291	5,167	24,320	172,720	-	285,599
Other service expenses	12,523	107,920	10,620	7,638	253,089	55,649	447,439
Support service expenses	1,526	4,875	2,316	1,425	17,658	5,641	33,441
Precepts & levies	-	188	-	-	-	-	188
Total Expenditure	25,150	185,274	18,103	33,383	443,467	61,290	766,667
Net Expenditure	1,293	32,376	8,579	17,542	140,803	(57,562)	143,031

Directorate Income and Expenditure 2012/13 Comparative Figures

	Assistant Chief Executive's £000	Communities £000	Investment & Development £000	Resources £000	Wellbeing, Care & Learning £000	Housing Revenue Account £000	Total £000
Fees, charges & other service income	(22,423)	(144,390)	(8,348)	(16,897)	(81,238)	(118,204)	(391,500)
Government grants	(2,909)	(18,167)	(737)	(3,741)	(219,906)	(66)	(245,526)
Total Income	(25,332)	(162,557)	(9,085)	(20,638)	(301,144)	(118,270)	(637,026)
Employee expenses	11,448	78,544	5,690	27,091	179,679	-	302,452
Other service expenses	15,215	114,157	10,073	7,346	232,595	56,303	435,689
Support service expenses	2,253	12,140	1,988	235	19,842	7,401	43,859
Precepts & levies	-	198	-	-	-	-	198
Total Expenditure	28,916	205,039	17,751	34,672	432,116	63,704	782,198
Net Expenditure	3,584	42,482	8,666	14,034	130,972	(54,566)	145,172

The above figures have been restated to reflect the new Directorate structure at the Council.

Notes to the Financial Statements

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to a subjective analysis of the Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14

	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&ES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(387,694)	(30,411)	(36,416)	23,911	108,582	(322,028)	(10,733)	(332,761)
Interest and investment income	-	-	(29)	-	-	(29)	(3,522)	(3,551)
Income from Council Tax	-	-	-	-	-	-	(83,470)	(83,470)
Government grants and contributions	(235,942)	-	(138,656)	-	-	(374,598)	(219,194)	(593,792)
Total Income	(623,636)	(30,411)	(175,101)	23,911	108,582	(696,655)	(316,919)	(1,013,574)
Employee expenses	285,599	-	45,285	(2,670)	(899)	327,315	2,670	329,985
Other service expenses	447,439	-	94,896	(13,419)	(53,481)	475,435	13,451	488,886
Support Service recharges	33,441	30,411	924	(860)	(54,202)	9,714	860	10,574
Depreciation, amortisation, impairment & Refcus	-	-	138,540	(3,306)	-	135,234	10,292	145,526
Interest payments (incl Pension Interest Costs)	-	-	-	-	-	-	65,844	65,844
Precepts & levies	188	-	-	(188)	-	-	17,998	17,998
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	2,104	2,104
Loss on Disposal on Non Current Assets	-	-	-	-	-	-	27,461	27,461
Total Expenditure	766,667	30,411	279,645	(20,443)	(108,582)	947,698	140,680	1,088,378
Deficit/(Surplus) on the Provision of Services	143,031	-	104,544	3,468	-	251,043	(176,239)	74,804

Notes to the Financial Statements

2012/13 Comparative- Restated

	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&ES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(391,500)	(28,678)	(23,047)	23,292	101,136	(318,797)	(23,305)	(342,102)
Interest and investment income	-	-	(248)	248	-	-	(4,504)	(4,504)
Income from Council Tax	-	-	-	-	-	-	(104,513)	(104,513)
Government grants and contributions	(245,526)	-	(158,701)	1,054	-	(403,173)	(219,400)	(622,573)
Total Income	(637,026)	(28,678)	(181,996)	24,594	101,136	(721,970)	(351,722)	(1,073,692)
Employee expenses	302,452	-	33,541	(2,775)	(10,422)	322,796	2,775	325,571
Other service expenses	435,689	-	119,385	(13,929)	(61,074)	480,071	13,943	494,014
Support Service recharges	43,859	28,678	620	(945)	(29,640)	42,572	945	43,517
Depreciation, amortisation, impairment & Refcus	-	-	157,126	(2,222)	-	154,904	3,246	158,150
Interest payments (incl Pension Interest Costs)	-	-	-	-	-	-	74,403	74,403
Precepts & levies	198	-	-	(198)	-	-	18,597	18,597
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	1,847	1,847
Loss on Disposal on Non Current Assets	-	-	-	-	-	-	66,542	66,542
Total Expenditure	782,198	28,678	310,672	(20,069)	(101,136)	1,000,343	182,298	1,182,641
Deficit/(Surplus) on the Provision of Services	145,172	-	128,676	4,525	-	278,373	(169,424)	108,949

Notes to the Financial Statements

26. Trading Operations

The Council has established external trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. No unit had a deficit of greater than £1.0m in 2013/14 or 2012/13. Details of those units with a turnover of greater than £1.0m in 2012/13 or 2013/14 are as follows:

	2012/13 £000	2013/14 £000
Grainger Market		
Turnover	(1,303)	(1,350)
Expenditure	845	926
Surplus	(458)	(424)
Walker Quay		
Turnover	(1,460)	(1,428)
Expenditure	135	1,493
Surplus	(1,325)	65

The increase in Walker Quay expenditure of £1.3m is a result of a revaluation in the current year when the asset was brought into use.

Trading operations are incorporated into the CI&ES. Some are an integral part of one of the Council's services to the public (e.g. refuse collection), others support the Council's delivery of services to the public (e.g. schools catering). The expenditure of these operations is allocated or recharged to headings in the Cost of Services in the CI&ES. External trading undertakings that cannot be accommodated by particular services within the Service Expenditure Analysis have been included under Financing and Investment Income and Expenditure (Note 7).

The table below sets out the external trading activities.

2012/13 £000	Expenditure £000	Income £000	2013/14 (Surplus)/ Deficit £000
(1,856) Industrial Estates	2,958	(4,033)	(1,075)
(364) Corporation Estates	959	(1,481)	(522)
(677) Market Undertakings	1,513	(2,467)	(954)
1,647 Other Trading	7,904	(6,348)	1,556
(1,250) Total	13,334	(14,329)	(995)
(2,203) Investment Properties	14,881	(10,141)	4,740

Trading Operations and Investment Properties are also disclosed in Notes 7 and 11 respectively.

Notes to the Financial Statements

27. Pooled Budgets

(a) The Council has a partnership arrangement with Newcastle Clinical Commissioning Group (CCG) under Section 75 of the National Health Service Act 2006. The purpose of the partnership is to purchase equipment for an integrated health and social services equipment service ('the Newcastle City Loan Equipment Service') which provides equipment to people living in Newcastle or people registered with a GP in Newcastle to support their daily living/nursing needs to enable them to live as safely and independently as possible in their own homes. Although the arrangement is with CCG's, actual payments are made to the Newcastle upon Tyne NHS Foundation Trust, who deliver the service. Details of the contributions and expenditure in the year are set out below:

Funding	2012/13 £000	2013/14 £000
Newcastle City Council	598	558
Newcastle Clinical Commissioning Group	897	837
	1,495	1,395
Expenditure met from the pooled budget	1,495	1,395

(b) The Council has a partnership arrangement with Newcastle Clinical Commissioning Group under Section 31 of the Health Act 1999. The purpose of the partnership is to support the funding of packages of care for children with complex needs. Details of the contributions and expenditure in the year are set out below:

Funding	2012/13 £000	2013/14 £000
Newcastle City Council	2,100	1,974
Newcastle Clinical Commissioning Group	108	104
	2,208	2,078
Expenditure met from the pooled budget	2,208	2,078

28. Members' Allowances

The Council paid the following amounts to Members of the Council during the year:

	2012/13 £000	2013/14 £000
Allowances	910	859
Expenses	92	78
National insurance contributions payable	38	31
Total	1,040	968

Notes to the Financial Statements

29. Officers' Remuneration

The remuneration paid to the Council's senior officers was as follows:

		Salary, Fees and Allowances £	Bonuses £	Expenses £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive Pat Ritchie	2013/14	145,062	-	3,825	-	17,653	166,540
	2012/13	25,482	-	619	-	3,720	29,821
Acting Chief Executive Ewen Weir (Aug 12 - Jan 13)	2013/14	-	-	-	-	-	-
	2012/13	58,296	-	2,260	-	8,435	68,991
Chief Executive Barry Rowland (April 12 - Aug 12)	2013/14	-	-	-	-	-	-
	2012/13	67,388	-	1,660	215,331	9,780	294,159
Assistant Chief Executive (former Director of Policy, Strategy & Communication)	2013/14	110,068	-	-	-	16,070	126,138
	2012/13	110,068	-	-	-	16,070	126,138
Director of Wellbeing, Care & Learning (formerly Executive Director & Acting Director of Adult & Cultural Services)	2013/14	116,926	-	5,464	-	17,071	139,461
	2012/13	63,675	-	2,863	-	9,371	75,909
Acting Executive Director of Adult & Cultural Services (Aug 12 - Mar 13)	2013/14	-	-	-	-	-	-
	2012/13	59,938	-	-	-	8,751	68,689
Former Director of Finance & Resources (April 13 - Mar 14)	2013/14	119,892	-	-	90,229	16,552	226,673
	2012/13	106,096	-	385	-	15,490	121,971
Director of Finance & Resources (end of Mar 2014)	2013/14	333	-	-	-	49	382
	2012/13	-	-	-	-	-	-
Former Executive Director of Environment & Regeneration (April 13 - June 13)	2013/14	42,400	-	-	48,704	4,522	95,626
	2012/13	123,882	-	-	-	18,087	141,969
Former Executive Director of Children Services (April 13 - Dec 13)	2013/14	93,591	-	1,277	65,657	10,644	171,169
	2012/13	109,322	-	2,531	-	15,961	127,814
Former Director of Corporate Services	2013/14	16,441	-	-	5,977	490	22,908
	2012/13	100,727	-	-	-	14,706	115,433

Notes to the Financial Statements

Assistant Director of Legal Services	2013/14	73,160	-	-	-	10,892	84,052
	2012/13	40,546	-	830	-	6,168	47,544
Head of Corporate Law (April 12 - Aug 12)	2013/14	-	-	-	-	-	-
	2012/13	31,022	-	330	74,963	4,529	110,844
Director of Communities	2013/14	105,115	-	3,420	-	15,369	123,904
	2012/13	-	-	-	-	-	-
Director of Public Health (Feb 14 - Mar 14)	2013/14	13,090	-	-	-	1,833	14,923
	2012/13	-	-	-	-	-	-
Former Director of Public Health	2013/14	86,199	-	-	-	12,047	98,246
	2012/13	-	-	-	-	-	-
Director of Investment & Development	2013/14	36,394	-	-	-	5,313	41,707
	2012/13	-	-	-	-	-	-
Acting Director of Investment & Development (May 13 - Dec 13)	2013/14	58,780	-	-	-	8,578	67,358
	2012/13	-	-	-	-	-	-

The number of other officers/teachers who received remuneration greater than £50,000 (excluding employer's pension contributions) was as follows:

Remuneration band	Officer 2012/13	Teacher 2012/13	Total 2012/13	Officer 2013/14	Teacher 2013/14	Total 2013/14
£50,000 - £54,999	56	33	89	49	34	83
£55,000 - £59,999	31	33	64	29	28	57
£60,000 - £64,999	25	18	43	21	21	42
£65,000 - £69,999	5	9	14	7	12	19
£70,000 - £74,999	11	6	17	9	11	20
£75,000 - £79,999	5	3	8	4	2	6
£80,000 - £84,999	4	2	6	5	3	8
£85,000 - £89,999	6	1	7	3	1	4
£90,000 - £94,999	3	2	5	-	-	-
£95,000 - £99,999	2	1	3	5	1	6
£100,000 - £104,999	-	3	3	-	2	2
£105,000 - £109,999	-	1	1	2	1	3
£110,000 - £114,999	2	-	2	2	-	2
£115,000 - £119,999	1	1	2	-	1	1
£120,000 - £124,999	-	-	-	1	-	1
£125,000 - £129,999	-	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-	-
£140,000 - £144,999	-	-	-	1	-	1
£150,000 - £154,999	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	-	-
£165,000 - £169,999	-	-	-	-	-	-
£190,000 - £194,999	-	-	-	1	-	1
	151	113	264	139	117	256

Notes to the Financial Statements

The above table also includes those officers/teachers who are no longer employed by the Council, but are included due to receiving one-off redundancy payments. In addition, there are a number of teachers no longer employed by the Council due mainly to the conversion of five schools into academies during the year. The table below analyses those officers/teachers still currently employed by the Council and those no longer employed due to redundancy or the conversion of schools to academies.

	Officer 2012/13	Teacher 2012/13	Total 2012/13	Officer 2013/14	Teacher 2013/14	Total 2013/14
Employees still in employment	110	107	217	96	109	205
Employees who are no longer employed	41	6	47	43	8	51
	151	113	264	139	117	256

30. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspection and to non-audit services provided by the Council's external auditors.

	2012/13 £000	2013/14 £000
Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year	214	214
Fees payable for the certification of grant claims and returns for the year on behalf of the Audit Commission	62	20
Fees payable for the certification of grant claims and returns for the year not on behalf of the Audit Commission	-	17
Audit Commission rebate	(19)	(29)
Total	257	222

In 2012/13 fees payable for the certification of grant claims and returns for the year on behalf of the Audit Commission included £41k relating to 2011/12 due to the timing of invoices received.

31. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a 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 maintained school.

Notes to the Financial Statements

Details of the deployment of DSG receivable for 2013/14 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
(a) Final DSG for 2013/14 before Academy recoupment	23,616	163,911	187,527
(b) Academy figure recouped for 2013/14	-	(41,511)	(41,511)
(c) Total DSG after Academy recoupment for 2013/14	23,616	122,400	146,016
(d) Brought forward from 2012/13	(347)	-	(347)
(e) Carry forward to 2014/15 agreed in advance	-	-	-
(f) Agreed initial budgeted distribution in 2013/14 (c+d+e)	23,269	122,400	145,669
(g) In year adjustments	-	-	-
(h) Final budgeted distribution for 2013/14	23,269	122,400	145,669
(i) Less actual central expenditure	(21,910)	-	(21,910)
(j) Actual ISB deployed to schools	-	(122,400)	(122,400)
(k) Local authority contribution for 2013/14	(1)	-	(1)
(l) Carry forward to 2014/15 (h-i-j)+k	1,358	-	1,358

DSG is shown as an income item in the Comprehensive Income & Expenditure Statement for Education & Children's Services.

Note:

Actual ISB deployed to schools is reflected at the same level as the ISB budget distribution in line with DSG Disclosure Note Guidance section 1106 bullet point 3.

32. Grant Income & Other Contributions

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14:

	2012/13 £000	2013/14 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax	(104,513)	(83,470)
Non-Domestic Rates	(157,684)	(64,224)
Council Tax Freeze Grant	(2,640)	(1,047)
Local Services Support Grant (LSSG)	(3,337)	(118,696)
Business Rates Top Up Grant	-	(7,947)
Small Business Rates Relief	-	(1,113)
Council Tax Transition Grant	-	(591)
LSSG Topslice - New Homes Bonus Allocation	-	(669)
LSSG Topslice - Capitalisation Provision	-	(626)
LSSG Topslice - Local Authority Central	-	(515)
Spend Equivalent Grant		

Notes to the Financial Statements

Capital Grants

DCLG grant - Byker debt repayment	(33,453)	-
Standards Fund	(2,356)	(1,021)
Local Transport Plan	(1,695)	(4,425)
Regional Growth Fund	-	(3,262)
Community Energy Saving Programme	(3,425)	(119)
European Regional Development Fund (ERDF)	72	(2,808)
Private Developers	(1,204)	(146)
Homes and Communities Agency	(4,034)	(118)
DfE Capital Maintenance	(1,253)	(2,171)
DfE Basic Need	(1,532)	(2,164)
Section 106	(435)	(2,112)
Other Grants	(5,367)	(5,420)
Total	(322,856)	(302,664)

Credited to Services

Dedicated Schools Grant	(144,591)	(146,016)
Mandatory Rent Rebates	(69,236)	(68,027)
Mandatory Rent Allowances	(61,135)	(65,176)
Discretionary Housing Payment	-	(1,546)
Council Tax Benefit Grant	(27,686)	-
Learning Skills Council	(6,021)	(4,200)
Private Finance Initiative Subsidy	(29,538)	(29,538)
Housing Revenue Account Subsidy	(66)	-
Housing Benefit Administration	(2,846)	(2,514)
Transport Grant/Contribution	(1,487)	(29)
Drug Intervention Programme	(1,090)	-
Plugged In Places	(1,054)	-
Early Intervention Grant	(15,283)	-
Young People's Learning Agency	(7,088)	(6,941)
Learning Disability & Health Reform	(11,468)	-
Pupil Premium Grant	(6,129)	(9,208)
European Grants	(1,569)	(827)
Troubled Families	(1,212)	(1,487)
New Homes Bonus	(1,154)	(2,102)
Social Fund Grant	-	(1,263)
Education Services Grant	-	(3,954)
Public Health Grant	-	(20,721)
Other Grants	(6,916)	(8,628)

Capital Grants

Standards Fund - Capital	(348)	-
Disabled Facilities Grant	(1,023)	(850)
Local Transport Plan	(3,359)	-
DfE Capital Maintenance	(1,227)	(50)
DfE Basic Need	(1,527)	(137)
Other Grants	(1,177)	(1,384)
Total	(404,230)	(374,598)

Notes to the Financial Statements

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that if not met will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2012/13 £000	2013/14 £000
Grants Receipts in Advance		
<u>Revenue Grants</u>		
Transport Grant	(560)	-
Other Grants	(600)	(4,965)
<u>Capital Grants</u>		
Standards Fund	(1,802)	(1,233)
City Cycle Ambition Fund	-	(5,500)
Central Gateway	-	(1,650)
Other Grants	(3,710)	(3,462)
Total	(6,672)	(16,810)

33. Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council 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 Council.

Central government is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 32.

Members of the Council have direct control over the Council's financial and operating policies. During 2013/14 goods and services were commissioned from organisations (including those listed as Related Parties) in which Members had an interest. All interests were declared by the appropriate Members. Members had interests in 54 organisations with transactions totalling £12.7m in respect of goods or services provided by these organisations.

During 2013/14 goods and services amounting to £13.5m were provided to 83 organisations in which Members had an interest.

Included in the above values are amounts due to these organisations of £0.06m and due from these organisations of £1.1m as at 31 March 2014.

Under the Officer's Code, officers must declare any potential contractual or financial interest in the work of the Council. There were no such declarations during the year.

Both Members and Officers may represent the Council on a number of third party entity boards, for these activities they receive no remuneration.

Other Public Bodies (subject to common control by central government)

The Council has a pooled budget arrangement with Newcastle Clinical Commissioning Group for the purchase of equipment for an integrated health and social services equipment service and to support the funding of packages of care for children with complex needs. Transactions and balances are detailed in Note 27.

Newcastle International Airport Ltd/NIAL Holdings Limited - 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 Council received £5.8m worth of shares.

On 4th May 2001, the seven Local Authority (the 'LA7') shareholders of NIAL entered into a strategic partnership with Copenhagen Airports Limited for the latter to purchase a 49.0% share of Newcastle International Airport. This involved the creation of a new company, NIAL Holdings Limited, which is 51.0% owned by LA7. The 51.0% 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 Limited has a called up share capital of 10,000 shares with a nominal value of £1 each. The City Council originally held a shareholding of 1,731 shares representing a 17.3% interest in the company. The shares are not held for trading outside of the LA7.

The valuation of the holding is reviewed each year to consider whether any events have occurred which would materially change the valuation. The last full independent valuation was carried out in May 2010 which valued the shareholding at £0.7m based upon the discounted cash flow method. This valuation approach was used as no open market share value was available for the holding.

On 16th November 2012, Copenhagen Airports A/S sold its 49.0% holding to AMP Capital Investors. As a result the valuation of the LA7 holding is now based on the open market value achieved in this sale. At the same time an internal sale of shares also took place within the LA7 group. The Council now holds a 17.7% interest in the Newcastle Airport Local Authority Holding Company Limited, valued at £15.4m.

Through its shares in Newcastle Airport Local Authority Holding Company Limited the Council has an effective shareholding of 9.03% in Newcastle International Airport Limited (and the group companies of NIAL Group Limited and NIAL Holdings Limited). The principal activity of Newcastle International Airport Limited (Registered Number 2077766) is the provision of landing services for both commercial and freight operators. Members of the LA7 entered into a loan agreement with NIAL Group Limited in 2012/13, issuing £67.7m shareholder loan notes. The loan notes will be repayable by 2032. A dividend of £0.4m was received for the year ended 31st December 2013 (nil for the year ended 31st December 2012).

Notes to the Financial Statements

Other than the loan notes there are no outstanding balances owed to or from NIAL at the end of the year. NIAL Group Limited made a loss before tax of £11.1m and a loss after tax of £3.6m for the year ended 31st December 2013. In the previous year, the Group made a loss before tax of £3.3m (restated) and a profit after tax of £0.8m (restated).

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.

Entities Controlled or Significantly Influenced by the Council

Integrated Transport Authority (ITA) - in respect of levying bodies the Clerk to the ITA (Pat Ritchie), the Deputy Clerk & Treasurer (Paul Woods) and the Director of Housing, Planning & Transportation (Harvey Emms) are Non-executive Directors of Nexus. During 2013/14 all 3 members of staff were employed directly by the Council.

The ITA levy payable by the Council in 2013/14 was £17.7m (2012/13 £18.3m). The ITA received Local Transport Plan grant of £2.2m in 2013/14 (2012/13 £2.1m). A payment of £827k for the provision of services to the ITA and the Tyne Tunnels was made in 2013/14 to the Council (2012/13 £668k). The ITA received £330k interest on revenue balances from the Council in 2013/14 (2012/13 £724k) and there is a £7.5m creditor in place between the ITA and the Council in respect of investments made. A further accrual of £150k has been raised for LTP grant.

Your Homes Newcastle (YHN) - on 1st April 2004 YHN Ltd was formed to manage the housing stock of the Council which represents its principal activity. YHN is a private limited company, limited by guarantee, with the Council having one-third of the voting rights. Its management responsibilities are contained in a formal management agreement and any change to its role and responsibilities would require a variation to that agreement. Its present role is as follows:

- Assessment of housing needs and policy.
- Provision of general housing management services.
- Management of the Rent Income Account for the Council Housing stock.
- Determination and management of investment in and renewals and major repairs to the housing stock.
- Council house sales administration.
- Management of, but not the operational activities associated with, the provision of services such as lighting, caretaking and cleaning, security, wardens for sheltered accommodation, communal services and maintenance of lawns, verges and open spaces on housing estates.

The provision of the above operational activities is undertaken by a Council directorate or a third party supplier in line with 'best value' but not by YHN.

Notes to the Financial Statements

YHN is paid a management fee to fund the staff costs and related other administration expenses. The management fee totalled £26.7m and, being based on actual cost, there was no operating surplus or deficit in YHN's books. YHN owns fixed assets of £0.0m as at 31 March 2014 and its balance sheet consists of sundry debtors of £3.6m of which £2.3m is owed by the Council and creditors totalling £3.6m. Of the creditor balance £0.1m represents monies owed to the Council for services provided to YHN.

In addition, transactions totalling £2.9m took place with YHN (2012/13 £4.4m). These related to interest charges, support services such as temporary staffing, general office supplies, legal services, human resources management, IT, exchequer services and other centrally administered services. All of these transactions are included in the Income and Expenditure Statement.

YHN is a company limited by guarantee with the liability of members limited to £1. Any YHN net surplus or deficit in a financial year is offset against the management fee payable for the following year. Therefore, in the event of incurring deficits, YHN would request the Council to cover that deficit, representing a risk to the Council. However, any deficits arising from an overspend in housing management costs in the past would have been borne by the Council through the Housing Revenue Account so the risk to the Council is no greater than previously. The Council has put in place arrangements to manage this risk through an agreed delivery plan, protocols and Section 151 reporting. Conversely any surpluses earned by YHN would be returned to the HRA through a reduced management fee.

In relation to the Pension Fund, the Council has confirmed that it will assume any current and future funding deficit relating to the company. Accordingly, the scheme surplus or deficit does not appear in YHN's balance sheet. The deficit on the pension fund stood at £12.7m as at 31 March 2014. There was a deficit of £19.7m as at 31 March 2013.

	2012/13 £000	2013/14 £000
Management fee	27,572	26,664

Tyne & Wear Archives & Museums (TWAM) - is a joint service of the four local authorities (Newcastle, South Tyneside, North Tyneside and Gateshead) and is governed by a Joint Committee consisting of 12 members drawn from the 4 constituent local authorities. Separately, TWAM and Sunderland City Council have signed two year agreements setting out museum and archives services respectively to be delivered to Sunderland Museums and Heritage.

A new joint agreement has been agreed by the 4 constituent local authorities. This agreement is based on the previous agreement developed in 2009 when the former Archives and Museums Services were merged. TWAM has a separate management agreement with Newcastle University to manage the Great North Museum.

Notes to the Financial Statements

The allocation of costs is governed by Service Level Agreements enabling the constituent authorities and the University to pay agreed charges. Costs are classified under four major headings - Museums Operational, Museums Specialist, Archives and Corporate.

The figures for 2013/14 come from the draft financial statements for the year ended 31 March 2014 that are subject to audit.

	2012/13	2013/14
	£000	£000
Operating deficit	213	45
Net Assets at 31 March	1,220	1,174
Payment from the Council	2,121	1,759
Payment to the Council	298	195
Investments held on behalf of TWAM by the Council	941	132

Theatre Royal Trust Ltd - the Council has 3 Members on the Trust's Board. Members have no shareholdings, but in the event of winding up they have undertaken to contribute to liabilities up to £1 each. The Theatre Royal is a company limited by guarantee.

The principal activity of the company is to operate the Theatre Royal, Grey Street, Newcastle upon Tyne.

The figures for 2013/14 come from the draft financial statements for the year ended 31 March 2014 that are subject to audit.

	2012/13	2013/14
	£000	£000
Operating surplus	396	770
Net Assets at 31 March	1,088	1,938
Payment to the Council	17	9
Payment from the Council	613	513
Amounts owed by Theatre Royal to Council	566	567
Amounts owed to Theatre Royal by Council *	4,284	6,865

* Relates to cash held on behalf of the Theatre
The Theatre Royal Trust Ltd is exempt from corporation tax under Section 505 of the Income and Corporation Taxes Act 1988.

Notes to the Financial Statements

The Armstrong Centre Company Ltd - is wholly owned by the Council. It is a holding company for Tynexe Ltd (a lettings company) holding 50.0% of its shares.

The principal activity of the group is land and property development at the Armstrong Centre, Elswick, Newcastle upon Tyne.

The figures for 2013/14 come from the draft financial statements for the year ended 31 March 2014 that are subject to audit.

	2012/13	2013/14
	£000	£000
Group profit to 31 March	170	305
Group net assets to 31 March	4,385	4,612
Group dividend paid or anticipated to be paid	149	78
Group payments to the Council	24	24

In the opinion of the directors this group will be able to pay its debts as they fall due. The figures provided above are draft and are subject to audit and approval at the annual board meeting.

The Armstrong group of companies is liable to corporation tax on taxable profits at the current rate. Deferred taxation has been calculated on the liability method.

Newcastle Gateshead Initiative Ltd - is a joint undertaking between Gateshead Council, Newcastle Council and more than 160 public and private sector members. It is a company limited by guarantee and each of the members has undertaken to contribute £1 towards any deficit in the event of the company being wound up. Its principal activity is the destination marketing agency for the North East area.

The figures for 2013/14 come from the draft financial statements for the year ended 31 March 2014 that are subject to audit.

	2012/13	2013/14
	£000	£000
Loss to 31 March	(224)	62
Net assets to 31 March	380	417

Notes to the Financial Statements

Newcastle Science Company Ltd - was incorporated on 24 February 2009. It is a not for profit entity created to take forward key activities on behalf of the Newcastle Science Central core partners: Newcastle City Council, Newcastle University and formerly One North East.

The partnership's ambition is three-fold. Firstly to ensure that Newcastle is synonymous across the world with excellence in three science themes: ageing and health; stem cell and regenerative medicine; and sustainability. Secondly to maximise the potential of the city's science base by supporting the creation of new business and supporting existing businesses to innovate and grow. Thirdly, to ensure that the local population, especially young people, can become part of Newcastle's continued scientific achievement.

The company is limited by guarantee and its governing document is its Memorandum and Articles of Association. Each member of the company is a guarantor of the company to an amount not exceeding £1 in the event of the winding up of the company.

The figures for 2013/14 come from the draft financial statements for the year ended 31 March 2014 that are subject to audit.

	2012/13 £000	2013/14 £000
Profit to 31 March	-	-
Net Assets at 31 March	-	-
Income from the Council	432	264
Payments to the Council	33	68

Newcastle Mansion House - is a trust set up to provide a Mansion House for the City of Newcastle Upon Tyne. The Newcastle Mansion House is the official home of the Lord Mayor of the City.

The Council is the sole Trustee of the Mansion House and has appointed an Advisory Committee to oversee the use and management of the premises. The Committee comprises three Councillors, the Lord Mayor and three external advisors.

The figures for 2013/14 come from the draft financial statements for the year ended 31 March 2014 that are subject to audit.

	2012/13 £000	2013/14 £000
Movement in funds to 31 March	(114)	(131)
Net assets to 31 March	63	46
Payments to Council for administrative support	40	33

Notes to the Financial Statements

Eldon Square Company Ltd - is wholly owned by the Council. Its principal activity is the collection of rent on behalf of the Council from the retail units. The Council has an unquoted equity investment of £7k in the Company.

The figures for 2013/14 come from the draft financial statements for the year ended 31 March 2014 that are subject to audit.

	2012/13 £000	2013/14 £000
Loss to 31 March	(1)	(2)
Net assets to 31 March	8	7

1NG Ltd - is a joint undertaking between Newcastle City Council and Gateshead Council. The accounts have been prepared on a winding-up basis as the remaining staff transferred into Newcastle Science City Ltd on 1 April 2013. The company will be closed down with Companies House as soon as possible in 2014.

It is a company limited by guarantee. The liability of each member is limited to £1.

Due to the above there are no financial results to report.

	2012/13 £000	2013/14 £000
Surplus/(Deficit) to 31 March	-	-
Net assets at 31 March	-	-
Amounts owed to the Council	-	-
Amounts owed by the Council	-	-

Newcastle Futures Ltd - is a company limited by guarantee. The liability of each member is limited to £1. Newcastle Futures exists to assist unemployed residents within economically deprived areas of Newcastle to access job and training opportunities.

The figures for 2013/14 come from the draft financial statements for the year ended 31 March 2014 that are subject to audit.

	2012/13 £000	2013/14 £000
Surplus on ordinary activities to 31 March	95	23
Net assets at 31 March	314	337

Notes to the Financial Statements

New Tyne West Development Company LLP - is a public-private sector partnership set up specifically to deliver a sustainable new neighbourhood for Scotswood, located 3 miles to the west of the city centre of Newcastle upon Tyne. The principal activity of the LLP is to facilitate the regeneration and development of the Scotswood area of Newcastle. The LLP comprises 2 members, the Council and BK LLP (a consortium between Barratt Homes and Keepmoat Homes). Each of the two members have a 50% interest in the business, an equal voting share and both have committed £7.2m of funding to the £265m development.

The Council loaned the LLP £1,362k during the 12 months to 31st March 2014, at which time the total drawn down to date was £2,591k. This loan is non interest bearing, is due for repayment after more than one year and is secured on the assets of the LLP. The amount shown in the LLP accounts as owing to the council at 31 December 2013 was £1,745k, which is the sum of the loans drawn down and the Council's share of the accumulated losses.

The figures included in the financial statements relate to the year ended 31 December 2013.

	2012/13 £000	2013/14 £000
Loss for the financial year before members' remuneration and profit shares available for discretionary division among members	(280)	(283)
Net assets at 31 March	1,462	3,491

Science Central - during the 2013/14 financial year, the Council entered into a Limited Liability Partnership (LLP) with the University of Newcastle. The LLP has a year end of 31 March. The primary business for the LLP is for the development of the land held by it which is intended to promote investment in the development of science research and education.

Newcastle Science Central LLP was incorporated on 7 April 2011. It is a not for profit entity created for the development and sale of land, known as Science Central, as part of the overall Newcastle Science City project on behalf of the core partners Newcastle University, Newcastle City Council and formerly One North East.

Land was transferred from the members into the partnership on 31 January 2013 at which date share capital was issued to the partners. There is a commitment from the Council to procure further shares to the value of £1.1m.

The figures for 2013/14 come from the draft financial statements for the year ended 31 March 2014 that are subject to audit.

	2012/13 £000	2013/14 £000
Loss to 31 March	(467)	(281)
Net assets at 31 March	20,121	24,922

Notes to the Financial Statements

34. Capital Expenditure & Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2012/13	2013/14
	£000	£000
Opening Capital Financing Requirement	1,037,027	1,015,066
Capital investment:		
Property, Plant and Equipment	94,305	93,099
Investment Properties	83	5,353
Intangible Assets	68	253
Revenue Expenditure Funded from Capital under Statute	7,243	7,099
Long term debtor & Assets Held for Sale	4,276	12,244
Sources of finance:		
Capital receipts	(25,635)	(15,605)
Capital receipts - repayment of principal from long-term debtors	(846)	(993)
Government grants and other contributions	(27,820)	(27,281)
Sums set aside from revenue:		
Direct revenue contributions	(40,440)	(41,856)
Minimum Revenue Provision	(33,195)	(26,357)
Closing Capital Financing Requirement	1,015,066	1,021,022
Explanation of movements in year:		
Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(35,623)	(7,441)
Increase in underlying need to borrow (unsupported by government financial assistance)	18,860	13,174
Assets acquired under PFI contracts	(5,198)	223
Increase in Capital Financing Requirement	(21,961)	5,956

Notes to the Financial Statements

35. Leases

Council as Lessee

Operating Leases

The Council has entered into a number of agreements to use vehicles, plant and equipment. These assets are financed under the terms of operating leases. The Council has also entered into agreements to lease land and buildings.

Operating lease payment commitments 2014/15 onwards are:

Land & Buildings	31 Mar 2013	31 Mar 2014
	£000	£000
Not later than one year	1,018	1,027
Later than one year and not later than five years	2,860	3,074
Later than five years	7,550	7,555
Total	11,428	11,656

Vehicles, Plant & Equipment	31 Mar 2013	31 Mar 2014
	£000	£000
Not later than one year	244	-
Later than one year and not later than five years	-	-
Total	244	-

Summary	31 Mar 2013	31 Mar 2014
	£000	£000
Not later than one year	1,262	1,027
Later than one year and not later than five years	2,860	3,074
Later than five years	7,550	7,555
Total Land & Buildings, Vehicles, Plant & Equipment	11,672	11,656

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2012/13	2013/14
	£000	£000
Minimum lease payments	1,408	1,383

Council as Lessor

Operating Leases

The Council has granted a number of non-cancellable leases to organisations (commercial and community) for the use of Council-owned buildings and land. These leases have been accounted for in 2013/14 as being operating leases and the future minimum lease payments in future years are:

	31 Mar 2013	31 Mar 2014
	£000	£000
Not later than one year	6,028	5,842
Later than one year and not later than five years	14,170	12,932
Later than five years	119,233	108,460
Total	139,431	127,234

Notes to the Financial Statements

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

36. Private Finance Initiatives & Similar Contracts

The Council operates the following PFI (Private Finance Initiative) contracts, Schools PFI1, Street Lighting, Building Schools for the Future (PFI element), Library PFI and Customer Service Centres.

Schools PFI 1

In April 2003 the Council entered into a 25 year contract with Focus Education (Newcastle) Ltd for the provision and maintenance of six schools (1 first school, 1 primary school, 3 middle schools and 1 secondary school). The actual contract payments (unitary charge) made in 2013/14 amounted to £6.9m (2012/13 £6.6m). The estimated payment to be made in 2014/15 is £7.1m.

Street Lighting PFI

In July 2004 the Council entered into a joint contract with North Tyneside Council and Tay Valley Lighting for the provision of street lighting services for a period of 25 years. The contract covers the replacement and maintenance of the City's street lighting columns and in 2013/14 the contract payment was £7.0m (2012/13 £6.7m). The estimated payment to be made in 2014/15 is £7.2m.

Building Schools for the Future - PFI element

On 5 July 2007 the Council entered into a long term strategic partnership arrangement with Aura Newcastle Limited, the Local Education Partner (LEP), in which it is a shareholder to procure the rebuilding or refurbishment of a number of schools. On the same date the Council entered into a PFI contract with Aura (Newcastle) Project Company Limited, a subsidiary of Aura Newcastle Limited, for the first phase of this programme to build 7 new schools and refurbish one. All of the phase 1 new build schools became operational between May 2008 and February 2009. Phase 1 PFI contract payments made in 2013/14 were £12.4m (2012/13 £12.2m) and estimated payments for 2014/15 are £12.8m.

On 27 November 2009 the City Council entered into an additional PFI contract with Aura (Newcastle) Project Company Limited to procure a second phase comprising 4 new build schools and 4 refurbished schools. The four PFI schools (Sir Charles Parsons, St Marys, Gosforth Junior High and Walker Technology College) opened in 2011/12 with a PFI contract length of 25 years. The unitary charge payment in 2013/14 was £9.3m (2012/13 £9.1m). The estimated payment to be made in 2014/15 is £9.6m.

Library PFI

The Council has entered into a 25 year contract with Kajima Ltd for the City Library and the library at High Heaton. The contract payments made in 2013/14 amounted to £3.4m (2012/13 £3.4m) and the estimated payments for 2014/15 are £3.5m.

LIFT/Customer Service Centres

The Council has entered into a 25 year contract with NNT LIFT Company Limited for the provision of customer service centres and office accommodation. Five centres are operational at Walker, Kenton, Gosforth, Benwell and Byker. In 2013/14 contract payments were £1.5m (2012/13 £1.4m) and the estimated payment for 2014/15 is £1.5m.

For all of the above PFI schemes the contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. In all cases the contractor took on the obligation to construct the asset and maintain them to a minimum acceptable condition and to procure the plant and equipment needed to operate the asset. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the above contracts if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract. The exception is the Customer Service Centres where the Council can either choose to walk away at the end of the 25 year contract or continue with the contract at a reduced rate.

Property, Plant & Equipment

The assets used to provide services are recognised in the Council's balance sheet. Movements in their value over the year are detailed in the analysis of the movements in Property, Plant and Equipment balance in Note 9.

Payments

The Council makes an agreed payment each year which is increased 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 PFI contracts at 31 March 2014 (excluding any estimation of inflation and availability/performance deductions) are as follows:

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	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2014/15	11,642	6,924	18,865	37,431
Payable within 2 to 5 years	51,994	32,141	71,544	155,679
Payable within 6 to 10 years	69,727	52,300	78,037	200,064
Payable within 11 to 15 years	75,104	64,208	55,275	194,587
Payable within 16 to 20 years	55,705	65,350	26,203	147,258
Payable within 21 to 25 years	17,746	23,678	3,919	45,343
Total	281,918	244,601	253,843	780,362

This table sets out the future unitary charge payments expected to be paid in relation to the operational PFI schemes. The expected payments, which exclude inflation and pass through costs such as electricity, are split into their constituent parts based on the Operator's financial models, which predict the future charges on the scheme. It should be noted that the total repayment of the liability is higher than the level of PFI-related liability reflected in the Balance Sheet as at 31 March 2014. The Council receives PFI Subsidy Grant over the life of the contracts from Central Government to offset the capital element of the unitary charge payment.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor 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 liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	31 Mar 2013 £000	31 Mar 2014 £000
Balance outstanding at start of year	(251,023)	(240,050)
Payments during the year	5,776	6,438
Capital contribution to BSF 2	5,415	-
Capital expenditure incurred in the year	(218)	(223)
Balance outstanding at year-end	(240,050)	(233,835)

37. Impairment Charges

During 2013/14, the Council recognised impairment losses of (£18.0m) and impairment reversals of £27.6m in the accounts. An impairment is the amount by which the carrying amount of an asset exceeds its recoverable amount. Examples of events/circumstances that indicate an impairment may have incurred include: a significant decline in an asset's carrying amount during the period; evidence of obsolescence or physical damage of an asset. The impairment loss can be split between the General Fund (GF) (£0.0m) and the HRA (£18.0m). The impairment reversals relate to the GF £2.3m and the HRA £25.3m.

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The amount charged to the HRA relates to dwellings and is charged against the Local authority (HRA) line in the CI&ES. The Council is not required to raise council tax to cover impairment losses and the amounts are reversed out of the accounts in the Movement in Reserves Statement.

38. Termination Benefits

The Council terminated the contracts of 552 employees in 2013/14 (535 in 2012/13), incurring liabilities of £11.9m including £4.5m strain on the fund payments (£12.8m in 2012/13 which included £4.5m strain on the fund). In 2013/14 there were 4 termination payments to senior employees as disclosed in Note 29.

The following table includes actual leavers within the financial year 2013/14, i.e. those employees whose contracts were terminated and left by 31 March 2014, as summarised above.

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of Exit Packages agreed		Total costs of Exit Packages agreed	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	75	158	228	229	303	387	2,571,509	3,373,707
£20,001 - £40,000	18	28	121	67	139	95	3,851,435	2,733,345
£40,001 - £60,000	8	6	51	24	59	30	2,992,274	1,457,242
£60,001 - £80,000	2	2	9	16	11	18	828,309	1,218,502
£80,001 - £100,000	-	-	11	6	11	6	951,868	528,053
£100,001 - £150,000	-	1	9	8	9	9	996,373	997,937
£150,000 +	-	2	3	5	3	7	588,379	1,588,852
	103	197	432	355	535	552	12,780,147	11,897,638

In addition, in 2013/14 56 employees were identified as demonstrably committed to leaving the Council at a cost of £1.5m. Demonstrably committed employees are those for which severance packages have been agreed but where the leaving date is after the 1st April 2014. The cost for these employees has been agreed and an accrual has been raised in 2013/14 to account for these costs.

It should be noted that the Council has a commitment to avoid compulsory redundancies as far as possible, and provides support to staff to help them find alternative employment within the Council wherever possible.

Notes to the Financial Statements

Any temporary redeployment could result in the same employees being at risk in future years.

39. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of 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 2013/14, the Council paid £8.6m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £8.8m and 14.1%. There were no contributions remaining payable at the year-end.

The Council 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 detailed in Note 40.

40. Defined Benefit Pension Schemes

Participation in the Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- (i) The Tyne & Wear Pension Fund, administered locally by South Tyneside Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets; and

Notes to the Financial Statements

- (ii) Unfunded Defined Benefit Arrangements for the award of discretionary post retirement benefits upon early retirement. Under this type of scheme liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

We recognise 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 we are 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 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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	27,480	31,910	-	-
Past service costs	4,410	3,230	-	-
Financing and Investment Income and Expenditure:				
Interest on net defined benefit liability/(asset)	18,220	20,900	3,700	3,420
Pension expense recognised in profit and loss	50,110	56,040	3,700	3,420
Other Post Employment Benefit charged to the CI&ES:				
Return on plan assets (in excess of)/below that recognised in net interest	(69,590)	22,350	-	-
Actuarial (gains)/losses due to changes in financial assumptions	141,430	4,990	5,970	(1,800)
Actuarial (gains)/losses due to changes in demographic assumptions	-	(6,020)	-	2,130
Actuarial (gains)/losses due to changes in liability assumptions	(310)	(48,680)	(680)	290
Total amount recognised in Other Comprehensive Income	71,530	(27,360)	5,290	620
Total amount	121,640	28,680	8,990	4,040

Notes to the Financial Statements

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme Liabilities (defined benefit obligation):

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Opening balance at 1 April	(1,360,290)	(1,554,850)	(83,510)	(86,480)
Current service cost	(27,480)	(31,910)	-	-
Interest cost	(62,860)	(67,500)	(3,700)	(3,420)
Contributions by participants	(9,550)	(9,090)	-	-
Actuarial gains/(losses) on liabilities - financial assumptions	(141,430)	(4,990)	(5,970)	1,800
Actuarial gains/(losses) on liabilities - demographic assumptions	-	6,020	-	(2,130)
Actuarial gains/(losses) on liabilities - experience	310	48,680	680	(290)
Net benefits paid out	50,860	51,710	6,020	6,200
Past service costs	(4,410)	(3,230)	-	-
Closing balance at 31 March	(1,554,850)	(1,565,160)	(86,480)	(84,320)

Reconciliation of fair value of the scheme Assets:

	Local Government Pension Scheme	
	2012/13 £000	2013/14 £000
Opening balance at 1 April	951,610	1,061,840
Interest income on assets	44,630	46,600
Remeasurement gains/(losses) on assets	69,590	(22,350)
Employer contributions	37,320	36,860
Contributions by scheme participants	9,550	9,090
Net benefits paid out	(50,860)	(51,710)
Closing balance at 31 March	1,061,840	1,080,330

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Notes to the Financial Statements

Scheme History

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Present value of liabilities:					
Local Government Pension Scheme	(1,276,990)	(1,200,800)	(1,360,290)	(1,554,850)	(1,565,160)
Discretionary benefits	(87,510)	(78,350)	(83,510)	(86,480)	(84,320)
Fair value assets in the Local Government Pension Scheme	831,950	929,750	951,610	1,061,840	1,080,330
Surplus/(Deficit) in the scheme:	(532,550)	(349,400)	(492,190)	(579,490)	(569,150)
Local Government Pension Scheme	(445,040)	(271,050)	(408,680)	(493,010)	(484,830)
Discretionary benefits	(87,510)	(78,350)	(83,510)	(86,480)	(84,320)
Total	(532,550)	(349,400)	(492,190)	(579,490)	(569,150)

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows; active members 39%, deferred pensioners 12% and pensioners 49%.

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £1.6bn has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a negative pension balance of £569.2m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 is £37.9m. In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2015 are £6.4m in relation to unfunded benefits and enhanced teacher's benefits.

Notes to the Financial Statements

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2012/13	2013/14	2012/13	2013/14
Mortality assumptions:-				
Longevity at 65 for current pensioners:				
Men	21.7	23.0	21.7	23.0
Women	23.9	24.6	23.9	24.6
Rate for discounting scheme liabilities	4.4%	4.3%	4.1%	4.2%
Rate of inflation Retail Price Index	3.4%	3.4%	3.3%	3.2%
Rate of inflation Consumer Price Index	2.5%	2.4%	2.4%	2.2%
Rate of increase in pensions	2.5%	2.4%	2.4%	2.2%
Rate of increase to deferred pensions	2.5%	2.4%	-	-
Rate of increase in salaries	3.9%	3.9%	-	-

The approximate split of assets for the Fund as a whole is shown in the table below:

	31 March 2013		31 March 2014	
	Total	%	Quoted	Unquoted
Equity investments	68.0		58.1	8.7
Property	9.0		0.0	8.5
Government bonds	7.0		3.5	0.0
Corporate bonds	11.0		11.5	0.0
Cash	1.6		2.9	0.0
Other*	3.4		5.0	1.8
Total	100.0		81.0	19.0

* 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.

Notes to the Financial Statements

Actual Return on Assets

	Funded 31 March 2013 £000	Funded 31 March 2014 £000	Unfunded 31 March 2013 £000	Unfunded 31 March 2014 £000
Interest income on assets	44,630	46,600	-	-
Remeasurement gain/(loss) on assets	69,590	(22,350)	-	-
Actual return on assets	114,220	24,250	-	-

41. Contingent Liabilities

At 31 March 2014, the Council had 3 contingent liabilities:

- The Council has a contingent liability in respect of grants received from Workstep for Palatine Beds which are considered loans for a five year period following the grant and are repayable by the Council on cessation of business. This is currently estimated at £0.3m. The liability expires in 2015/16.
- The Council has a number of equal value claims to resolve, some of which raise different legal arguments to the claims previously settled. As the legal arguments are complex, and these claims are still progressing through the tribunal system, we are not currently in a position to accurately estimate the potential total liability relating to these claims.
- The Council has a contingent liability in respect of Your Homes Newcastle pension fund guarantee. The Council has confirmed that it will assume any liabilities relating to YHN pension fund both in terms of the current funding and deficit and any ongoing funding obligations/ liabilities. The deficit on the pension fund stood at £12.7m at 31st March 2014 (31 March 2013 £19.7m), however any liability would only be payable if the admitted body did not have sufficient assets to meet the pension liabilities.

42. Nature & extent of risks arising from Financial Instruments

The Council'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 Council.
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments.
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and financial market movements.

The Council'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 a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy Statement. The statement provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This deposit risk is minimised through the Treasury Management Statement, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Statement also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the Council are detailed fully in the Annual Treasury Management Strategy Statement.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

Customer Debt

Based on the Council's experience of debt management, it is prudent to make a bad debt provision for debt that may not be collectable. The method of calculating the appropriate provision is based on an analysis of the type of debt rather than a general percentage on the whole of the debt. The calculation of the provision takes into account the age of the debt for the General Fund, the Collection Fund and the value of the debt for the HRA.

The Council has gross debt figure of £162.3m as at the 31 March 2014 (a net debt figure of £136.6m). However, only £106.8m was deemed at risk and the Council provided a bad debt provision of £25.7m against risk of default on the debt, a net debt figure of £81.1m. This net value is included in the balance sheet figure for short term debtors and represents the maximum customer credit risk to which the Council is exposed. The remaining £55.5m of the £136.6m on the balance sheet refers to debt not deemed at risk and is debt outstanding by Government Departments, Other Local Authorities, NHS bodies, Public Corporations and Trading Funds.

Notes to the Financial Statements

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure maturing loans may be replaced through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31 Mar 2013 £000	31 Mar 2014 £000
Between 1-2 years	42,910	60,923
Between 2-5 years	76,005	81,049
Between 5-10 years	39,852	44,935
More than 10 years	377,466	370,475
	536,233	557,382
Less than 1 year	176,406	63,097
Total borrowing	712,639	620,479

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate risk

The Council is exposed to 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 Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates - the fair value of the liabilities will fall.
- Investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- Investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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The Council has a number of strategies for managing interest rate risk. Policy is to ensure that the level of its borrowings in variable rate loans does not expose the portfolio to excessive movements in interest rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The Council has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

The table below shows the impact on the debt portfolio at 31st March 2014 if interest rates had been 1% higher with all other variables held constant. The only loans affected by such a movement would be new loans taken during 2013/14 and variable interest rate loans. Existing fixed rate loans, which make up the greater proportion of the portfolio, would not be affected. Loans wherein the terms give the lender an option to change the interest rate at specific dates during the year have been excluded from the calculation. For example, an exercise undertaken on behalf of the Council by our advisors Sterling and Royal Bank of Scotland have determined that the likelihood of a LOBO being called at the moment is less than 10%, and the fact that interest rates have fluctuated during the lives of these loans but lenders have not exercised their options to change the rates, treasury management officers consider these loans to be fixed rate.

According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on borrowings	731
Increase in interest receivable on investments	(636)
Impact on the Deficit on the Provision of Services	<u>95</u>

The impact of a 1% fall in interest rates would be as above but with movements being reversed. The increase in interest payable on borrowings does not take into account loans where the interest is fixed for the period of the loan at the outset or will mature in 2014 or later. Changes to interest rates will not impact on such loans. As a result only loans taken out in 2013/14 or loans maturing in 2013/14 that require new borrowing have been included in determining the figure quoted.

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Price Risk

The Council does not generally invest in equity shares but does have shareholdings in LIFTCo to the value of £0.1m, £2.6m in New Tyne West Development Co LLP and £11.2m in Science Central. The investment in LIFTCo represents the interest that the Council holds in the companies in the form of subordinated debt. The Council has invested in LIFTCo as part of the LIFT (Local Improvement Finance Trust) procurement of Customer Service Centres.

The investment in Scotswood (New Tyne West Development Co LLP) relates to the building of new homes and businesses through an Urban Regeneration Vehicle. A risk exists that, given the current economic conditions, the cost of developing the site will not be covered through the payment of dividends arising from the sale of houses, businesses etc, created as part of the regeneration.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for 'open book' arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings. The investment in LIFTCo and Scotswood was taken out for policy reasons rather than as a financial investment.

The Council holds an investment in Newcastle Airport Local Authority Holding Company Ltd. The shares are all classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. The value of the investment at 31 March 2014 was £15.4m. The Council also holds an investment in Science Central LLP of £11.2m as at 31 March 2014.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

43. Heritage Assets: Five-Year Summary of Transactions

A five year summary of transactions relating to Heritage Assets is provided in the table below:

	2009/10 £	2010/11 £	2011/12 £	2012/13 £	2013/14 £
Additions:					
<u>Art Purchases</u>					
Gateshead	58,864	14,989	15,260	7,700	19,071
Newcastle	47,481	28,932	12,000	58,500	2,678
North Tyneside	-	-	-	-	-
South Tyneside	900	-	-	-	115
Sunderland	4,030	14,719	6,800	-	-
Total	111,275	58,640	34,060	66,200	21,864

Notes to the Financial Statements

<u>Other Purchases</u>					
Gateshead	972	4,147	461	719	-
Newcastle	1,166	6,581	972	1,047	-
North Tyneside	13	2,359	6,364	-	19
South Tyneside	148	8,473	120	454	56
Sunderland	3,310	7,879	-	2,713	-
Total	5,609	29,439	7,917	4,933	75
<u>Donations</u>					
Gateshead	1,944	-	-	-	-
Newcastle	9,000	2,470	28,000	-	65,000
North Tyneside	-	-	-	-	-
South Tyneside	-	300	-	-	-
Sunderland	-	-	-	-	-
Total	10,944	2,770	28,000	-	65,000
<u>Disposals</u>					
Gateshead	-	-	-	-	-
Newcastle	-	-	-	-	-
North Tyneside	-	-	-	-	-
South Tyneside	-	-	-	-	-
Sunderland	-	-	-	-	-
Total	-	-	-	-	-

The table above relates only to the Tyne & Wear Archives and Museums' collection.

There were no additional purchases or donations to the heritage assets held by the Council in the Silver Gallery or the Mansion House.

44. Heritage Assets: Further Information

The collections held by the Joint Committee are diverse, covering six principal fields. The collection ranges in medium and materials, and includes objects, specimens, documents, digital media and film. The total collection size is estimated at approximately 1.1m museum objects and approximately 1.6k cubic meters of archive material. It reflects a period of collecting of over 200 years by the archives, museums and their predecessor bodies. The definition of numbers in the collection follows museum and archive best practice but, in terms of valuing the asset, is fairly arbitrary as single items added may comprise a wide range of objects, artefacts, components or supporting papers. However, the following table indicates the estimated number of objects/records held within each field:

Notes to the Financial Statements

Category	Estimated number of objects/ records as at 31 March 2013	Number of objects accessioned in the year	Estimated number of objects/records as at 31 March 2014
Art (including fine art, decorative art, contemporary craft and design)	41,692	1,822	43,514
Archaeology	226,652	45	226,697
Ethnography	7,109	-	7,109
History (including social history, costume, maritime history and engineering and science)	194,797	2,496	197,293
Natural Sciences	640,852	1,505	642,357
Total	1,111,102	5,868	1,116,970
	Cubic Metres		Cubic Metres
Archives	1,579		1,579

The management and care of the collections is central to the corporate aims and key activities which underpin the mission of the Tyne & Wear Archives & Museums (TWAM) to help people determine their place in the world and define their identities, so enhancing their self respect and their respect for others.

The Collection Services team co-ordinates collections care through preventive and interventive conservation across TWAM in line with the missions and Corporate Plan, whilst promoting access for service users.

Further information is available from the TWAM Conservation and Collections Care Policy: www.twmuseums.org.uk

Both the Mansion House and Lord Mayor's Suite, Civic Centre, hold on behalf of the Council a range of items which are of historic or civic importance. Inventories are maintained listing the contents of each collection and appropriate security arrangements are in place at both locations.

Anderson and Garland were commissioned to undertake a revaluation of the Mansion House contents and their report of 15 August 2013 advised that the total value for insurance purposes was £0.8m. However, it should be borne in mind that the inventory covers all the contents, not just those which might be regarded as heritage assets.

Notes to the Financial Statements

The Mansion House staff are required to ensure that all the contents, including the Heritage Assets, are properly maintained. The Council, as sole Trustee for the Mansion House, does not have a policy on acquisitions and in most cases, additions to the inventory in recent years have been as a result of donations from individuals or organisations. Equally, there is no policy as such on disposals, each case having been treated on its merits and the proceeds reinvested in the Mansion House. The most recent disposal took place in April 2013 when the Lord Mayor's Ceremonial Landau Coach was sold.

The Mansion House collection comprises in the main, historic paintings, silverware and electroplate, although it also includes furniture, crockery and glassware plus outdoor effects.

The Silver Gallery at the Civic Centre contains a range of civic insignia, the history of each item being held on file. The main items comprise various Chains of Office along with the Great Mace and Swords of State.

The collection also contains many items which have been donated to the city or to the Lord Mayor in his/her official capacity over the years by e.g. the armed forces, civic dignitaries and other individuals and organisations celebrating a significant event. These comprise in the main items of silverware. The most recent valuation of the Silver Gallery for insurance purposes was undertaken in May 2012, the total value amounted to £1.0m. The valuation was carried out by Anderson & Garland.

There is no policy on acquisition or disposal. All the items are on display in locked cabinets and in the case of the silverware, are cleaned regularly by the Lord Mayor's staff. Additional security is provided by the Civic Centre CCTV system and a full inventory of the contents of each cabinet is held on file.

45. Trust Fund Accounts

The following trust funds, relating to bequests and third party funds, are held and administered by the Council. The funds do not represent assets of the Council and they are not included in the authority's balance sheet.

Trust Fund	Income	Expenditure	Net Expenditure	Assets	Liabilities
	£000	£000	£000	£000	£000
Fire Brigade Relief Fund	-	-	-	30	(30)
Richard Thompson Bequest	-	-	-	47	(47)
Sir Thomas White Bequest	(1)	1	-	194	(194)

Notes to the Financial Statements

Thomas Davison					
Bequest	-	-	-	72	(72)
Museums Service					
Trust Funds	(1)	1	-	116	(116)
Education					
Scholarship and					
Prize Funds	-	-	-	59	(59)
Other Trust Funds	-	-	-	18	(18)
Mansion House	(358)	340	(18)	81	(81)
Total	(360)	342	(18)	617	(617)

The purpose to which the funds are applied include education scholarships and prizes, assisting new business (Richard Thompson, Sir Thomas White and Thomas Davison bequests) as well as more general charitable works.

Net expenditure on the Mansion House is funded by a fixed contribution from the Council's General Fund and income from operating activities.

46. Events After the Balance Sheet Date

Events happening between the balance sheet date and the date the accounts are authorised for issue are classed as post balance sheet events. Post balance sheet events which arose due to events happening before the balance sheet date have been incorporated into the financial statements.

Any post balance sheet events which arose due to events happening after the 31st March 2014 would be classed as non-adjusting events, which would require disclosure but would not be included in the financial statements.

There were no such events to report.

Notes to the Financial Statements

47. Material Items of Income and Expenditure

One material item of income and expenditure requires separate disclosure:

School Trust

There were 2 School Trusts created during 2013/14, Newcastle North West Learning Trust incorporating 8 of the Council's primary schools, and a Special School Trust incorporating 3 of the Council's special schools including a hospital based teaching unit. The total asset value of these schools has been written out of the Council's balance sheet, see table below:

Trust	Trust Membership	Total Asset & Land Value £'000	Implementation Date
Newcastle North West Learning Trust			1st September 2013
	Cheviot Primary	674	
	Farne Primary	819	
	Kenton Bar Primary	1,442	
	Kingston Primary	2,457	
	Mountfield Primary	1,421	
	North Fawdon Primary	1,398	
	Stocksfield Avenue Primary	3,435	
	Wyndham Primary	1,042	
	Total	12,688	
Special School Trust			1st September 2013
	Hadrian	4,022	
	Thomas Bewick	4,361	
	Sir Charles Parsons	5,821	
	Total	14,204	

Notes to the Financial Statements

48. Consideration of Group Accounts

The code includes a requirement to prepare group accounts where the Council has a material interest in subsidiaries, associates and jointly controlled entities. The following table shows the estimated value of the Council's ownership stake in its subsidiaries, associates and jointly controlled entities. Incorporating these amounts via group accounts would increase the Council's net assets by £3.7m or 1.0%, which is not deemed to be material. The Council has therefore decided not to produce group accounts. Note 33 to the accounts includes further details of the Council's ownership stake in its subsidiaries, associates and jointly controlled entities to enable readers of the accounts to gain a fuller understanding of the Council's wider financial interests.

Description	Value £000 *
Council balance sheet 31 March 2014	(351,422)
Subsidiaries:	
Mansion House Trust	(63)
Theatre Royal Trust	(1,088)
Armstrong Centre/Tynexe	(4,385)
Your Homes Newcastle	(22)
Newcastle Futures	(314)
Eldon Square Company	(8)
Minority Interest (50% of Tynexe)	2,193
Joint Ventures:	
Newcastle Science Company Ltd	-
New Tyne West Development Company	-
Science Central	-
Revised balance sheet 31 March 2014 if Group Accounts were prepared	(355,109)

* Based on 2012/13 financial statements as the 2013/14 audited financial statements were not available at the time of preparing the Council's accounts. The Council is not aware of any material movements in the value of these entities between 31st March 2013 and 31st March 2014.

Newcastle Science Company Ltd, New Tyne West Development Company and Science Central are shown as zero in the above table as the City's investment with these entities is already accounted for within the Council balance sheet value.

Notes to the Financial Statements

49. Prior Period Adjustments

Adjustments have been made to the 2012/13 financial statements to take account of the amended IAS19 Pensions accounting standard. The revised standard implemented a change to the expected return on the asset component of the pension cost. The change means that the expected return on pension assets is calculated at the discount rate instead of using an expected rate of return based on actual plan assets held. The extracts below show the changes in respect of the prime statements, Comprehensive Income & Expenditure Statement, Movement in Reserves Statement and Cashflow. Where figures within the notes to the accounts have been restated this is indicated on the note. The Pensions Note to the account (40) has been prepared based on the restated figures for 2012/13. It should be noted that the pension liability shown in the Balance Sheet for 2012/13 remains unchanged.

The adjustments shown below highlight the individual lines that have changed within the 2012/13 published accounts. It should be noted that the sub-totals do not add up to the individual tables as unaffected lines are not included.

Adjustments to 2012/13 Comprehensive Income & Expenditure Statement

2012/13 Published Accounts				2012/13 Restatement			
Gross Exp	Gross Income	Net Exp		Net IAS19 Adj	Gross Exp	Gross Income	Net Exp
£000	£000	£000		£000	£000	£000	£000
999,063	(721,970)	277,093	Cost of Services	1,280	1,000,343	(721,970)	278,373
140,777	(95,521)	45,256	Financing & Investment Income & Expenditure (Note 7)	21,190	95,297	(28,851)	66,446
		86,479	Deficit on Provision of Services				108,949
		99,300	Re-measurement of the defined benefit liability	(22,470)			76,830
		167,499	Total Comprehensive Income & Expenditure	-			167,499

Notes to the Financial Statements

Adjustments to 2012/13 Movement in Reserves Statement

Total Usable Reserves	Unusable Reserves	Total Reserves		Net IAS19 Adj	Total Usable Reserves	Unusable Reserves	Total Reserves
£000	£000	£000		£000	£000	£000	£000
(93,648)	(467,151)	(560,799)	Balance at 1 April 2012	-	(93,648)	(467,151)	(560,799)
86,479	-	86,479	Deficit on Provision of Services	22,470	108,949	-	108,949
-	81,020	81,020	Other Comprehensive Income & Expenditure	(22,470)	-	58,550	58,550
86,479	81,020	167,499	Total Comprehensive Income & Expenditure	-	108,949	58,550	167,499
(91,947)	91,947	-	Adjustments between accounting basis & funding basis under regulations (Note 4)	22,470	(114,417)	114,417	-
-	-	167,499	Net (Increase)/Decrease before transfers to Earmarked Reserves	-	-	-	167,499
		(393,300)					(393,300)

Adjustments to 2012/13 Cash Flow Statement

2012/13 Published		Net IAS19 Adj	2012/13 Restated
£000		£000	£000
(86,479)	Net deficit on the provision of services	(22,470)	(108,949)
293,455	Adjustments to net deficit on the provision of services for non cash movements (Note 22)	22,470	315,925
(123,722)	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities (Note 22)	-	(123,722)
83,254	Net cash flows from Operating Activities	-	83,254

50. Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

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.

2. 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 Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- 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.
- 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

Notes to the Financial Statements

Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The Council has adopted a level of £1,000 for year-end accruals which means that they are not included in the accounting statements. Generally a full year's charge is included in the accounts for those supplies and services used continuously and charged on a periodic basis (e.g. gas, electricity and water), but the period covered by the payments does not always coincide with the financial year.

3. 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 no more than three months 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 Council's cash management.

The Council holds monies on behalf of partner organisations where the Council is the lead authority. Cash is held and invested under treasury management agreements and covers the Theatre Royal, Tyne & Wear Integrated Transport Authority, Your Homes Newcastle, Archives & Museums, Trust Funds and Insurances.

4. Exceptional Items

When items of income and expense 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 Council's financial performance.

5. Prior Period Adjustments, Changes in Accounting Policies and 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 Council'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.

6. Charge to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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.
- Amortisation of intangible fixed assets attributable to the service.

The Council 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 council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. 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 (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. 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 Council 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

Notes to the Financial Statements

the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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

Employees of the Council are 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, administered by South Tyneside Council. The funds website may be visited at www.twpf.info.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services 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 Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Council 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.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% based on the indicative rate of return on high quality corporate bonds.

Notes to the Financial Statements

- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities at current bid price.
 - Unquoted securities based on professional estimate.
 - Unitised securities at current bid price.
 - Property at market value.

- The change in the net pensions liability is analysed into the following
 - a) 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.

 - b) Past service cost - the increase in liabilities arising from current year decisions 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 as part of Non Distributed Costs.

 - c) Net interest on the net defined liability, i.e. net interest expense for the Council, the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing & Investment Income & Expenditure line in the Comprehensive Income & 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 net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

 - d) Remeasurements comprising:
 - the return on plan assets, excluding amounts included in net interest on the net defined benefit liability, charged to the Pensions Reserve as other Comprehensive Income & 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

 - e) Contributions paid to the 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 Council 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.

Discretionary Benefits

The Council 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.

8. Events After the Balance Sheet Date

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.
- 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.

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council 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

Notes to the Financial Statements

amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is 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 Council 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 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.

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.
- Available-for-sale 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 Council 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

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for the instrument. For most of the loans that the Council 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 Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. 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 Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices - the market price.
- Other instruments with fixed and determinable payments - discounted cash flow analysis.
- Equity shares with no quoted market prices - independent appraisal of company valuations.

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.

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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. If the asset has fixed or determinable payments, 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. Otherwise, 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).

10. Government Grants & Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments.
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been 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 are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced 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 Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council.

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 Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the council 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 service line(s) 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 service line(s) 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 £10,000) the Capital Receipts Reserve.

The only category of intangible assets for the Council is software licences; the asset life used for licences is 3-5 years.

12. Interests in Companies & Other Entities

The Code of Practice requires local authorities to produce group accounts to reflect significant activities provided to Council taxpayers by other organisations in which an authority has an interest. The Council has reviewed its partnership arrangements against the criteria for group accounts as set out in the Code and has concluded that there are no such material interests that require the preparation of group accounts.

13. Inventories & Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO (first in first out) costing formula and in some instances the average weighted method. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14. 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 amount at which the asset could be exchanged between knowledgeable parties at arm's-length. 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 £10,000) the Capital Receipts Reserve.

15. 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.

Notes to the Financial Statements

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.

a) The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability.
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution 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.

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).

b) The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Council's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received).
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council 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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits 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 premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Leasing Disclosure Note

For the leasing disclosure note a management decision has been taken to set a level of £500 annual rental in the preparation of the note where the Council is lessor and a level of £10,000 where the Council is the lessee. This is designed to ensure that tight deadlines for the accounts are met and has no material impact on the disclosure.

16. Overheads & Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in the SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

17. Property, Plant & 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.

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 Council 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.
- 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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council 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 Council). 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 Council.

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:

Notes to the Financial Statements

- Infrastructure, community assets and assets under construction - depreciated historical cost.
- Dwellings -fair value, determined using the basis of existing use value for social housing (EUV-SH). In accordance with Government guidance on Housing Resource Accounting a sample of properties was chosen to be representative of each type of property and were valued as 'beacons'. The full valuation was obtained by extrapolating these beacon values across the whole housing stock.
- The beacon values are reviewed annually to reflect movements in property market values.
- All other assets -fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).
- Community Buildings are shown at nil net book value as the Council does not charge community groups for the use of the building.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair 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 included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. To ensure that this takes place a rolling programme of valuations has been put in place by the Head of Property Services. Assets are valued in accordance with the principles of the RICS (Royal Institution of Chartered Surveyors) Appraisals and Valuation Standards. The valuations are supervised by P. Scaplehorn, MRICS, Interim Service Manager, Strategic Property, Newcastle City Council. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value 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).
- 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 use of a level for capital expenditure means that in the above categories assets below the level are charged to the revenue account and are not classified as capital expenditure, i.e. the asset is not included in the balance sheet unless they are part of an overall project costing more than the established level.

For all capital expenditure apart from plant, vehicles and equipment the de minimis level is £10,000. The de minimis levels established for plant, vehicles and equipment are detailed below:

- £5,000 - Communities plant, vehicles and equipment.
- £10,000 - all other Council owned plant, vehicles and equipment.

All capital expenditure is included in the Asset Register.

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).
- 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 and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Notes to the Financial Statements

Depreciation on all Property, Plant assets (except vehicles) has been calculated by taking the asset value at 31st March 2014 less any residual value, divided by life expectancy. Depreciation is therefore charged in the year of acquisition.

Depreciation on vehicles is based on asset life and calculated on a straight line basis.

Fully depreciated equipment is assumed to have nil value and written off.

Depreciation on intangible assets is also on a straight-line basis, commencing in the year of acquisition.

Council dwellings use the MRA (Major Repairs Allowance) as a proxy for depreciation and componentisation of council houses. The life expectancy for each asset category falls within the following ranges:

Asset Category	Years
Council Dwellings	50
Buildings	25-100
Private Finance Initiative Buildings	60
Infrastructure	25-60
Plant	40
Equipment	3-25
Vehicles	3-10
Purchased Software	3-5
Community Assets	20-999

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. The Council's policy is that all assets with a carrying value greater than or equal to £5.0m will be considered for componentisation. A standard list of components is used by the Council:

- Building fabric
- Roof
- Mechanical and electrical
- External

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals & Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised 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 £10,000 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 Council'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.

18. 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 Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge; the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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 Council. 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 of 11.2% on schools PFI, 7.1% street lighting PFI, 5.8% Building Schools for the Future PFI, 9.3% library PFI and 3.8% to 9.7% on customer service centres PFI 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).
- 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 when the relevant works are eventually carried out.

19. Provisions

Provisions are made where an event has taken place that gives the Council 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 example, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Notes to the Financial Statements

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council 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 Council settles the obligation.

20. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council.

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.

21. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

22. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. 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 in that year to score against 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 usable resources for the Council - these reserves are explained in the relevant policies.

23. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that 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 Council 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 that there is no impact on the level of Council Tax.

24. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue & Customs. VAT receivable is excluded from income.

25. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

26. Heritage Assets

The Council's Heritage Assets are held in various locations across the City and are held 'principally for their contribution to knowledge or culture'. The collections are diverse, covering five principal fields (art, archaeology, ethnography, history and natural sciences). The collection ranges in medium and materials, and includes objects, specimens, documents, digital media and film. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. The measurement rules for heritage assets are relaxed in the Code as it is not always possible to find information on purchase cost, there is often a lack of comparable market values, there is a diverse nature of objects held and the volume of objects held is high.

Art Collection

The art collection is recognised on the balance sheet using as its base the detailed insurance valuations (which are believed to be a realistic assessment of the market values) held by the Tyne & Wear Archives & Museums Joint Committee in respect of much of this collection. The Council is unlikely to be able to recognise the majority of the other collections in future financial statements as it is of the view that conventional valuation approaches lack sufficient reliability and obtaining any valuations for the vast majority of these collections would likely incur a significant and onerous cost. Even if valuations could be obtained it would involve a disproportionate cost not commensurate with any benefits to the Council, its senior management, the public or to the users of the Council's financial statements - this exemption is permitted by the 2013/14 Code.

Notes to the Financial Statements

The Council considers that the heritage assets held will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the Council's heritage assets.

Civic Insignia

The Civic Insignia include the following:

- Lord Mayor's Chain
- Lady Mayoress' Chain
- Sheriff's Chain
- Consort Medallion
- Great Mace
- Swords of State
- Silver Gallery - a permanent display of Civic Plate and regalia, housed in the Lord Mayor's Silver Gallery, Civic Centre, together with some of the gifts made to the City.

The Civic Insignia is recognised on the balance sheet using as its base the detailed insurance valuation, with a corresponding revaluation gain.

Mansion House Heritage Assets

The Mansion House Heritage Assets include all furnishings and works of art and other artefacts within the building and these are recognised on the balance sheet using as its base the detailed insurance valuation with a corresponding revaluation gain.

Public Art within the City

Public art is used by the Council to create and revitalise public spaces, to improve the environment and to enhance new developments. It is also an important and creative community development tool and is used to engage local people in shaping and defining their own communities and to enhance teaching in a range of subjects across the curriculum. Newcastle has a wealth of public art. Some pieces, like the Blue Carpet are well known, but others are not. Much of the work that the Council does in the field of public art is intended to increase public awareness of the importance of good design; the value of a welcoming, distinctive environment; and the many examples of exemplary work that exist in the City. The Council is unlikely to be able to recognise these works of art in future financial statements as it is of the view that obtaining valuations for the vast majority of these works of art would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements - this exemption is permitted by the 2013/14 Code. The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value; hence the Council does not consider it

appropriate to charge depreciation for the assets. The Council has not reclassified those items of public art already included within the Community Asset category on the balance sheet.

27. Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowance required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

28. Significant Assumptions Applied in Valuing Property, Plant & Equipment (PPE)

The Council carries out a rolling programme that ensures all PPE required to be measured at fair value is revalued at least every 5 years. All valuations are carried out in accordance with the methodologies and bases for estimation as set out in the RICS Valuations Standards - Global & UK 9th Edition.

The valuation requirements include the following:

- Apart from infrastructure, community and assets under construction, the basis of value for all assets is fair value (including council housing which will reflect the social housing nature of assets and therefore are valued based on Existing Use Value - Social Housing (EUV-SH)).
- Leases of land and buildings are separated into land and building elements, and classified and accounted for separately.
- Investment property is valued at fair value, including investment property under construction where its fair value can be reliably determined.
- Assets held for sale are valued at fair value less costs to sell.
- For depreciation purposes assets are recognised on a component basis where components have a significant cost, and the components have materially different asset lives, or different depreciation methods are used.
- Residual values are based on current prices at the balance sheet date.

The valuer's role is to provide assistance on the identification and classification of assets and, essentially, to provide the fair value of those assets in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice on Local Authority Accounting where such a value is required. Subject to any assumptions that the Code requires, fair value is the same as market value.

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Part 3: Supplementary Financial Statements

Comprising:

- Housing Revenue Account
- Collection Fund

Housing Revenue Account

Income & Expenditure Statement

2012/13 £000		2013/14 £000
	Expenditure	
21,818	Repairs and maintenance	21,204
39,874	Supervision and management	38,608
656	Rents, rates, taxes and other charges	786
72,552	Depreciation and impairment of non-current assets (Notes 4&8)	58,655
295	Debt management costs	179
1,061	Movement in the allowance for bad debts	514
-	Sums directed by the Secretary of State that are expenditure in accordance with the Code	193
<u>136,256</u>	Total Expenditure	<u>120,139</u>
	Income	
(93,667)	Dwelling rents	(96,254)
(1,781)	Non-dwelling rents	(1,555)
(12,278)	Charges for services and facilities	(11,871)
(10,478)	Contributions towards expenditure	(9,172)
(66)	HRA Subsidy receivable (including the MRA element) (Note 5)	-
<u>(118,270)</u>	Total Income	<u>(118,852)</u>
17,986	Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement	1,287
34	HRA services' share of Corporate and Democratic Core	135
<u>18,020</u>	Net Cost of HRA Services	<u>1,422</u>
	HRA share of the operating income and expenditure included in the CI&ES	
38,384	(Gain)/Loss on sale of HRA non-current assets	(1,395)
14,016	Interest payable and similar charges	13,626
(545)	Interest and investment income	(248)
9,530	Byker stock transfer - charges incurred (premiums) (Note 15)	-
(33,453)	Byker stock transfer - loan repayments (Note 15)	-
(1,734)	Capital grants and contributions receivable	(1,048)
<u>44,218</u>	(Surplus)/Deficit for the year on HRA services	<u>12,357</u>

Housing Revenue Account

Statement of Movement on the HRA Balance

2012/13 £000		2013/14 £000	2013/14 £000
	(9,110) Balance on the HRA at the end of the previous year		(12,118)
44,218	(Surplus)/Deficit for the year on the HRA Income & Expenditure Statement	12,357	
	Adjustments between accounting basis and funding basis under statute:		
(243)	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with statute	(249)	
23,923	Byker stock transfer - loans repayment (Note 15)	-	
(38,384)	Reversal of Gain/(Loss) on sale of HRA non-current assets	1,395	
11,088	Capital Expenditure funded by the Housing Revenue Account	10,547	
4,194	Sums directed by the Secretary of State to be debited or credited to the HRA (Note 13)	4,022	
44,796	Net Increase/(Decrease) before transfer (To)/From reserves	28,072	
(47,804)	Transfers (To)/From reserves	(24,876)	
(3,008)	(Increase)/Decrease in year on the HRA		3,196
(12,118)	Balance on the HRA at the end of the current year		(8,922)
	Transfers (To)/From reserves is represented by:		
	Appropriations to reserves		
29,346	Transfer (To)/From Major Repairs Reserve (Note 9)		31,218
(70,828)	Transfer (To)/From Capital Adjustment Account		(57,800)
(6,322)	Transfer (To)/From Earmarked Reserves		1,706
(47,804)			(24,876)

Housing Revenue Account

1. An analysis of the City's Housing Stock is as follows:

	01 Apr 2013	31 Mar 2014
	No's	No's
Houses & Bungalows	15,595	15,476
Low Rise Flat/Maisonettes	3,507	3,437
Mid Rise Flat/Maisonettes	3,549	3,574
High Rise Flat/Maisonettes	3,977	3,893
	26,628	26,380
Shared ownership properties	3	3
	26,631	26,383

An analysis of the change in stock is as follows:

Stock at 1st April	28,579	26,631
Additions	-	1
Sales	(90)	(166)
Demolitions	(70)	(18)
Reclassified Properties	-	(65)
Byker Trust Transfer (Note 15)	(1,788)	-
Stock at 31st March	26,631	26,383

2. Housing Revenue Account Assets: Balance Sheet Valuation

Asset Category	01 Apr 2013	31 Mar 2014
	£000	£000
Property Plant & Equipment		
Council Dwellings	667,712	645,848
Other Land & Buildings	18,155	20,089
Vehicles, Plant, Furniture & Equipment	14,213	19,034
Infrastructure and Community Assets	1	1
	700,081	684,972
Assets under Construction	-	1,533
Surplus assets not held for sale	116	195
Assets Held for Sale	-	146
Total	700,197	686,846

3. Vacant Possession Valuation of HRA Dwellings as at 1 April 2013

Dwelling Type	Vacant Possession	Existing Use Value for Social Housing (EUV-SH)
	£000	£000
General Council Housing	1,756,431	649,879
Sheltered	14,464	14,464
Shared Ownership Properties	210	210
Total	1,771,105	664,553

Housing Revenue Account

The vacant possession valuation shown above illustrates the economic cost to Government of providing council housing at less than open market rents when compared to the EUV-SH valuation. EUV-SH reflects a valuation for a property if it were sold with sitting tenants enjoying rents at less than open market rents and tenants' rights including the Right to Buy.

4. Housing Revenue Account Impairment & Revaluation Losses

Impairment charges and revaluation losses on PPE of £27.4m (£43.2m in 2012/13) have been made to the HRA of which dwellings is £23.8m (£43.2m 2012/13) and other property £3.6m (£0.0m 2012/13). The in-year charge of £27.4m can be split between impairment losses recognised in the HRA CI&ES Statement £18.0m, impairment reversals recognised in the CI&ES as a result of revaluation (£25.3m) and revaluation losses of £34.7m

5. Housing Revenue Account Subsidy Calculation

The £66k shown in the HRA CI&ES relates to an over accrual of 2011/12 HRA Subsidy grant.

No HRA Subsidy can be claimed for 2013/14 following the introduction of HRA Self Financing from 28 March 2012.

6. Housing Revenue Account Capital Expenditure & Financing

During the financial year total capital spending was £46.8m (£47.3m in 2012/13) split between houses £32.4m (£39.6m in 2012/13), land £4.4m (£0.3m in 2012/13), other property £9.8m (£7.4m in 2012/13) and third party payments £0.2m (£0.0m in 2012/13). The table below provides details of how this expenditure was financed:

	2012/13	2013/14
	£000	£000
Major Repairs Reserve	29,352	31,273
Borrowing	4,682	-
Grants & Other Contributions	1,514	879
Usable Capital Receipts	403	3,942
Revenue Contributions	4,560	10,547
Earmarked Reserves	6,528	-
Capital Contributions	221	169
Total	47,260	46,810

Housing Revenue Account

7. Housing Revenue Account Capital Receipts

	2012/13 Gross Receipt £000	2013/14 Gross Receipt £000
Sale of Houses	(3,453)	(6,125)
Sale of Land	(1,387)	(162)
	<u>(4,840)</u>	<u>(6,287)</u>
Repayment of Advances	(5)	(7)
Total	<u>(4,845)</u>	<u>(6,294)</u>

The Local Government Act 2003 stipulates that income from the disposal of assets must be split into usable and reserved elements. The reserved element is paid over to the national pool £2.1m in 2013/14 (£1.8m in 2012/13) and the useable element can be used to fund capital expenditure.

8. Housing Revenue Account Depreciation Charge

Asset Category	2012/13 £000	2013/14 £000
Operational Assets:		
Council Dwellings	24,352	25,144
Other Land & Buildings	280	242
Vehicles, Plant, Furniture & Equipment	4,709	5,831
	<u>29,341</u>	<u>31,217</u>
Non-Operational Assets:		
Surplus assets not held for sale	5	1
Total	<u>29,346</u>	<u>31,218</u>

9. Major Repairs Reserve

Local authorities are required to maintain a Major Repairs Reserve (MRR) with the main credit to the reserve being an amount equivalent to the total depreciation charges for all HRA assets. Authorities are able to charge capital expenditure directly to the reserve, along with any voluntary set aside to repay debt. The movement on the MRR is shown below:

	2012/13 £000	2013/14 £000
Income		
Depreciation on Non Current Assets:		
Council Dwellings	(24,352)	(25,144)
Other Assets	(4,994)	(6,074)
	<u>(29,346)</u>	<u>(31,218)</u>
Appropriations transfer from the HRA	-	-
	<u>(29,346)</u>	<u>(31,218)</u>

Housing Revenue Account

Expenditure

Depreciation on other Non Current Assets	-	-
Capital expenditure funded from the Reserve:		
Houses	27,915	20,840
Other Property	1,437	10,433
	<u>29,352</u>	<u>31,273</u>
Deficit/(Surplus) for the year	6	55
Balance brought forward	(61)	(55)
Deficit/(Surplus) for the year	6	55
Balance carried forward	(55)	-

10. Housing Repairs Account

	2012/13 £000	2013/14 £000
Income		
Contributions from the Housing Revenue Account during year	(20,818)	(21,135)
Expenditure		
Financing of Housing Revenue Account repairs during the year	21,818	21,135
Deficit for the year	<u>1,000</u>	<u>-</u>
Balance brought forward	(1,000)	-
Deficit for the year	1,000	-
Balance carried forward	-	-

11. Housing Revenue Account Rent Arrears

This note details the amount of rent arrears and the aggregate balance sheet provision in respect of uncollectable debts. The note details the financial year and the rent year, the rent week is converted into a financial year in this note.

	End of Financial Year	
	31 Mar 2013 £000	31 Mar 2014 £000
Rent collection arrears (including arrears of water rates)	6,698	6,779
Provision in respect of uncollectable rent arrears	5,852	5,876

	End of Rent Year	
	31 Mar 2013 £000	06 Apr 2014 £000
Breakdown of Rent Collection Arrears:		
Current Tenants:		
Arrears on current tenancy (including arrears of water rates)	1,923	2,155

Housing Revenue Account

Arrears arising from former tenancies of current tenants	1	-
Housing Benefit overpayments to be recovered	302	247
Court Costs	270	254
	2,496	2,656
Former Tenant Arrears	4,202	4,123
Total	6,698	6,779

12. Housing Renewals Fund

	2012/13 £000	2013/14 £000
Income		
Charges to the Housing Revenue Account during year	(151)	(10)
Expenditure		
Financing of Housing Revenue Account computer equipment during year	73	-
(Surplus)/Deficit for the year	(78)	(10)
Balance brought forward	(412)	(490)
(Surplus)/Deficit for the year	(78)	(10)
Transfer to HRA Balances	-	500
Balance carried forward	(490)	-

The Housing Renewals Fund was created from a one-off £500,000 contribution from the Housing Revenue Account (HRA) in 2001/02. The fund is used to finance computer equipment purchases for use on the HRA.

IT purchases throughout 2013/14 have been capitalised where appropriate, and the cost of these items will be charged to the HRA over their useful lives as a depreciation charge.

Following this change of accounting treatment, there is no longer a requirement to maintain this Renewals Fund. The value of the fund is zero at 31st March 2014 and this is not expected to change in the future.

13. Explanation of any sums directed by the Secretary of State to be debited to the HRA

The HRA made repayments of debt to the value of £4.0m (£4.2m in 2012/13) in relation to unsupported prudential borrowing undertaken by the HRA in 2013/14.

Housing Revenue Account

14. Your Homes Newcastle

Your Homes Newcastle was set up through Transfer of Undertakings (Protection of Employment) Regulations TUPE transfer of HRA employees to form an Arms Length Management Organisation on 1st April 2004. Your Homes Newcastle is paid through a management fee to carry out many of the activities previously carried out by HRA employees. The management fee payable to Your Homes Newcastle was £26.7m (£27.6m in 2012/13).

15. Transfer of Housing stock to the Byker Community Trust

On 5 July 2012 the freehold ownership of 1,816 dwellings was transferred from the HRA to the Byker Community Trust. 1,788 of these dwellings were held as HRA stock. The other 28 properties had previously been assigned on a leasehold basis to their owner-occupiers. As part of the transfer CLG repaid £23.9m of loans from PWLB and £9.5m premiums on those loans.

Collection Fund

Income and Expenditure Statement

2012/13 £000	Notes	2013/14 £000
Income		
(90,432)	Income from Council Tax	(95,755)
(27,457)	Transfers from General Fund - Council Tax benefits	194
(140,836)	Income collectable from Business Ratepayers	(148,830)
Contribution towards previous year's Collection Fund deficit		
(2,338)	Transfer of Deficit to General Fund	(3,934)
(144)	Transfer of Deficit to the Police and Crime Commissioner for Northumbria	(243)
(126)	Transfer of Deficit to Tyne & Wear Fire & Civil Defence	(212)
<u>(261,333)</u>		<u>(248,780)</u>
Expenditure		
Precepts and demands:		
-	Central Government	72,124
105,663	Newcastle City Council (including Parish Councils)	153,746
6,524	Police & Crime Commissioner for Northumbria	5,308
5,703	Tyne & Wear Fire and Civil Defence Authority	5,925
Business Rates:		
140,374	Payments to National Pool	-
461	Costs of collection	461
Disregarded Amounts:		
-	Enterprise Zone	259
-	Accelerated Development Zone	1,281
Bad and doubtful debts/ appeals:		
2,130	Write offs	2,790
-	Provision for Appeals	16,597
(849)	Bad Debt Provisions	1,239
<u>260,006</u>		<u>259,730</u>
<u>(1,327)</u>	Movement on Fund balance	<u>10,950</u>

Change in Collection Fund Balances

2012/13 £000		2013/14 £000
5,702	Opening balance at 1st April	4,375
(1,327)	Deficit for the year	10,950
<u>4,375</u>	Closing balance at 31st March	<u>15,325</u>

3

Collection Fund

1. Council Tax

The 2013/14 Collection Fund account reflects the requirement for a billing authority to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR) and for any residual surplus or deficit arising from community charge transactions.

Council Tax is broadly based on the capital value of domestic property as estimated at 1 April 1991 and is classified into 8 bands. Charges are calculated by dividing the preceptors' income requirements by the Council Tax base (the total number of properties in each band, adjusted for discounts and expressed as an equivalent number of Band D dwellings). This gives the basic amount of Council Tax for a band D property, which when multiplied by the specified proportion (as follows) will give the individual amount due.

				2012/13	2013/14	
Council Tax base				77,957	61,282	
Council Tax (Band D) amount payable per property				1,511	1,514	

Band	Proportion	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
		No of Properties	No of Properties	No of Band D Equivalent	No of Band D Equivalent	Council Tax Charge	Council Tax Charge
						£	£
A	6 / 9	71,547	71,347	37,679	23,568	1,008	1,009
B	7 / 9	18,527	18,716	10,739	9,259	1,175	1,178
C	8 / 9	17,709	17,795	13,062	12,195	1,343	1,346
D	9 / 9	8,302	8,368	6,926	6,706	1,511	1,514
E	11 / 9	4,085	4,131	4,295	4,237	1,847	1,851
F	13 / 9	2,038	2,070	2,725	2,736	2,183	2,187
G	15 / 9	1,525	1,558	2,348	2,393	2,519	2,524
H	18 / 9	128	128	183	188	3,023	3,028
		123,861	124,113	77,957	61,282		

2. Non-Domestic Rates (NDR)

Local businesses are required to pay, subject to transitional arrangement, an amount calculated by applying a sum specified by central government (expressed as a rate in the pound) to the rateable value of their property. Under the new localisation of Business Rates scheme NDR income is now shared between central government (50%), the Council (49%) and the Tyne & Wear Fire & Rescue Authority (1%) the major preceptor.

	2012/13	2013/14	Change
Rate in the pound - standard business rate	0.458	0.471	0.013
Total non-domestic rateable value per NDR system	383,314,112	382,043,127	(1,270,985)

Collection Fund

3. Redistribution of Collection Fund Deficit

The deficit on the closing balance of the Collection Fund as at 31 March 2014 will be debited to the Council's General Fund and major precepting authorities respectively in future years.

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Collection Fund closing balances:				
- Council Tax	1,224	5,702	4,375	(468)
- NDR	-	-	-	15,793
	1,224	5,702	4,375	15,325

4. Collection Fund Balance

Any surplus arising in the Collection Fund can be utilised to reduce future years' council tax. Any deficit can be recovered from the precepting bodies in the following year or carried forward and recovered either from any surplus generated in future years or from increased council tax. Any surplus or deficit to be shared is distributed to the billing and precepting authorities pro-rata to their precepts upon the Fund. NDR is now accounted for on an agency basis with the Council able to keep or suffer the cost of 49% of the surplus or deficit. The Code of Practice requires that the precepting bodies share of the surplus or deficit should be shown as part of the Council's debtors or creditors leaving only the Council's share in the closing balance.

The Collection Fund deficit is shared between the precepting bodies as follows:

	2012/13 £000	2013/14 £000
Newcastle City Council	3,921	(419)
Police and Crime Commissioner for Northumbria	242	(27)
Tyne and Wear Fire and Civil Defence Authority	212	(22)
Newcastle City Council - NDR	-	7,739
Department for Communities & Local Government - NDR	-	7,897
Tyne and Wear Fire & Civil Defence Authority - NDR	-	157
	4,375	15,325

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Part 4: Accompanying Documents

Comprising:

- Annual Governance Statement
- Glossary of Terms
- Index
- External Audit Opinion

Annual Governance Statement

Section 1	Scope of Responsibility
Section 2	The Purpose of the Governance Framework
Section 3	The Governance Framework
Section 4	Annual Review of Effectiveness of Governance Framework
Section 5	Budget Challenges facing the Council
Section 6	Significant Weaknesses in Governance and Internal Control in 2013/14
Section 7	Significant Improvements Needed to Governance and Internal Control
Section 8	Conclusion
Appendix A	Significant Improvements Needed to Governance and Internal Control

Section 1: Scope Of Responsibility

We (Newcastle City Council) are responsible for ensuring that our business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which we exercise our functions, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council's Cabinet and Directors' Team are responsible for putting in place proper arrangements (known as a Governance Framework) for:

- a) the governance of our affairs; and
- b) facilitating the effective exercise of our functions, including arrangements for the management of risk.

In relation to (i) we have adopted a Local Code of Corporate Governance ("the Code"), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy is available on our website at: <http://www.newcastle.gov.uk/your-council/how-council-works/code-corporate-governance?opendocument>.

The Code evidences our commitment to achieving good governance and demonstrates how we comply with the governance standards recommended by CIPFA.

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In relation to (ii) the Council has put in place a system of internal control 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:

- a) identify and prioritise the risks to the achievement of our policies, aims and objectives; and
- b) evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

Section 2: Purpose Of The Governance Framework

In addition to the above the Council's Governance Framework comprises the systems, processes, culture, values and activities through which we are directed and controlled and through which we account to, engage with, and lead the community. It enables us to monitor the achievement of the Council's priorities and to consider whether those priorities have led to the delivery of appropriate, cost effective services.

The Governance Framework has been in place for the year ended 31 March 2014 and up to the date of approval of the Council's Annual Report and Accounts.

This Annual Governance Statement explains how we have complied with the Code and also meets the requirements of Regulation 4(3) of the Accounts and Audit Regulations 2011 which requires all relevant public bodies to prepare an annual governance statement.

Section 3: The Governance Framework

The main features of our governance arrangements in force during 2013/14 are described in the Code. Intended outcomes are summarised below.

Core principle 1

Focusing on our priorities and outcomes for residents

1.1 We ensure that we are clear on our priorities and the intended outcomes for residents and service users, ensuring these are effectively communicated internally and externally through Let's Talk Newcastle.

1.2 We ensure we assess and review our vision and the implications for our governance arrangements through the budget and performance management framework.

1.3 We measure the quality of services for users, ensuring they are delivered in accordance with our objectives and that they represent the best use of resources, through the performance management framework and procurement and commissioning activity, as well as through feedback from Let's Talk Newcastle and surveys of residents and service users.

Core principle 2

Members and officers have clearly defined roles & responsibilities

2.1 We have defined and documented in our constitution (the Newcastle Charter) the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication. The collective and individual roles and responsibilities of the Cabinet, councillors and officers have been agreed by the Council, Constitutional Committee and/or the Leader of the Council as appropriate.

Core principle 3

We promote high standards of conduct and behaviour

3.1 We develop, communicate and embed codes of conduct set out in the Newcastle Charter, defining standards of behaviour for members and staff. Standards Committee deals with issues of conduct and generally promotes high standards among officers and members, reporting annually to Full Council. Codes of conduct are supported by training and development programmes for both members and officers.

Core principle 4

Transparent decision making subject to scrutiny and risk management

4.1 We review and update our standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals - these clearly define how decisions are taken and the processes and controls required to manage risks. We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer (Assistant Director, Legal Services) advises on compliance with our policy framework, ensuring that decision making is lawful and fair. Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer (in 2013/14 the Director of Resources).

4.2 We ensure that our independent Audit Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.

4.3 We ensure that there are effective arrangements for “Whistle-blowing” and for receiving and investigating complaints from the public.

Core principle 5

Developing the capacity of members & officers to be effective

5.1 We identify the development needs of members and senior officers in relation to their strategic roles, and support these with appropriate training through the Workforce Learning and Development Plan and individual member Learning and Development Plans.

Annual Governance Statement

Core principle 6

Engaging with local people and stakeholders

6.1 We have established clear channels of communication with all sections of the community and other stakeholders through Let's Talk Newcastle and other mechanisms, ensuring accountability and encouraging open consultation. Meetings are held in public unless there are good reasons for confidentiality.

6.2 We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.

Section 4: Annual Review Of Effectiveness Of Governance Framework

We have a legal responsibility to conduct an annual review of the effectiveness of our governance framework, including the system of internal control. The review is led by a working group of officers and members of Audit Committee who provide independence and challenge. The outcomes of the review are considered by Audit Committee and Constitutional Committee (which is charged with final approval of this statement). The implications of the review are considered by the Directors' Team and incorporated within our improvement plans.

The review is informed by:

- (a) The views of our internal auditors, reported to Audit Committee through regular progress reports, and the Annual Internal Audit Opinion.
- (b) An annual review of the effectiveness of internal audit (as required by Regulation 6(3) of the Accounts and Audit Regulations 2011).
- (c) The views of our external auditors, regularly reported to Audit Committee through regular progress reports, the Annual Audit Letter and Annual Governance Report.
- (d) The independent views of regulatory agencies such as Ofsted and the Care Quality Commission.
- (e) The activities and operations of council directorates and significant partnerships through written assurance statements.
- (f) We have formal organisational relationships with Your Homes Newcastle and they play significant roles in delivery priority outcomes. The main features of their governance and internal control arrangements are assessed each year through written assurance statements. The statements have been considered as part of this review.
- (g) The views of the Council's Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner.

Annual Governance Statement

- (h) The views of Members through the ongoing activities of Standards Committee and Audit Committee (Audit Committee provides independent assurance on the effectiveness of the governance and internal control environment; Standards Committee ensures that effective arrangements are in place to maintain high standards of conduct and behaviour) and through the informal sub-group of these committees which assists with the annual review.
- (i) The Risk Management Process, particularly the Strategic Risk Register
- (j) Performance information which is reported to Cabinet and Directorate Management Teams on a regular basis.
- (k) Progress made in addressing significant weaknesses and issues requiring significant improvement identified in previous annual governance statements.

Section 5: Budget Challenges facing the Council

In recent years the Council has seen significant financial pressures and has undergone major change. Budget pressures will continue into the future and in order to manage these, the Newcastle 2020 change process is being developed. This will see the Council working in conjunction with partners across the public and private sectors on how they could help to achieve outcomes and also working with communities so they could take on responsibilities for some services as required.

The challenge the Council is facing is huge and will involve making some very difficult decisions. Our Newcastle 2020 programme has therefore been developed to facilitate a positive change. We need to continue to deliver a legal budget in each of the financial years, but we need to think how we can do this within the context of the overall vision for the Council and the City for the year 2020 rather than an annual financial envelope.

The approach will be driven from a city wide viewpoint rather than it being simply a council only approach and will consider services across a number of themed areas linked to the Council's 4 priorities. Included in this will be working with partners to promote investment into the city and harnessing the activity of other organisations to deliver the city's vision. Whilst many partners will need to work together to deliver our collective ambitions, the council will continue to have a key leadership role to play.

A change team has been put in place within the Council to oversee this approach which will report regularly to Members and Directors during 2014/15. The Audit Committee will review progress and provide challenge to the Chief Executive who will continue to update and provide assurance to the Audit Committee at regular committee meetings.

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Section 6: Significant Weaknesses In Governance and Internal Control in 2013/14

The system of governance (including the 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, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated.

The review highlighted no areas as representing a significant weakness in governance or internal control during 2013/14.

Section 7: Significant Improvements Needed To Governance And Internal Control

The review also identifies activities that may need significant improvement but which do not constitute “significant weaknesses” in our governance and internal control arrangements. These are set out in Appendix A and will be monitored as part of the next review.

Section 8: Conclusion

We consider the governance and internal control environment operating during 2013/14 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. As well as the weaknesses that have been identified, there are also a number of issues that require significant improvement as detailed in Appendix A.

Systems are in place to continually review and improve the governance and internal control environment. Mid-year checks are undertaken to provide assurance that improvements are being implemented and that the assessment is improving.

The annual review shows that the arrangements are in place and operating as planned.

We have been advised on the implications of the review by the Informal Working Group. We propose over the coming year to improve our governance and internal control arrangements as noted in this statement and are satisfied that this will address the need for the required level of improvement. We will monitor the implementation and operation of the improvements, as part of our next annual review.

Pat Ritchie

Nick Forbes

Tony Kirkham

Chief Executive

Leader of the Council

Section 151 Officer

Date:

Date:

Date:

Annual Governance Statement

Appendix A: Significant Improvements Needed to Governance and internal Control

Governance and Internal Control Item	Action required to enhance effectiveness	Implementation Date
<p>Demonstrating Value for Money in Delivering Outcomes</p> <p>Work has started to develop delivery plans for each service to sit alongside the Know your Service profiles, IIA documents and business as usual activity which have been introduced during 2013/14. These documents include performance measures, and workforce and financial data for all aspects of the Council and provide the base information for reporting against the Council's priorities to Cabinet and at a more detailed level to individual directorate management teams. Work to further develop and integrate the planning and delivery framework, including Know your Service profiles, delivery plans and IIAs used in budget development, is taking place alongside 2015-18 planning.</p> <p>My Conversation was launched at the end of 2013/14 which replaced the previous appraisal approach. It is a framework of on-going dialogue that should take place at regular intervals throughout the working year, rather than an appraisal completed by a specific date. Once a year every employee will agree annual objectives with their manager. The emphasis of this approach is the quality of the conversation.</p> <p>Whilst the principle of developing the Council Dashboard, which displays key information on how the Council is performing, is now established, the detail and content continue to be developed.</p> <p>Accountable Officer: Assistant Chief Executive</p>	<p>Review the operation of the current mechanism with stakeholders and consider options for greater integration.</p> <p>Monitor the progress on the introduction of the My Conversation approach through a staff survey.</p> <p>Review and develop the content of Council Dashboard</p>	<p>August 2014</p> <p>December 2014</p> <p>March 2015</p>

Annual Governance Statement

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Governance and Internal Control Item	Action required to enhance effectiveness	Implementation Date
<p>Information Governance</p> <p>The Council has made progress against the Information Assurance Maturity Model during 2013/14 and has rolled out a training package to all staff covering the Data Protection Act 1998 and our responsibilities under it. Work is on-going to finalise information asset owners in Directorates and train all critical officers.</p> <p>The Council has achieved Government's Public Sector Network standards (PSN). We are now seen as the lead authority in the region for this. The Council has also achieved the required level for the NHS toolkit allowing our public health team to provide services without interruption.</p> <p>The government has released a new framework which all Councils must be compliant with by Dec 2015. The Council has achieved much of this already through completion of PSN and is progressing other aspects.</p> <p>Accountable Officer: Director of Resources</p>	<p>Draft information asset registers to be reviewed by Directorates and training to be completed.</p> <p>Pending the release of new Government standards, the council needs to ensure that required encryption software, and policy and procedures for the transportation of sensitive documents is in place in all directorates</p>	<p>June 2014</p> <p>September 2014</p>
<p>Governance of Major Programmes and Projects</p> <p>A review of governance arrangements for major projects has taken place, taking into account the recommendations of the external reviews by Messrs Shostak and Rundle (commissioned by the Chief Executive). The new arrangements were approved by Directors Team on 15 October 2013. They involve Project Boards reporting to streamlined Directorate Programme Boards, and then upwards to an extended Directors Team group (Investment & Delivery Group) that will meet</p>	<p>Review of arrangements to ensure operating effectively</p>	<p>June 2014</p>

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Appendix A: Significant Improvements Needed to Governance and internal Control

Governance and Internal Control Item	Action required to enhance effectiveness	Implementation Date
<p>monthly, referring significant decisions to Cabinet/Directors' Team for consideration before seeking formal approval from Cabinet. The new arrangements have been in place since November 2013. This will be monitored to ensure they operate effectively.</p> <p>Scrutiny Task and Finish Group (Major Projects) have reviewed the governance and delivery arrangements for Major Projects and will report their findings and recommendations in June 2014.</p> <p>Effective joint working between project teams and finance (improving the input into business case development and monitoring processes for the capital programme) has been strengthened.</p> <p>Accountable Officer: Director of Investment and Development</p>	<p>Scrutiny Task and Finish Group report</p> <p>Draft roles and responsibilities document will be considered</p>	<p>June 2014</p> <p>June 2014</p>
<p>Business Continuity, Planning and Testing</p> <p>An Audit in December 2013 found 'some significant weaknesses' in relation to business continuity arrangements in the Council and this had developed for a number of reasons: huge organisational change resulting in experience being lost or officers moving post, services moving location. As a result arrangements put in place and signed off by Senior Managers no longer reflected the organisation and, established networks no longer existed. Unfortunately the massive organisational changes meant that by November 2013 the resources available were not adequate to sustain the Business Continuity process. They also meant the Continuity arrangements needed comprehensive re-working not just a revision of existing plans.</p> <p>Accountable Officer: Assistant Chief Executive</p>	<p>Business continuity arrangements will be updated to reflect/support the Council's restructure.</p> <p>A list of critical applications is being drawn up which will be used to develop a formal link between non ICT and ICT business continuity.</p> <p>A programmed schedule for testing and validating continuity plans will be developed.</p>	<p>July 2014</p> <p>April 2014</p> <p>April 2014</p>

Annual Governance Statement

Appendix A: Significant Improvements Needed to Governance and internal Control

Governance and Internal Control Item	Action required to enhance effectiveness	Implementation Date
	<p>Once the above review is complete a report will be taken to Directors Team</p> <p>DMT's will agree the contracts register and identify critical contracts</p>	<p>July 2014</p> <p>July 2014</p>
<p>Following work by internal audit a number of areas were identified where action was required to develop the Civic Centre's computer Data Centre (DC). These included consideration of the opportunities and risks related to other means of providing the facility e.g. sharing facilities with another body. The key actions are detailed below:</p> <ul style="list-style-type: none"> • Chubb have been commissioned to carry out full survey of all fire safety and suppression equipment • A review of direct generator connection to the main Data Centre Uninterruptable Power Supply has been completed. • Options appraisal completed for On-site vs Off-site Data Centre - Indicates On-site as best option. Prime location for a new shared DC established within Civic Centre refurbishment designs. External consultants are being procured to assist in the development of a business case, design brief and project plan for a Shared Service Data Centre within the Civic Centre. Subject to feasible business case, design brief and project plan, new Data Centre to be incorporated within Civic Centre refurbishment programme. <p>Accountable Officer: Director of Resources</p>	<p>Chubb survey completion</p> <p>Implement survey recommendations</p> <p>Options appraisal to be undertaken to determine optimum utilisation of generator in the event of power loss</p> <p>Development of business case, brief and plan</p> <p>Completion of new Data Centre</p>	<p>May 2014</p> <p>July 2014</p> <p>May 2014 with changes being implemented by July 2014</p> <p>July 2014</p> <p>October 2015</p>

Glossary

Abbreviations	The symbol 'k' following a figure represents £ thousand. The symbol 'm' following a figure represents £ million.'
Accruals	Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
Accounting policies	Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.
Actuarial gains or losses (Pensions)	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise either because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or the actuarial assumptions themselves have changed.
Amortise	To write off gradually and systematically a given amount of money within a specific number of time periods.
Assets	Items of worth which are measurable in terms of money.
Assets Held for Sale	Those assets, primarily long-term assets, that the Council wishes to dispose of through sale to others.
Balances	The total level of surplus funds the Council has accumulated over the years.
Budgets	A statement of the Council's forecast expenditure, that is, net revenue expenditure for the year.
Capital Expenditure	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
Capital Adjustment Account	The account accumulates (on the debit side) the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded from capital under statute). The balance on the account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.
Capital Receipts	Monies received from the disposal of land and other fixed assets, and from the repayment of grants and loans made by the Council.

Glossary

Code of Practice on Local Authority Accounting in the UK	The Code specifies the principles and practices of accounting to give a 'true and fair' view of the financial position and transactions of a local authority.
Collection Fund	A fund administered by the Council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipts of non-domestic rates.
Comprehensive Income & Expenditure Statement	This account summarises the resources that have been generated and consumed in providing services and managing the Council during the financial year.
Consistency	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
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 council's control.
Contingent Liability	A contingent liability is either (i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or (ii) a present obligation from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
Contingent Rent	The portion of the lease payments that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time.
Corporate & Democratic Core	The corporate & democratic core comprises all activities which local authorities engage in specifically because they are elected, multipurpose authorities.
Creditors	An amount owed by the Council for work done, goods received or services rendered, but for which payment has not been made.
Current Service Cost (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Glossary

Curtailment (Pensions)	For a defined benefit pension scheme 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 include termination of employee's service through redundancy or amendment of the terms affecting future benefits.
Debtors	Monies owed to the Council but not received at the balance sheet date.
Defined Benefit Scheme (Pensions)	A pension or other retirement scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.
Depreciation	The measure of the wearing out, consumption or other reduction in the useful economic life of an asset.
Earmarked Reserve	A sum set aside for a specific purpose.
Emoluments	Payments received in cash and benefits for employment.
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 is authorised for issue.
Existing Use Value - Social Housing (EUV-SH)	This is a vacant possession valuation of Council dwellings adjusted to reflect the continuing occupation by a secure tenant. A further adjustment is made to reflect the difference between open market rented property and social rented property.
Expected Rate of Return on Pensions	This is an actuarially calculated estimate of the return on the scheme's investment assets during the year.
Fair Value	The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.
Fees and Charges	Income arising from the provision of services, for example, charges for the use of leisure facilities.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

Glossary

Financial Instrument	Document (such as a cheque, draft, bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.
Financial Instruments Adjustment Account	The reserve records the accumulated difference between the financing costs included in the Comprehensive Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.
General Fund	The total services of the Council except for the Housing Revenue Account and the Collection Fund, the net cost of which is met by Council Tax, Government Grants and Business Rates (NDR).
Going Concern	The concept that the council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.
Housing Revenue Account (HRA)	A separate account detailing the expenditure and income arising from the provision of Council dwellings.
Impairment	A reduction in the value of a fixed asset below its carrying amount on the balance sheet resulting from causes such as obsolescence or physical damage.
Intangible Assets	An asset that is not physical in nature, e.g. software 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.
Investment Properties	Interest in land and buildings where construction work and development has been completed and the asset is held for its investment potential, any rental income being negotiated at arms length.
Liabilities	Any amounts owed to individuals or organisations which will have to be paid at some time in the future.
Liquid Resources	Current asset investments that are readily disposable by the council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.
Local Services Support Grant	A grant from Government towards the cost of providing services.

Glossary

Materiality	An item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.
Minimum Revenue Provision (MRP)	An amount charged by the Council to the Comprehensive Income & Expenditure Account, for debt redemption or for the discharge of other credit liabilities.
Movement in Reserves Statement	The statement shows the movement in the year on the different reserves held by the Council.
Non-Domestic Rates (NDR)	Rates which are levied on business properties.
Net Book Value	The amount at which fixed assets are included in the balance sheet being the historical cost or current value less the cumulative amounts provided for depreciation.
Net Debt	The council's borrowings less cash and liquid resources.
Operating Leases	Leases other than a finance lease.
Precept	The amount levied by the various joint authorities which is collected by the Council on their behalf.
Property, Plant & Equipment (PPE)	Assets that yield benefits to the Council and the services that it provides for a period of more than one year. Examples include land, buildings and vehicles.
Provisions	These are sums set aside to meet liabilities or losses which have been incurred but where the amount and/or timing of such costs are uncertain.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of information available.
Public Works Loan Board	This is a Government agency which provides loans to local authorities at favourable rates.
Related Party Transactions	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. An example could be the purchase, sale, lease, rental or hire of assets between related parties.

Glossary

Reserves	These are sums set aside to meet possible future liabilities where there is no certainty about whether or not these liabilities will be incurred.
Residual Value	The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.
Revaluation Reserve	The reserve records the accumulated gains on the fixed assets held by the council arising from increases in value as a result of inflation or other factors.
Revenue Expenditure	Expenditure on providing day-to-day services, for example employee cost and premises costs.
Revenue Expenditure Funded from Capital under Statute	Expenditure which may be properly incurred, but which does not result in an asset owned by the Council, e.g. improvement grants.
Unusable Reserves	The Council cannot use this category of reserves to provide services. Includes reserves that hold unrealised gains and losses (e.g. 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 regulation'.
Usable Reserves	Those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
Useful Life	The period over which the council will derive benefits from the use of a fixed asset.

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