APPENDIX B

North Tyneside Council

ANNUAL FINANCIAL REPORT

2014/15

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Explanatory Foreword of the Chief Finance Officer

1 Introduction

A published and audited Statement of Accounts is at the heart of ensuring proper accountability for the use of local and national taxpayers money. However, we recognise that the Authority's Accounts can only tell part of the story. The Authority also needs to demonstrate that it is aiming to operate to the highest standards of conduct in accordance with the principles of corporate governance and has a robust system of internal control in place.

The Accounts bring together our financial position with a summary of our governance arrangements in our Annual Governance Statement (page 134).

This Statement of Accounts details the Authority's financial position for the financial year 1 April 2014 to 31 March 2015. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code). The Code of Practice constitutes "proper accounting practice" under the terms of the Accounts and Audit (England) Regulations 2011, the Local Government and Housing Act 1989 and, for audit, the Audit Commission Act 1998.

The purpose of this foreword is to offer an easily understandable guide to the most significant matters reported in the Accounts. It provides an explanation in overall terms of the Authority's financial position and assists in the interpretation of the financial statements.

<u>The Accounting Statements:</u>

The Authority's Accounts for the year 2014/15 consist of:

2 Summary of the 2014/15 Financial Year

The Authority incurs both revenue and capital expenditure each year. Revenue expenditure is usually used to purchase goods and services that are consumed within one year; these are financed from Council Tax, Government Grants, Non Domestic Rates under the rates retention scheme and other income such as fees and charges. Capital expenditure is money spent on assets which have a useful life in excess of one year; these are financed by capital receipts, borrowing, and grants and contributions.

General Fund

At its meeting of 20 February 2014, Council approved a total General Fund Revenue Budget of £168.395m for the financial year 2014/15.

The Dedicated Schools Grant (DSG) received for 2014/15 was £139.204m for North Tyneside Council with a subsequent Academy recoupment of £10.997m leaving the total amount of DSG received in 2014/15 as £128.207m (original budget estimate was £139.696m).

The following table summarises the financial position for the year in the format set out in the Council Tax Leaflet at the start of the year:

2013/14 Actual Outturn £000s		2014/15 Actual Outturn £000s	2014/15 Budget* £000s
266,823	Expenditure on all Services	255,628	274,196
13,143	Levies	12,754	12,754
17,212	Interest payable, interest income & capital financing costs (excluding PFI & finance leases)	17,026	21,141
9,637	Transfers to reserves	10,204	0
306,815		295,612	308,091
(63,426)	Revenue Support Grant	(53,094)	(53,094)
(129,089)	Dedicated Schools Grant	(128,207)	(139,696)
(70,394)	Council Tax Collection Fund Receipts	(73,573)	(73,573)
(28,322)	Retained Business Rates	(26,467)	(26,467)
(14,961)	Business Rates Top Up	(15,253)	(15,253)
(29)	Transfer from Collection Fund	(8)	(8)
(306,221)		(296,602)	(308,091)
594	Addition to Balances	990	0
12,657	Balances brought forward	13,251	13,251
13,251	Balances carried forward	14,241	13,251

*This figure is the approved General Fund Budget of £168.395m and the Dedicated Schools Budget of £139.696m.

The Local Government Act 2003 imposes a duty on the Authority to monitor its budget during the year and to consider what action to take if a potential deterioration in its financial position is identified. Within North Tyneside this requirement is met by monthly budget monitoring in Services and bi-monthly monitoring reports to Cabinet. The "Amounts Reported for Resource Allocation Decisions" (Note 5) is a statement that reconciles the year end outturn report to Cabinet with the Cost of Services included in the Comprehensive Income & Expenditure Statement.

The budget monitoring and management process was effective in the year and allowed all issues arising to be addressed. Overall the Authority recorded an underspend against the budget, although there were variations between and within services. Further details on the variations in the budgets at the year end were reported to Cabinet on 8 June 2015. Link to report Cabinet 08-JUN-2015 - North Tyneside Council

Comprehensive Income & Expenditure Statement

The Cost of Services line in the Comprehensive Income & Expenditure Statement represents the net expenditure incurred by the Authority in the direct provision of Services (page 14). The net expenditure of £90.797m (£140.288m 2013/14 restated for accounting treatment of schools – further information in Note 2) is a reduction of £49.491m on the previous year. The variations relate to capital accounting adjustments and additional grants included within the Statement (this includes the funding received in respect of the North Tyneside Living PFI scheme).

Other operating expenditure has risen from £17.846m (restated - further information in Note 2) in 2013/14 to £28.877m during 2014/15. This is substantially due to an increase of £11.285m from 2013/14 in respect of losses on disposal of assets.

In terms of income, Taxation and Non-specific Grant Income there has been no significant change between 2013/14 and 2014/15 with the figures being £195.868m for 2013/14 (restated figure) and £193.569m in 2014/15 – a slight reduction of £2.299m.

Balance Sheet

During 2014/15 guidance was issued in respect of the accounting treatment for local authority maintained schools. As a result of the changes within this guidance, the schools within North Tyneside that are part of the North Tyneside Learning Trust are now required to be included within the Authority's Balance Sheet. This has resulted in the need to restate the Balance Sheet that was published in the 2013/14 accounts. The value of the assets held as at 1 April 2013 has been increased by £164.166m whilst the closing value for 2013/14 has been increased by £176.157m to show a value of £993.508m (further information in Note 2).

The Balance Sheet is set out on page 17. Overall, the Authority has net assets of £173.930m which is an increase from 2013/14 of £43.018m from the restated figure of £130.912m (further information in Note 2).

Housing Revenue Account

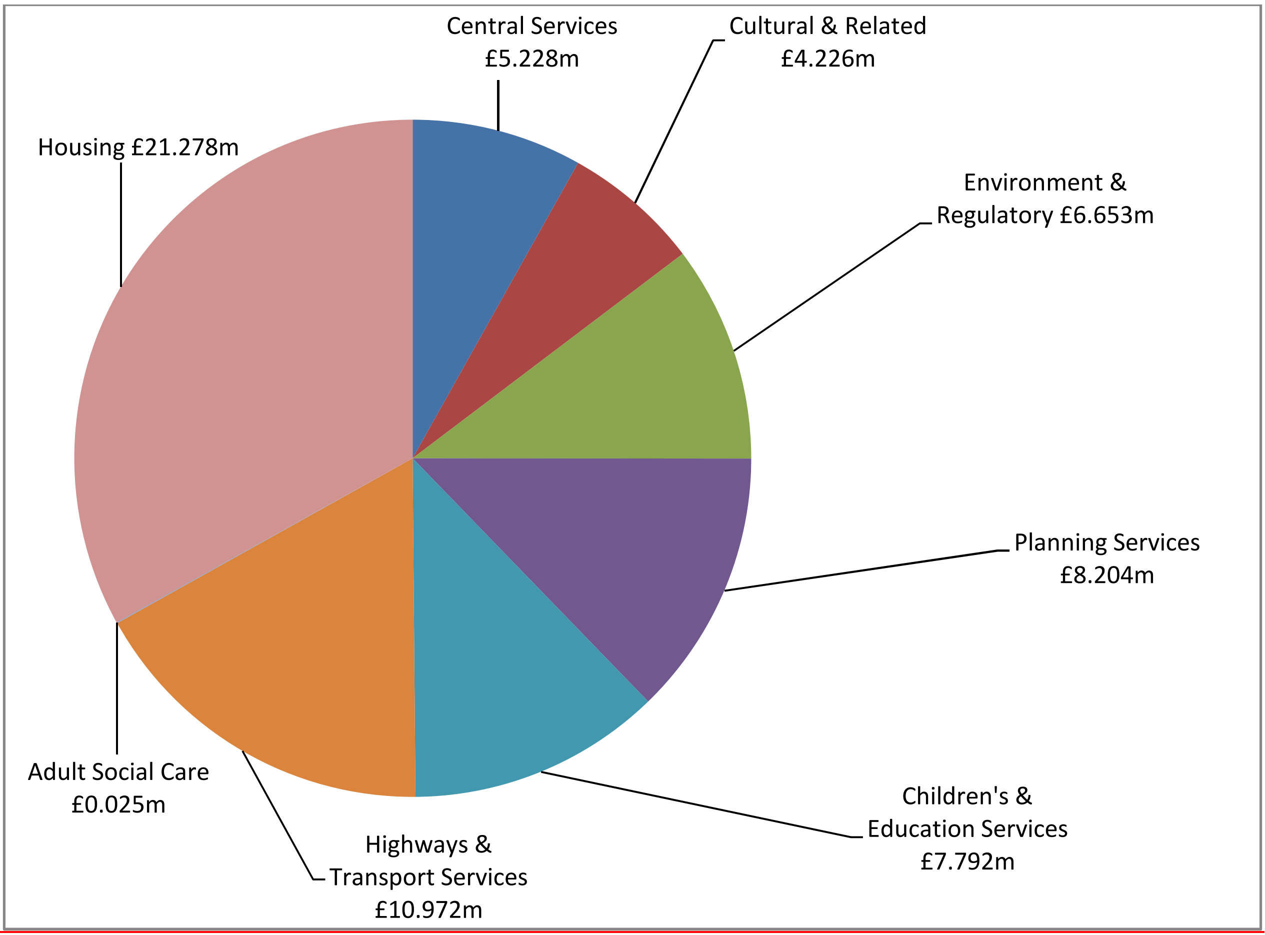
On 15 January 2014 the Authority approved the Housing Revenue Account (HRA) budget which included an average rent increase of 6.31% and income and expenditure of £60.285m.

The detailed HRA outturn for 2014/15 was reported to Cabinet on 8 June 2015 and showed a final contribution to working balances of £0.878m. This is £0.724m higher than the originally budgeted figure and reflects various savings that have been made across the HRA.

Capital Expenditure

Capital expenditure in 2014/15 totalled £88.559m which includes spend on PFI projects within the Authority. This amount includes £64.378m (£56.654m 2013/14) on capital projects. The following chart shows where the £64.378m was spent.

Spend on Capital Projects



Major schemes within the 2014/15 plan included:

	£000s
HRA Schemes	19,890
Education and Schools	7,922
Swan Hunters Redevelopment	5,537
Local Transport Plan	4,696
Excellent Parks	3,892
Four Lane Ends Junction	2,825
Tynemouth Crematorium	2,676
Roads and Pavements	2,295
Asset Maintenance	2,203
Electronic Document & Records Management System (EDRMS)	1,969
Vehicle Transport Review	1,725
Private Housing Renovations and Disabled Facilities	1,234
Coastal Regeneration	1,226
Surface Water Monitoring	1,281
Information Computer Technology	1,208

The sources of finance used to fund the capital expenditure are set out in Note 20.

Borrowing Facilities

Section 3 of the Local Government Act 2003 requires the Authority to determine its own affordable borrowing requirement necessary to fund capital expenditure. The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

The Authority set its Authorised Limit for external debt for 2014/15 at £1,190.000m (£1,180.000m 2013/14) and its Operational Boundary for external debt at £635.000m (£625.000m 2013/14). All transactions were carried out within the Authorised Limit boundaries during 2014/15. As shown in the Balance Sheet, the total liabilities for borrowing, finance lease balances (including Private Finance Initiative (PFI)) and other liabilities are £526.279m (£513.124m 2013/14).

3 Overview and Outlook

In line with comments made in previous years' accounts, the Authority anticipates that there will be further pressures in coming years. Reductions in Central Government funding combined with increasing pressures, especially in demand-led services, means that we need to make efficiencies estimated to be between £40-£46m over the next three years. £14.158m of this must be made during 2015/16, which comes on top of the £28.790m delivered over the last two years.

A major part of the Authority's response to this challenge has been the development of the Creating a Bright Future programme. This is a longer term, three-year plan which aims to make a difference for residents through smarter working practices, putting people at the centre of what we do and ensuring that we maximise the use of public money to achieve residents' priorities – including delivering economic success and jobs for the borough.

To ensure our plans reflect public priorities we consulted widely with people across the borough when we developed the 'Our North Tyneside Plan' in 2013. We reconfirmed these priorities by talking to residents and other stakeholders during the summer of 2014.

Through our corporate planning processes we continue to consider the organisational structure of the Authority so that we are shaped to deliver high quality, value for money services.

We are continually looking to identify opportunities to deliver services in a different way, taking a much more integrated approach. We will work more effectively across services and organisational boundaries ensuring provision is targeted at the appropriate level, removing overlap and duplication.

Our strategic planning is focused by a set of principles and outcomes that aim to target investment to deal with issues at an early stage, to prevent costs escalating into the future.

The Medium Term Financial Plan (MTFP) identifies what we need to spend to maintain current services, what our priority-led spending plans are and how we can redirect spending to match the priorities as shaped by the Creating a Brighter Future programme.

Our financial strategy includes the level of reserves we plan to hold and how these will be utilised, taking into consideration the risks and challenges we potentially face over the financial planning period. This will ensure that the Authority is best placed to manage future pressures and benefit from opportunities through working with a wide range of partners.

The Authority is still waiting for confirmation of the impact on the 2015/16 General Fund budget arising from the in-year departmental spending reduction announced after the General Election in May.

The implementation of the new Government's Policies, as indicated in the Queen's speech (27 May 2015), followed by the Chancellor's Budget announcement (8 July) have raised the expectation of further funding reductions and impacts for both the General Fund and the Housing Revenue Account. The Authority has begun to consider these and is developing plans to manage the delivery of services within available resources.

Janice Gillespie
CHIEF FINANCE OFFICER
Date:

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

Opinion on the Council financial statements

We have audited the financial statements of North Tyneside Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of North Tyneside Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Head of Finance and auditor

As explained more fully in the Statement of the Responsibilities for the Statement of Accounts, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of North Tyneside Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that, in all significant respects, North Tyneside Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Delay in certification of completion of the audit

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

Gareth Davies

For and on behalf of Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham, DH1 5TS
September 2015

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

i. To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, the officer is the Chief Finance Officer;
ii. To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
iii. To approve the Statement of Accounts.

Signed:

Chair of Council
Date:

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practice as set out in the CIPFA/Local Authority Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom ('The Code').

In preparing this Statement of Accounts the Chief Finance Officer has:

i. Selected suitable accounting policies and then applied them consistently;
ii. Made judgements and estimates that were reasonable and prudent; and
iii. Complied with the local authority Code.

The Chief Finance Officer has also ensured that:

i. Proper accounting records have been kept up to date; and
ii. Reasonable steps have been taken for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts for the year ended 31 March 2015, required by the Accounts and Audit (England) Regulations 2011 are set out in the following pages and that they give a true and fair view of the financial position of the Authority and its income and expenditure for the year ended 31 March 2015.

Signed:

Janice Gillespie
Chief Finance Officer
Date:

Comprehensive Income and Expenditure Statement for the year ended 31 March 2015

This Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Restated*

2013/14				2014/15		
Gross Exp £000s	**Gross Inc £000s**	**Net Exp £000s**		**Gross Exp £000s**	**Gross Inc £000s**	**Net Exp £000s**
628	(1,884)	(1,256)	Central Services to the Public	2,485	(1,260)	1,225
35,572	(8,077)	27,495	Cultural & Related	28,710	(8,706)	20,004
29,674	(7,474)	22,200	Environmental & Regulatory	31,782	(10,299)	21,483
9,434	(5,553)	3,881	Planning Services	9,206	(4,895)	4,311
219,106	(168,104)	51,002	Children's & Education Services	210,908	(174,813)	36,095
14,336	(6,892)	7,444	Highways & Transport Services	13,593	(6,827)	6,766
25,624	(59,250)	(33,626)	Local Authority Housing (HRA)	13,030	(70,245)	(57,215)
79,485	(81,110)	(1,625)	Other Housing Services	79,936	(80,470)	(534)
85,375	(29,815)	55,560	Adult Social Care	86,602	(35,513)	51,089
10,458	(10,854)	(396)	Public Health	11,025	(11,015)	10
6,807	(1,135)	5,672	Corporate & Democratic Core	5,883	(1,255)	4,628
3,937	0	3,937	Non Distributed Costs (NDC)	2,935	0	2,935
520,436	**(380,148)**	**140,288**	**Cost of Services**	**496,095**	**(405,298)**	**90,797**
17,846	0	17,846	Other Operating Expenditure (Note 10)	28,877	0	28,877
43,481	(462)	43,019	Financing and Investment Income and Expenditure (Note 11)	39,174	(119)	39,055
0	(195,868)	(195,868)	Taxation and Non Specific Grant Income (Note 12)	0	(193,569)	(193,569)
581,763	**(576,478)**	**5,285**	**(Surplus)/ Deficit on Provision of Services**	**564,146**	**(598,986)**	**(34,840)**
		(9,621)	Surplus on Revaluation of Non-Current Assets (Note 36)			(64,178)
		(109,060)	Remeasurement of the net defined benefit liability (Note 36)			56,000
		(118,681)	**Other Comprehensive Income and Expenditure**			**(8,178)**
		(113,396)	**Total Comprehensive Income and Expenditure**			**(43,018)**

*See Note 2 for more details on prior period adjustments

Movement in Reserves Statement

This Statement shows the movement in year on the different reserves held by the Authority, analysed into ‘useable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus)/Deficit on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

	General Fund Balances £000s	Earmarked Balances** £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Total Useable Reserves £000s	Unuseable Reserves Note 36 £000s	Total Authority Reserves £000s
Balance 1 April 2014	**(13,251)**	**(36,330)**	**(2,854)**	**(6,500)**	**(562)**	**(3,923)**	**(63,420)**	**(67,492)**	**(130,912)**
<u>Movement in Reserves during 2014/15</u>									
Surplus on the Provision of Service	(700)	0	(34,140)	0	0	0	(34,840)	0	(34,840)
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	(8,178)	(8,178)
Total Comprehensive Income & Expenditure	(700)	0	(34,140)	0	0	0	(34,840)	(8,178)	(43,018)
Adjustments between accounting basis & funding basis under regulations (Note 4)	(10,494)	0	26,373	(940)	(1,123)	(3,399)	10,417	(10,417)	0
Net (increase)/decrease before transfers to earmarked reserves	(11,194)	0	(7,767)	(940)	(1,123)	(3,399)	(24,423)	(18,595)	(43,018)
Transfers to/(from) earmarked reserves (Note 35)	10,204	(17,093)	6,889	0	0	0	0	0	0
(Increase)/decrease in 2014/15 (Note 34)	(990)	(17,093)	(878)	(940)	(1,123)	(3,399)	(24,423)	(18,595)	(43,018)
Balance at 31 March 2015	**(14,241)**	**(53,423)**	**(3,732)**	**(7,440)**	**(1,685)**	**(7,322)**	**(87,843)**	**(86,087)**	**(173,930)**

Restated*	General Fund Balances £000s	Earmarked Balances** £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Total Useable Reserves £000s	Unuseable Reserves Note 36 £000s	Total Authority Reserves £000s
Balance 1 April 2013	**(12,657)**	**(25,564)**	**(2,200)**	**(5,187)**	**(562)**	**(8,165)**	**(54,335)**	**36,819**	**(17,516)**
Movement in Reserves during 2013/14									
(Surplus)/deficit on the provision of Service	22,010	0	(16,725)	0	0	0	5,285	0	5,285
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	(118,681)	(118,681)
Total Comprehensive Income & Expenditure	22,010	0	(16,725)	0	0	0	5,285	(118,681)	(113,396)
Adjustments between accounting basis & funding basis under regulations (Note 4)	(32,241)	0	14,942	(1,313)	0	4,242	(14,370)	14,370	0
Net (increase)/decrease before transfers to earmarked reserves	(10,231)	0	(1,783)	(1,313)	0	4,242	(9,085)	(104,311)	(113,396)
Transfers to/(from) earmarked reserves (Note 35)	9,637	(10,766)	1,129	0	0	0	0	0	0
(Increase)/decrease in 2013/14 (Note 34)	(594)	(10,766)	(654)	(1,313)	0	4,242	(9,085)	(104,311)	(113,396)
Balance at 31 March 2014	**(13,251)**	**(36,330)**	**(2,854)**	**(6,500)**	**(562)**	**(3,923)**	**(63,420)**	**(67,492)**	**(130,912)**

* See Note 2 for more information on Prior Period Adjustments
** Earmarked Balances includes reserves and balances relating to both the General Fund and Housing Revenue Account – Note 35 provides more details

Balance Sheet as at 31 March 2015

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by the reserves held by the Authority.

Restated*

1 April 2013 £000s	31 March 2014 £000s		Notes	31 March 2015 £000s
986,434	993,508	Property, Plant & Equipment	19	1,099,289
849	1,214	Heritage Assets		1,630
1,745	1,983	Investment Property	22	1,580
441	255	Intangible Assets		196
10,784	10,784	Long Term Investments	23	10,784
1,191	1,037	Long Term Debtors	24	1,693
1,001,444	**1,008,781**	**Long Term Assets**		**1,115,172**
354	436	Short Term Investments	41	300
1,050	0	Assets Held for Sale	25	214
609	662	Inventories		709
34,872	39,078	Short Term Debtors	26	55,987
4,821	13,362	Cash & Cash Equivalents	27	12,600
41,706	**53,538**	**Current Assets**		**69,810**
(73,735)	(77,355)	Short Term Borrowing	28	(100,434)
(37,306)	(35,688)	Short Term Creditors	29	(49,774)
(2,167)	(3,232)	Finance & PFI Lease Creditors	8,18	(3,059)
(10,349)	(6,220)	Provisions	30	(2,759)
(361)	(354)	Other Short Term Liabilities	33	(220)
(123,918)	**(122,849)**	**Current Liabilities**		**(156,246)**
(52,216)	(54,419)	Finance & PFI Lease Creditors	8,18	(74,919)
(3,427)	(5,033)	Provisions	30	(4,916)
(382,943)	(374,843)	Long Term Borrowing	31	(344,843)
(3,043)	(2,921)	Other Long Term Liabilities	33	(2,804)
(3,590)	(4,521)	Other Long Term Creditors	32	(4,839)
(454,330)	(360,230)	Pension Liability	9	(420,280)
(2,167)	(6,591)	Capital Grants Receipts in Advance	13	(2,205)
(901,716)	**(808,558)**	**Long Term Liabilities**		**(854,806)**
17,516	**130,912**	**Net Assets**		**173,930**
		Financed By:		
(54,335)	(63,420)	Useable Reserves	34	(87,843)
36,819	(67,492)	Unuseable Reserves	36	(86,087)
(17,516)	**(130,912)**	**Total Reserves**		**(173,930)**

*See Note 2 for more information on Prior Period Adjustments

Cash Flow Statement for year ended 31 March 2015

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

Restated* 2013/14 £000s		Notes	2014/15 £000s
(5,285)	Net surplus/(deficit) on the provision of services		34,840
70,631	Adjustments to net surplus/ deficit on the provision of services for non cash movements	43	42,458
(31,352)	Adjustments for items included in the net surplus/ deficit on the provision of services that are investing and financing activities	43	(32,177)
33,994	**Net Cash Flows from Operating Activities**		**45,121**
(17,945)	Net Cash flow from Investing Activities	44	(35,583)
(7,508)	Net Cash flow from Financing Activities	45	(10,300)
8,541	**Net Increase/(decrease) in cash and cash equivalents**		**(762)**
4,821	Cash and cash equivalents at the beginning of the reporting period	27	13,362
13,362	**Cash and cash equivalents at the end of the reporting period**		**12,600**

*See Note 2 for more details on prior period adjustments

Chief Finance Officer's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2015, required by the Accounts and Audit (England) Regulations 2011 are set out in the following pages and that they give a true and fair view of the financial position of the Authority and its income and expenditure for the year ended 31 March 2015.

Signed:

Janice Gillespie
Chief Finance Officer

Date:

Index to the Notes to the Core Financial Statements

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

1 Accounting Policies

General Principles

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

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit (England) Regulations 2011.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 Regulations.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. Generally, the majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions in the year in which they are identified, and are accounted for accordingly.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract unless the difference is immaterial; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (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 Authority's status as a multi-functional, democratic organisation; and
- 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 SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Cost of Services.

Government Grants and Contributions

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

- The Authority will comply with the conditions attached to the payments; and

- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until there is reasonable assurance that the conditions attached to the grant or contribution will be satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied or for which there is not reasonable assurance that they will be satisfied are carried in the Balance Sheet as creditors (revenue grants) or capital grants receipts in advance (capital grants). When conditions are satisfied or reasonable assurance is achieved, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied 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.

Charges to Revenue for Non-Current Assets

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

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by MRP in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. The Minimum Revenue Provision policy is approved annually by Council as part of the budget setting process.

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

Exceptional items

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

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

<u>The Authority as Lessee</u>

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 Authority are added to the carrying amount of the asset. 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; and
- 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 Authority at the end of the lease period).

The Authority 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).

The Authority as Lessor

Finance Leases
Where the Authority grants a Finance lease for Property, Plant and 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 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 Authority'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 are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease debtor; and
- 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 Capital Receipts Reserve in the Movement in Reserves Statement when 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 non-current 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 Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service (Other Operating Expenditure) line in the Comprehensive Income and Expenditure Statement. Rental income is recognised on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Employee Benefits

Benefits Payable During Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu, flexi balances) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises the costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Strain on the Fund costs have been paid to the Tyne and Wear Pension Body in 3 instalments over a 3 year period.

Post Employment Benefits (Retirement Benefits)
Employees of the Authority are primarily members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE); and
- The Local Government Pensions Scheme (Tyne and Wear Pension Fund), administered by South Tyneside Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees of the Authority/Schools.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education 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 Pensions Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Tyne and Wear Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees; and

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.

The assets of the Tyne and Wear Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price; and
- Property – market value.

The change in the net pensions liability is analysed into the following components:

<u>Service cost</u>
- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs; and
- Net Interest on the net defined benefit liability (asset) i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

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

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

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

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

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

Discretionary Benefits

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Property, Plant and Equipment

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

The freehold and leasehold properties which comprise the Council’s portfolio are valued by Capita Property and Infrastructure Limited acting as the Council’s internal Chartered Surveyors.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price; and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- 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); and
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of 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 under the course of construction are recorded at cost during the construction period. Once the asset becomes operational a valuation is undertaken as relevant to the assets type.

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 four years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, where the increase reverses a revaluation decrease on the same asset that was previously charged to the Surplus or Deficit on Provision of Services, all or part of the revaluation gain is credited to the Surplus or Deficit on Provision of Services up to the amount of the previously recognised loss, net of depreciation that would have been charged had the loss not been recognised.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

De-Minimis Levels

The Authority has set a de minimus level for the recognition of capital assets of £0.010m for land, buildings and infrastructure and £0.006m for equipment.

Assets below the de-minimis level are charged to the revenue account i.e. the asset is not included in the balance sheet unless it is part of an overall project costing more than the de-minimis level.

The Authority may capitalise particular items of expenditure that are below its de-minimis limit (e.g. because the terms of a grant require it to be applied to capital expenditure), as this brings the Authority back in line with proper practices for the particular item. The treatment of items below the limit in this way has no material impact on the accounts.

Impairment

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

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

Deprecation is calculated on the following bases:

- Council Dwellings – the assumed Major Repairs Allowance (MRA) is used as a proxy for depreciation;
- Other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (generally 30-60 years);
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset (generally 3-10 years); and
- Infrastructure – straight-line allocation over the useful life of the asset (generally 15-40 years).

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The land element will continue to be considered as a separate asset with its own valuation which, except in very unusual circumstances, will not be subject to depreciation. For buildings valued over £0.500m consideration will be given as to whether or not there is any significant part which requires a separate component, such as the roof or any specialist item of plant or equipment. Where enhancement expenditure has taken place during the year to a value of more than 20% of the asset value, then the asset will be componentised.

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and

Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £0.010m are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Trust Schools

Following the publication of clarifying guidance land and buildings leased to the foundation trust are included on the Authority's balance sheet.

Voluntary Aided Schools
Land and buildings owned by the diocesan authorities are not included on the Authority's balance sheet.

Academy Schools
Land and buildings transferred to an Academy are removed from the Authority's balance sheet in the year that the transfer takes place.

Heritage Assets

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Recognition and Measurement

Assets have been valued at cost or insurance valuation if this information is readily available. Where neither is obtainable at a cost commensurate with the benefits of doing so the assets are not recognised on the Balance Sheet.

Impairment

The carrying amounts of heritage assets are reviewed where there is evidence of impairment. Any impairment is recognised and measured in accordance with the Authority's general policy on impairment.

Disposals

Disposal proceeds are disclosed separately and accounted for in accordance with the statutory accounting requirements relating to capital receipts.

The Authority's museums are included and accounted for as operational assets within Property, Plant and Equipment.

Investment Property

Investment Properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment Properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-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 £0.010m) the Capital Receipts Reserve.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant services in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant services in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £0.010m) the Capital Receipts Reserve.

Interests in Companies and Other Entities

In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The Authority does not have material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require it to prepare group accounts.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will normally pass to the Authority at the end of the contracts, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment (See Note 19).

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and

- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment or revenue expenditure in the relevant service line of the Comprehensive Income and Expenditure Statement when the relevant works are eventually carried out.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority 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 Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable (maximum 10 years) when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Equity shares with no quoted market prices are based on an independent appraisal of company valuations.

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation including compensation payments for back pay arising from discriminatory payments incurred before the Authority implemented its equal pay strategy.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority 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 Authority. 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.

Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. The nature of the Authority's main reserves and balances are shown in Note 35 to the Core Financial Statements. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service 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 useable resources for the Authority – these reserves are explained in the relevant policies.

Estimation Techniques

Estimation techniques are the methods adopted to arrive at estimated monetary amounts for the values of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their exact value. Estimation techniques have been used to determine provisions (including redundancy payments and equal pay), reserves, pension liabilities and Non Domestic Rates (NDR), as there is uncertainty over the monetary amounts. Except where specified in the CIPFA Code, the Authority has determined the estimation techniques that most closely reflect the economic reality of the transactions.

Collection Fund Statement

Council Tax Income

Council Tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the accrued income for the year and the amount required by regulation to be credited to the General Fund will be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund Balance Movement in Reserves Statement. Any balances owed to or from each preceptor will be shown as a creditor or debtor in the Authority's accounts.

Business Rates

Business Rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the accrued income for the year and the amount required by regulation to be credited to the General Fund will be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund Balance Movement in Reserves Statement. Any balances owed to or from each preceptor or central government will be shown as a creditor or debtor in the Authority's accounts.

Events after the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Jointly Controlled Operations and Jointly Controlled Assets

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Authority recognises on the Balance Sheet its assets and liabilities and its share of any assets and liabilities held jointly. The Comprehensive Income and Expenditure Statement includes expenditure it incurs and the share of income it earns from the activity of the operation.

Carbon Reduction Commitment (CRC) Scheme

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase, which ends on 31 March 2019. The Authority is required to purchase and surrender allowances, either prospectively or retrospectively, and surrender them 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 allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the cost of the Authority's services and is apportioned to services on the basis of energy consumption.

Value Added Tax (VAT)

Income and Expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

2 Prior Period Adjustments

During 2014/15 clarification and further guidance was issued in respect of the accounting treatment for local authority maintained schools. As a result of these changes, the schools within North Tyneside that are part of the North Tyneside Learning Trust are now required to be included within the Authority's Balance Sheet. The adjustments below show the individual lines that have changed in the 2014/15 accounts within the main financial statements - where a supplementary note has been restated these are indicated within the affected note.

Balance Sheet

Originally Published			Restated Figures	
1 April 2013 £000s	31 March 2014 £000s		1 April 2013 £000s	31 March 2014 £000s
822,268	817,351	Property, Plant & Equipment	986,434	993,508
837,278	832,624	Long Term Assets	1,001,444	1,008,781
(146,648)	**(45,243)**	**Net Assets/(Liabilities)**	**17,516**	**130,912**
(54,335)	(63,420)	Useable Reserves	(54,335)	(63,420)
200,983	108,663	Unuseable Reserves	36,819	(67,492)

Comprehensive Income and Expenditure Statement

Originally Published 2013/14				Restated Figures 2013/14		
Gross Exp £000s	Gross Inc £000s	Net Exp £000s		Gross Exp £000s	Gross Inc £000s	Net Exp £000s
212,018	(170,997)	41,021	Children's & Education Services	219,106	(168,104)	51,002
513,348	**(383,041)**	**130,307**	**Cost of Services**	**520,436**	**(380,148)**	**140,288**
28,755	0	28,755	Other Operating Expenditure	17,846	0	17,846
0	(192,975)	(192,975)	Taxation and Non Specific Grant Income	0	(195,868)	(195,868)
585,584	**(576,478)**	**9,106**	**Deficit on Provision of Services**	**581,763**	**(576,478)**	**5,285**
		(1,451)	Surplus on Revaluation of Non-Current Assets			(9,621)
		(110,511)	**Other Comprehensive Income and Expenditure**			**(118,681)**
		(101,405)	**Total Comprehensive Income and Expenditure**			**(113,396)**

Cash Flow Statement

Originally Published 2013/14 £000s		Restated Figures 2013/14 £000s
(9,106)	Net Deficit on the Provision of Services	(5,285)
69,710	Adjustments to Net Deficit on the Provision of Services for non cash movement	70,631
29,252	**Net Cash Flows from Operating Activities**	**33,994**
(13,203)	Net Cash Flows from Investing Activities	(17,945)
8,541	**Net Increase in Cash and Cash Equivalents**	**8,541**

3 Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 has introduced changes in accounting policy which will be required from 1 April 2015 and may require retrospective application. The accounting policies have been reviewed and it has been concluded that the changes will not have a material impact on the Statement of Accounts.

The changes that have been introduced are in relation to the following International Financial Reporting Standard (IFRS) statements:

- IFRS13 Fair Value Measurement – the 2015/16 Code introduces the requirement for local authorities to measure Property, Plant & Equipment (PPE) using fair value measurement. The measurement requirements for operational PPE are not subject to change, however surplus assets must now be measured at fair value in accordance with IFRS13. The standard is applied prospectively and the new valuation requirement for surplus assets will be adopted by the Authority for the 2015/16 Accounts;

- Annual Improvements to IFRSs (2011-2013 Cycle) – minor amendments have been made to IFRS 1, 3 and 13 and IAS40. The amendments provide clarification to the standards and do not impact on the Authority's accounts; and

- IFRIC (International Financial Reporting Interpretations Committee) 21 Levies – provides guidance on when to recognise a liability for a levy imposed by Government. This is a disclosure change and there will be no impact on the Authority's accounts.

4 Adjustments between Accounting Basis and Funding Basis under Regulations

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

	Useable Reserves					
2014/15 Adjustments	**General Fund Balances £000s**	**Housing Revenue Account £000s**	**Capital Receipts Reserve £000s**	**Major Repairs Reserve £000s**	**Capital Grants Unapplied £000s**	**Movement in Unuseable Reserves £000s**
Charges for depreciation and impairment of non current assets	(25,523)	(14,602)	0	0	0	40,125
Revaluation losses on Property, Plant & Equipment	(7,824)	25,200	0	0	0	(17,376)
Movements in the Fair Value of Investment Property	(403)	0	0	0	0	403
Amortisation of intangible assets	(172)	0	0	0	0	172
Capital Grants and contributions applied	19,011	10	0	0	0	(19,021)
Revenue Expenditure funded from Capital under Statute	(1,166)	(24)	0	0	0	1,190
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(10,024)	(10,306)	0	0	0	20,330
Statutory/Voluntary provision for the financing of capital investment	12,777	1,903	1,602	800	0	(17,082)
Capital expenditure charged against the General Fund and HRA Balances	605	6,566	0	0	0	(7,171)
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	5,401	0	0	0	(5,401)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	2,002	(2,002)

2014/15 Adjustments (contd)	**Useable Reserves** General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	**Movement in Unuseable Reserves £000s**
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	1,906	3,967	(5,873)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,665	0	0	(1,665)
Contributions from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1,666)	0	1,666	0	0	0
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(2)	0	0	0	0	2
Reversal of Major Repairs Allowance credited to the HRA	0	14,602	0	(14,602)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	12,679	0	(12,679)
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(95)	(125)	0	0	0	220
Reversal of net charges made to the deficit for the Provision of Services for post employment benefits	(30,284)	(2,446)	0	0	0	32,730
Employer’s pensions contributions and direct payments to pensioners payable in the year	27,081	1,599	0	0	0	(28,680)

2014/15 Adjustments (contd)	Useable Reserves					
	General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Amount by which Council tax income credited to the Comprehensive Income & Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(12)	0	0	0	0	12
Amount by which Business Rates income credited to the Comprehensive Income & Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	(288)	0	0	0	0	288
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements	184	29	0	0	0	(213)
TOTAL ADJUSTMENTS	**(10,494)**	**26,373**	**(940)**	**(1,123)**	**(3,399)**	**(10,417)**

Restated* **2013/14 Adjustments**	**Useable Reserves** **General Fund Balances £000s**	**Housing Revenue Account £000s**	**Capital Receipts Reserve £000s**	**Major Repairs Reserve £000s**	**Capital Grants Unapplied £000s**	**Movement in Unuseable Reserves £000s**
Charges for depreciation and impairment of non current assets	(23,154)	(19,422)	0	0	0	42,576
Revaluation losses on Property, Plant & Equipment	(20,854)	15,569	0	0	0	5,285
Movements in the Fair Value of Investment Property	238	0	0	0	0	(238)
Amortisation of intangible assets	(311)	0	0	0	0	311
Capital Grants and contributions applied	17,329	77	0	0	0	(17,406)
Revenue Expenditure funded from Capital under Statute	(2,139)	(40)	0	0	0	2,179
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(6,567)	(6,987)	0	0	0	13,554
Statutory/Voluntary provision for the financing of capital investment	13,497	3,913	2,054	0	0	(19,464)
Capital expenditure charged against the General Fund and HRA Balances	608	2,488	0	0	0	(3,096)
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	2,358	0	0	0	(2,358)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	6,600	(6,600)

2013/14 Adjustments (contd)	Useable Reserves					
	General Fund Balances £000s	**Housing Revenue Account £000s**	**Capital Receipts Reserve £000s**	**Major Repairs Reserve £000s**	**Capital Grants Unapplied £000s**	**Movement in Unuseable Reserves £000s**
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	3,881	6,501	(9,382)	0	0	(1,000)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,484	0	0	(4,484)
Contributions from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1,531)	0	1,531	0	0	0
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(2)	0	0	0	0	2
Reversal of Major Repairs Allowance credited to the HRA	0	14,164	0	(14,164)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	14,164	0	(14,164)
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(95)	(57)	0	0	0	152
Reversal of net charges made to the deficit for the Provision of Services for post employment benefits	(38,768)	(2,602)	0	0	0	41,370
Employer’s pensions contributions and direct payments to pensioners payable in the year	25,090	1,320	0	0	0	(26,410)

2013/14 Adjustments (contd)	Useable Reserves General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Amount by which Council tax income credited to the Comprehensive Income & Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	314	0	0	0	0	(314)
Amount by which Business Rates income credited to the Comprehensive Income & Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	(2,391)	0	0	0	0	2,391
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements	256	18	0	0	0	(274)
TOTAL ADJUSTMENTS	**(32,241)**	**14,942**	**(1,313)**	**0**	**4,242**	**14,370**

*See Note 2 for further information on Prior Period Adjustments

5 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 services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- 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, whereas in the management accounts the cost of capital expenditure is included within Corporate items; and
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.

2014/15	**Services* £000s**	**Corporate Items £000s**	**Total General Fund £000s**	**Housing Revenue Account £000s**	**Total £000s**
Fees and Charges	(89,308)	(2,405)	(91,713)	(60,272)	(151,985)
Government Grants & Contributions	(392,482)	(5,080)	(397,562)	(7,868)	(405,430)
Support Services	(40,939)	(1,726)	(42,665)	0	(42,665)
Interest & Investment Income	(246)	(88)	(334)	0	(334)
Total Income	**(522,975)**	**(9,299)**	**(532,274)**	**(68,140)**	**(600,414)**
Employees**	188,411	12,389	200,800	7,121	207,921
Other Service Expenses	424,455	11,710	436,165	23,020	459,185
Support Services	27,215	5,615	32,830	2,847	35,677
Depreciation, amortisation & impairment	15,448	(2,615)	12,833	21,197	34,030
Interest Payments	0	5,287	5,287	13,077	18,364
Levies	0	12,754	12,754	0	12,754
Total Operating Expenditure	**655,529**	**45,140**	**700,669**	**67,262**	**767,931**
Net Expenditure	**132,554**	**35,841**	**168,395**	**(878)**	**167,517**

*The above table shows how budget monitoring is reported at top level to Cabinet. At the end of this note a breakdown of the services column is shown.

** Included within the Employees figure is the salary costs associated with the Trust Schools. This is included here as this is how it is reported as part of the management accounts of the Authority.

2013/14	**Services*** **£000s**	**Corporate Items £000s**	**Total General Fund £000s**	**Housing Revenue Account £000s**	**Total Services £000s**
Fees and Charges	(47,241)	(2,862)	(50,103)	(59,070)	(109,173)
Government Grants & Contributions	(418,931)	(8,300)	(427,231)	(870)	(428,101)
Support Services	(45,420)	(2,211)	(47,631)	(425)	(48,056)
Interest & Investment Income	0	(101)	(101)	(30)	(131)
Total Income	**(511,592)**	**(13,474)**	**(525,066)**	**(60,395)**	**(585,461)**
Employees**	189,962	11,544	201,506	6,799	208,305
Other Service Expenses	415,963	7,420	423,383	17,944	441,327
Support Services	28,652	5,980	34,632	1,408	36,040
Depreciation, amortisation & impairment	15,637	2,523	18,160	20,587	38,747
Interest Payments	0	11,373	11,373	13,003	24,376
Levies	0	13,143	13,143	0	13,143
Total Operating Expenditure	**650,214**	**51,983**	**702,197**	**59,741**	**761,938**
Net Expenditure	**138,622**	**38,509**	**177,131**	**(654)**	**176,477**

*The above table shows how budget monitoring is reported at top level to Cabinet. At the end of this note a breakdown of the services column is shown.

** Included within the Employees figure is the salary costs associated with the Trust Schools. This is included here as this is how it is reported as part of the management accounts of the Authority.

Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of services income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Restated* 2013/14 £000s		2014/15 £000s
176,477	Net expenditure in Service analysis	167,517
(7,893)	Adjustments made in respect of statutory accounting policies, not included within Cabinet report	(12,237)
(28,296)	Amounts excluded from the Cost of Services within the Comprehensive Income and Expenditure Statement	(64,483)
140,288	**Cost of Services in Comprehensive Income and Expenditure Statement**	**90,797**

*See Note 2 for further details on Prior Period Adjustments

Reconciliation to Subjective Analysis

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

2014/15

	Service Analysis £000s	Statutory Accounting Adjustments £000s	Amounts not included in the Cost of Services £000s	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges	(151,985)	128	29,557	(122,300)	0	(122,300)
Government Grants & Contributions	(405,430)	7,236	130,006	(268,188)	(78,568)	(346,756)
Support Services & Recharges	(42,665)	0	27,855	(14,810)	0	(14,810)
Interest and Investment Income	(334)	0	334	0	(119)	(119)
Income from Council Tax/NDR	0	0	0	0	(115,001)	(115,001)
Total Income	**(600,414)**	**7,364**	**187,752**	**(405,298)**	**(193,688)**	**(598,986)**
Employee Expenses	207,921	(212)	0	207,709	0	207,709
Other Service Expenses	459,185	(8,629)	(190,376)	260,180	0	260,180
Support Services Recharges	35,677	0	(20,822)	14,855	0	14,855
Depreciation, amortisation and impairment	34,030	0	(9,919)	24,111	0	24,111
Interest Payments	18,364	0	(18,364)	0	24,089	24,089
Precepts & Levies	12,754	0	(12,754)	0	12,754	12,754
Payments to Housing Capital Receipts Pool	0	0	0	0	1,666	1,666
Expenditure in relation to investment properties	0	0	0	0	275	275
Gain or loss on Disposal of Fixed Assets	0	0	0	0	14,457	14,457
IAS19 Pension Costs	0	(10,760)	0	(10,760)	14,810	4,050
Total Operating Expenses	**767,931**	**(19,601)**	**(252,235)**	**496,095**	**68,051**	**564,146**
(Surplus) or deficit on the provision of services	**167,517**	**(12,237)**	**(64,483)**	**90,797**	**(125,637)**	**(34,840)**

2013/14 - Restated*

	Service Analysis £000s	Statutory Accounting Adjustments £000s	Amounts not included in the Cost of Services £000s	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges	(109,173)	123	(11,364)	(120,414)	0	(120,414)
Government Grants & Contributions	(428,101)	4,906	172,731	(250,464)	(84,238)	(334,702)
Support Services	(48,056)	0	38,786	(9,270)	0	(9,270)
Interest and Investment Income	(131)	0	131	0	(462)	(462)
Income from Council Tax/NDR	0	0	0	0	(111,630)	(111,630)
Total Income	**(585,461)**	**5,029**	**200,284**	**(380,148)**	**(196,330)**	**(576,478)**
Employee Expenses	208,305	(274)	0	208,031	0	208,031
Other Service Expenses	441,327	(8,378)	(192,000)	240,949	0	240,949
Support Services Recharges	36,040	0	(12,279)	23,761	0	23,761
Depreciation, amortisation and impairment	38,747	0	13,218	51,965	0	51,965
Interest Payments	24,376	0	(24,376)	0	24,251	24,251
Precepts & Levies	13,143	0	(13,143)	0	13,143	13,143
Payments to Housing Capital Receipts Pool	0	0	0	0	1,531	1,531
Gain or loss on Disposal of Fixed Assets	0	0	0	0	3,172	3,172
IAS19 Pension Costs	0	(4,270)	0	(4,270)	19,230	14,960
Total Operating Expenses	**761,938**	**(12,922)**	**(228,580)**	**520,436**	**61,327**	**581,763**
(Surplus) or deficit on the provision of services	**176,477**	**(7,893)**	**(28,296)**	**140,288**	**(135,003)**	**5,285**

*See Note 2 for further details on Prior Period Adjustments

Breakdown of Services

2014/15	Adult Social Care £000s	Business & Economic Development £000s	Chief Executive Office £000s	Children, Young People & Learning £000s	Commercial & Business Redesign £000s	Commissioning & Investment £000s	Sub Total £000s
Fees and Charges	(31,287)	(114)	(4,826)	(6,639)	(290)	(22,239)	(65,395)
Government Grants & Contributions	(1,758)	(534)	(77,370)	(22,749)	(1,746)	(271,773)	(375,930)
Support Services	(3,209)	(79)	(5,714)	(3,759)	(396)	(1,075)	(14,232)
Interest & Investment Income	0	0	0	0	(36)	(84)	(120)
Total Income	**(36,254)**	**(727)**	**(87,910)**	**(33,147)**	**(2,468)**	**(295,171)**	**(455,677)**
Employees	16,772	901	793	24,547	628	116,140	159,781
Other Service Expenses	64,668	1,683	85,763	24,876	5,355	178,831	361,176
Support Services	3,463	253	2,172	5,731	47	6,726	18,392
Depreciation, amortisation & impairment	308	158	39	880	778	2,609	4,772
Interest Payments	0	0	0	0	0	0	0
Levies	0	0	0	0	0	0	0
Total Operating Expenditure	**85,211**	**2,995**	**88,767**	**56,034**	**6,808**	**304,306**	**544,121**
Net Expenditure	**48,957**	**2,268**	**857**	**22,887**	**4,340**	**9,135**	**88,444**

Breakdown of Services (contd)

2014/15	**Corporate Strategy £000s**	**Deputy Chief Executive £000s**	**Digital Strategy £000s**	**Environment & Leisure and Housing General Fund £000s**	**HR & Organisational Development £000s**	**Law & Governance £000s**	**Public Health £000s**	**Overall Total £000s**
Fees and Charges	(48)	0	0	(22,416)	(66)	(1,175)	(208)	(89,308)
Government Grants & Contributions	(134)	0	0	(5,022)	(72)	(111)	(11,213)	(392,482)
Support Services	(1,304)	(158)	(4,925)	(14,610)	(1,699)	(4,011)	0	(40,939)
Interest & Investment Income	0	0	0	(126)	0	0	0	(246)
Total Income	**(1,486)**	**(158)**	**(4,925)**	**(42,174)**	**(1,837)**	**(5,297)**	**(11,421)**	**(522,975)**
Employees	1,184	213	53	22,701	687	3,239	553	188,411
Other Service Expenses	970	5	3,959	46,158	1,504	2,144	8,539	424,455
Support Services	216	11	258	5,155	334	513	2,336	27,215
Depreciation, amortisation & impairment	0	0	968	9,708	0	0	0	15,448
Interest Payments	0	0	0	0	0	0	0	0
Levies	0	0	0	0	0	0	0	0
Total Operating Expenditure	**2,370**	**229**	**5,238**	**83,722**	**2,525**	**5,896**	**11,428**	**655,529**
Net Expenditure	**884**	**71**	**313**	**41,548**	**688**	**599**	**7**	**132,554**

Breakdown of Services

2013/14	Business & Economy £000s	Chief Executive Office £000s	Finance & Commercial £000s	Law & Governance £000s	Public Health £000s	Sub Total £000s
Fees and Charges	(412)	(210)	(2,778)	(798)	(204)	(4,402)
Government Grants & Contributions	(488)	(165)	(81,214)	(11)	(10,650)	(92,528)
Support Services	(101)	(3,501)	(15,904)	(3,345)	0	(22,851)
Interest & Investment Income	0	0	0	0	0	0
Total Income	**(1,001)**	**(3,876)**	**(99,896)**	**(4,154)**	**(10,854)**	**(119,781)**
Employees	822	1,657	1,969	2,682	558	7,688
Other Service Expenses	965	2,276	96,955	1,375	8,906	110,477
Support Services	272	586	2,605	388	1,390	5,241
Depreciation, amortisation & impairment	25	36	1,719	0	0	1,780
Interest Payments	0	0	0	0	0	0
Levies	0	0	0	0	0	0
Total Operating Expenditure	**2,084**	**4,555**	**103,248**	**4,445**	**10,854**	**125,186**
Net Expenditure	**1,083**	**679**	**3,352**	**291**	**0**	**5,405**

Breakdown of Services (contd)

2013/14	Adult Social Care £000s	Children, Young People & Learning £000s	Commissioning & Fair Access £000s	Environment & Leisure £000s	Housing General Fund £000s	Deputy CEO Office Central Costs £000s	Total £000s
Fees and Charges	(4,304)	(5,433)	(12,342)	(20,680)	(80)	0	(47,241)
Government Grants & Contributions	(22,889)	(25,304)	(273,217)	(3,233)	(1,760)	0	(418,931)
Support Services	(2,071)	(4,308)	(1,498)	(14,534)	0	(158)	(45,420)
Interest & Investment Income	0	0	0	0	0	0	0
Total Income	**(29,264)**	**(35,045)**	**(287,057)**	**(38,447)**	**(1,840)**	**(158)**	**(511,592)**
Employees	17,265	23,582	117,783	22,560	900	184	189,962
Other Service Expenses	63,095	25,089	171,702	43,894	1,681	25	415,963
Support Services	2,871	7,086	7,548	5,704	190	12	28,652
Depreciation, amortisation & impairment	396	825	3,482	8,982	172	0	15,637
Interest Payments	0	0	0	0	0	0	0
Levies	0	0	0	0	0	0	0
Total Operating Expenditure	**83,627**	**56,582**	**300,515**	**81,140**	**2,943**	**221**	**650,214**
Net Expenditure	**54,363**	**21,537**	**13,458**	**42,693**	**1,103**	**63**	**138,622**

6 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in pages 22-40, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

Service Concessions

An examination of the Authority's contracts has resulted in the assets associated with Private Finance Initiative (PFI) schemes for schools, street lighting, Housing, Dudley/Shiremoor Joint Service Centres and Whitley Bay Joint Service Centre being recorded on the Authority's Balance Sheet. The contract for Waste Management does not meet the criteria under International Financial Reporting Interpretations Committee (IFRIC) 12 and therefore is not included on the Balance Sheet.

7 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or which are otherwise inherently uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2015, for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Assets are valued, in accordance with RICS valuation standards, involving the use of a number of estimation techniques including various property indices. These can be volatile at times and may result in valuation changes from year to year. See Note 19.
Provisions	The Authority has made a number of provisions, in line with the Code, totalling £7.675m. The provisions include estimated insurance liabilities, equal pay, business rates and redundancies. These are set out in Note 30.

Item	Uncertainties
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Pension Fund engages a firm of specialist actuaries to provide the Authority with expert advice about the assumptions to be applied. See Note 9.
Debtors arrears	At 31 March 2015, the Authority had a balance of £55.987m. A review of significant balances suggested that an impairment of doubtful debts of £13.751m was appropriate. However, in the current economic climate there is an inherent risk that such an allowance would not be sufficient. See Note 26.
Business Rates	Since the introduction of Business Rates Retention Scheme from 1 April 2013, local authorities are liable for their proportionate share of successful appeals against business rates charged to businesses in financial years prior to 2012/13. Therefore a reserve of £1.766m has been set up in recognition of this together with a provision of £0.712m. See Notes 30 & 34.

8 Leasing

Operating leases – Authority as Lessee

The Authority leases a number of buildings on short-term leases which are classified as operating leases. The total rentals payable in 2014/15 were £2.508m (£2.426m in 2013/14).

Undischarged operating lease rentals at 31 March 2015 amounted to £85.607m (£79.968m in 2013/14), comprising the following elements:

31 March 2014 £000s		31 March 2015 £000s
2,510	Due Year 1	2,805
10,074	Due Years 2-5	11,052
67,384	Due after Year 5	71,750
79,968	**Total**	**85,607**

Schools within the Borough use plant and equipment which are financed under the terms of operating leases. These are not included in the above figures as the leases are in the Schools' names and not the Authority's.

Operating leases – Authority as Lessor

The Authority has granted a number of leases to organisations (commercial and community) for the use of Council-owned buildings and land. These leases have been accounted for in 2014/15 as being operating leases and the total rental income was £3.047m (£2.931m in 2013/14). The future minimum lease payments are:

31 March 2014 £000s		31 March 2015 £000s
2,818	Due Year 1	2,945
5,922	Due Years 2-5	6,644
26,287	Due after Year 5	26,335
35,027	**Total**	**35,924**

Finance leases - Authority as Lessee

The Authority has entered into finance leases for refuse vehicles, gritters, and other equipment. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2014 £000s		31 March 2015 £000s
625	Vehicles, Plant, Furniture & Equipment	154

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired by the Authority and the finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2014 £000s		31 March 2015 £000s
	Finance lease liabilities (net present value of minimum lease payments):	
471	Current	154
154	Non-current	0
20	Finance costs payable in future years (interest)	3
645	**Minimum Lease Payments**	**157**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		**Finance Lease Liabilities**	
	31 March 2014 £000s	31 March 2015 £000s	31 March 2014 £000s	31 March 2015 £000s
Due Year 1	478	157	471	154
Due Years 2-5	167	0	154	0
Due after Year 5	0	0	0	0
Total	**645**	**157**	**625**	**154**

Finance leases - Authority as Lessor

The Authority has leased out properties which are categorised as Finance Leases:

Property	Term (Years)	Start Date	End Date	Rental £000s
Unit 4 Palace Building	30	27 January 2002	26 January 2032	5
Fish Quay Design Centre 42-47 Fish Quay	125	05 February 1992	04 February 2117	4
22-28 Union Quay	53	01 April 2011	31 March 2064	22
Ballards Smokehouse	125	03 January 2012	02 January 2137	1

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding.

The gross investment is made up of the following amounts:

	31 March 2015 £000s
Finance lease debtor (net present value of minimum lease payments):	
Current	2
Non-current	425
Unearned finance income	1,214
Gross investment in the lease	**1,641**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease	Minimum Lease Payments
	31 March 2015 £000s	31 March 2015 £000s
Due Year 1	31	31
Due Years 2-5	126	126
Due after Year 5	1,484	1,484
Total	**1,641**	**1,641**

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

9 Pension Schemes

Pension schemes accounted for as defined contribution schemes

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

The Scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities.

The Scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15, the Authority paid £8.378m (£8.350m 2013/14) to Teachers' Pensions in respect of teachers' retirement benefits, representing 13.75% of pensionable pay (13.64% 2013/14). The contributions due to be paid in the next financial year are estimated to be £8.351m.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined basis and are detailed later in this note.

During 2013/14, NHS staff transferred to the Authority. These staff maintained their membership in the NHS Pension Scheme. The scheme provides these staff with specified benefits upon their retirement and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15, the Authority paid £0.046m (£0.047m 2013/14) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 10.42% (11.18% 2013/14) of pensionable pay. There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £0.036m.

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

- The Tyne & Wear Pension Fund (TWPF), administered locally by South Tyneside Metropolitan Council – this is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. The funded nature of the LGPS requires the employer and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets; and

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

The TWPF pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pension committee of South Tyneside Metropolitan Council. Policy is determined in accordance with the Pensions Fund Regulations.

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

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to post-employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund (and Housing Revenue Account) via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

The following transactions have been charged to the Comprehensive Income and Expenditure Statement during the year:

Pension Revenue Summary	2013/14 £000s				2014/15 £000s			
	TWPF		TPS*	Total	TWPF		TPS*	Total
	Funded	Unfunded			Funded	Unfunded		
Comprehensive Income & Expenditure Statement								
Cost of Services								
Current Service Costs	21,140	0	0	21,140	17,320	0	0	17,320
Past Service Costs	530	0	470	1,000	600	0	0	600
Financing and Investment Income and Expenditure								
Net Interest Expense	16,530	1,190	1,510	19,230	12,290	1,080	1,440	14,810
Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	38,200	1,190	1,980	41,370	30,210	1,080	1,440	32,730
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement								
Remeasurement of the net defined benefit liability comprising:								
Return on plan assets (excluding the amount included in the net interest expense)	9,390	0	0	9,390	(43,780)	0	0	(43,780)
Actuarial (gains)/losses arising on changes in demographic assumptions	(3,100)	880	990	(1,230)	0	0	240	240
Actuarial (gains)/ losses arising on changes in financial assumptions	(53,980)	(1,290)	(2,100)	(57,370)	85,760	1,670	3,830	91,260
Actuarial (gains)/losses due to liability experience	(57,820)	(2,070)	40	(59,850)	(5,470)	(250)	14,000	8,280
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(105,510)	(2,480)	(1,070)	(109,060)	36,510	1,420	18,070	56,000

Pension Revenue Summary	2013/14 £000s				2014/15 £000s			
	TWPF		TPS*	Total	TWPF		TPS*	Total
	Funded	Unfunded			Funded	Unfunded		
Movement in Reserves Statement								
Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits	(38,200)	(1,190)	(1,980)	(41,370)	(30,210)	(1,080)	(1,440)	(32,730)
Actual amount charged against the General Fund Balance for pensions in the year								
Employers contributions payable to the scheme	21,170	0	0	21,170	23,770	0	0	23,770
Retirement benefits payable to pensioners	0	1,900	3,340	5,240	0	1,920	2,990	4,910

*This is an unfunded scheme as detailed on Page 63

Pension Assets and Liabilities recognised in the Balance Sheet

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

	2013/14 £000s				2014/15 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Present value of the defined benefit obligation	(848,840)	(26,740)	(35,870)	(911,450)	(960,600)	(27,320)	(52,390)	(1,040,310)
Fair Value of plan assets	551,220	0	0	551,220	620,030	0	0	620,030
Sub Total	(297,620)	(26,740)	(35,870)	(360,230)	(340,570)	(27,320)	(52,390)	(420,280)
Other movements in the liability (asset) if applicable	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(297,620)	(26,740)	(35,870)	(360,230)	(340,570)	(27,320)	(52,390)	(420,280)

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

	2013/14 £000s				2014/15 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Opening fair value of scheme assets	538,270	0	0	538,270	551,220	0	0	551,220
Interest Income	23,660	0	0	23,660	23,740	0	0	23,740
Remeasurement gain/(loss): • The return on plan assets, excluding the amount included in the net interest expense	(9,390)	0	0	(9,390)	43,780	0	0	43,780
Contributions from employer	21,170	1,900	3,340	26,410	23,770	1,920	2,990	28,680
Contributions from employees into the scheme	5,160	0	0	5,160	5,150	0	0	5,150
Benefits paid	(27,650)	(1,900)	(3,340)	(32,890)	(27,630)	(1,920)	(2,990)	(32,540)
Settlements	0	0	0	0	0	0	0	0
Closing fair value of scheme assets	551,220	0	0	551,220	620,030	0	0	620,030

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active members	36%
Deferred Pensioners	14%
Pensioners	50%

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	2013/14				2014/15			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded £000s	Unfunded £000s	£000s	£000s	Funded £000s	Unfunded £000s	£000s	£000s
Opening balance at 1 April	(924,370)	(29,930)	(38,300)	(992,600)	(848,840)	(26,740)	(35,870)	(911,450)
Current Service Cost	(21,140)	0	0	(21,140)	(17,320)	0	0	(17,320)
Interest Cost	(40,190)	(1,190)	(1,510)	(42,890)	(36,030)	(1,080)	(1,440)	(38,550)
Contributions by participants	(5,160)	0	0	(5,160)	(5,150)	0	0	(5,150)
Remeasurement (gains) and losses:								
• Actuarial (gains)/losses arising from changes in experience assumptions	57,820	2,070	(40)	59,850	5,470	250	(14,000)	(8,280)
• Actuarial (gains)/losses arising from changes in demographic assumptions	3,100	(880)	(990)	1,230	0	0	(240)	(240)
• Actuarial (gains)/losses arising from changes in financial assumptions	53,980	1,290	2,100	57,370	(85,760)	(1,670)	(3,830)	(91,260)
Past Service Cost	(530)	0	(470)	(1,000)	(600)	0	0	(600)
Net Benefits paid	27,650	1,900	3,340	32,890	27,630	1,920	2,990	32,540
Closing balance at 31 March	**(848,840)**	**(26,740)**	**(35,870)**	**(911,450)**	**(960,600)**	**(27,320)**	**(52,390)**	**(1,040,310)**

Local Government Pension Scheme assets comprised

The assets allocated to the employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Administering Authority) is shown in the disclosures split by quoted and unquoted investments.

The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

	Asset Split 31 March 2014 %	Asset Split 31 March 2015 %		
	Total	**Quoted**	**Unquoted**	**Total**
Equities	66.8	58.2	8.2	66.4
Property	8.5	0	9.5	9.5
Government Bonds	3.5	3.7	0	3.7
Corporate Bonds	11.5	11.7	0	11.7
Cash	2.9	2.4	0	2.4
Other*	6.8	4.2	2.1	6.3
Total Assets	100.0	80.2	19.8	100.0

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

Basis for estimating assets and liabilities

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Aon Hewitt, an independent firm of actuaries. The latest actuarial valuation of the Authority's liabilities (in respect of the LGPS) took place as at 31 March 2013, whilst the latest actuarial valuation of the discretionary benefits took place as at 31 March 2014. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS19 purposes were:

	TWPF		TPS	
	2013/14	**2014/15**	**2013/14**	**2014/15**
Mortality assumptions				
Longevity at 65 for current pensioners:				
• Men	23.0	23.1	23.0	23.1
• Women	24.6	24.7	24.6	24.7
Longevity at 65 for future pensioners:				
• Men	25.0	25.1	n/a	n/a
• Women	26.9	27.0	n/a	n/a

	TWPF Funded		TPS/TWPF Unfunded	
	2013/14	2014/15	2013/14	2014/15
Rate of Inflation (RPI)	3.4%	2.9%	3.2%	2.9%
Rate of Inflation (CPI)	2.4%	1.8%	2.2%	1.8%
Pensions accounts revaluation rate	2.4%	1.8%	n/a	n/a
Rate of increase in salaries	3.9%	3.3%	n/a	n/a
Rate of increase in pensions	2.4%	1.8%	2.2%	1.8%
Rate for discounting scheme liabilities	4.3%	3.2%	4.2%	3.1%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period. Sensitivity of unfunded benefits have not been included on materiality grounds. The impact on the Defined Benefit Obligation in the Scheme is shown below:

	Increase in Assumption £000s	Decrease in Assumption £000s
Longevity (increase/decrease in 1 year)	(26,310)	26,290
Rate of increase in salaries (increase/decrease by 0.1%)	5,000	(4,930)
Rate of increase in pensions (increase/decrease by 0.1%)	13,110	(12,920)
Rate for discounting scheme liabilities (increase/decrease by 0.1%)	(17,220)	17,540

Commutation

Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.

Asset and Liability Matching (ALM) Strategy

The pensions committee of South Tyneside Council has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions’ obligations by investing in long-term fixed interest securities and index linked gilt edge investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (66.4% of scheme assets) and bonds (15.4%). These percentages are materially the same as the comparative year. The scheme also invests in properties as part of the diversification of the scheme's investments (9.5%). The ALM strategy is monitored annually or more frequently if necessary.

Impact on the Authority's Cash Flows
The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 22 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pensions Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipates to pay £23.520m expected contributions to the scheme in respect of LGPS in 2015/16, £1.940m in respect of unfunded benefits and also £3.030m for enhanced teachers' benefits. The weighted average duration of the defined benefit obligation for the LGPS scheme members is 18.1 years 2014/15 (18.1 years 2013/14). For the unfunded benefits it is 12 years 2014/15 (12 years 2013/14).

10 Other Operating Expenditure

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

Restated*

2013/14 £000s		2014/15 £000s
13,143	Levies	12,754
1,531	Payments to the Government Housing Capital Receipts Pool	1,666
3,172	(Gains)/Losses on the disposal of non current assets	14,457
17,846	**Total**	**28,877**

*See Note 2 for further details on Prior Period Adjustments

11 Financing and Investment Income and Expenditure

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

2013/14 £000s		2014/15 £000s
24,251	Interest payable and similar charges	24,089
19,230	Net Interest Expense (Pensions)	14,810
(101)	Interest receivable and similar income	(119)
(361)	Income & expenditure in relation to Investment Property and changes in their fair value	275
43,019	**Total**	**39,055**

12 Taxation and Non Specific Grant Income

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

Restated*

2013/14 £000s		2014/15 £000s
(70,738)	Council Tax Income	(73,570)
(25,931)	Retained Business Rates	(26,179)
(14,961)	Business Rates Top Up	(15,252)
(64,421)	Non Ringfenced Government Grants	(54,072)
(19,817)	Capital Grants, Contributions & Donated Assets	(24,496)
(195,868)	**Total**	**(193,569)**

*See Note 2 for further information on Prior Period Adjustments

13 Grants and Contributions Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15.

Restated*

2013/14 £000s		2014/15 £000s
	Non-Ringfenced Government Grants	
(63,426)	Revenue Support Grant	(53,094)
(995)	Other Non-Ringfenced Government Grants (individually under £1.000m)	(978)
(64,421)		(54,072)
	Capital Grants, Contributions and Donations	
(3,406)	Local Transport Plan	(4,509)
(3,978)	Department for Education	(4,018)
(409)	European Redevelopment Fund	(2,604)
(418)	Department for Transport	(2,460)
0	Growing Places Fund	(2,263)
(1,128)	Homes and Communities Agency	(1,888)
(886)	Heritage Lottery	(1,622)
(1,339)	Coastal Communities Fund Grant	(1,125)
(6,300)	TWEDCO Donated Assets	0
(1,953)	Other Grants and Contributions (individually under £1.000m)	(4,007)
(19,817)		(24,496)

Restated* 2013/14 £000s		2014/15 £000s
	Credited to Services	
(129,089)	Dedicated Schools Grant	(128,207)
(39,865)	Mandatory Rent Allowances Benefit	(40,286)
(34,439)	Rent Rebates Benefit	(34,612)
(5,809)	Private Finance Initiative	(13,547)
(10,011)	Public Health	(10,807)
(10,039)	Post 16 Education Grant	(10,047)
(6,955)	Pupil Premium Grant	(8,952)
(3,721)	Education Services Grant	(3,614)
0	Weekly Waste Collection Grant	(2,262)
(1,487)	New Homes Bonus	(2,085)
(387)	Department for Education	(2,063)
(701)	Small Business Rate Relief Grant	(1,641)
(1,681)	Housing Benefit Administration Grant	(1,188)
(6,282)	Other Grants and Contributions (individually under £1.000m)	(8,877)
(250,466)	**Total**	**(268,188)**

*See Note 2 for further information on Prior Period Adjustments

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that would require the monies to be returned to the provider if they are not met. The balances at the year-end are as follows:

31 March 2014 £000s		31 March 2015 £000s
	Capital Grants, Contributions and Donations in advance	
(2,080)	Section 106 Agreements	(2,087)
(1,888)	Homes & Communities Agency	0
(1,089)	Department for Transport	0
(1,534)	Other Grants & Contributions (individually under £1.000m)	(118)
(6,591)	**Total**	**(2,205)**

31 March 2014 £000s		31 March 2015 £000s
	Revenue Grants & Contributions Receipt In Advance	
(1,364)	Weekly Waste Collection Grant	0
(1,341)	Other Grants & Contributions (individually under £1.000m)	(344)
(2,705)	**Total**	**(344)**

14 Officers Remuneration

This disclosure note is split into two categories; employees and Senior Officers. Table 1 shows employees whose remuneration, excluding employer's pension contributions, was £50,000 or more. Table 2 sets out details of Senior Officers (by post title) whose salary is between £50,000 and £150,000. There are no Senior Officers whose salary is £150,000 or more per year.

A Senior Officer is defined as any person having responsibility for the management of the Authority, to the extent that the person has power to direct or control the major activities of the Authority, in particular activities involving the expenditure of money, whether solely or collectively with other persons. In North Tyneside Council this is deemed to be the Senior Leadership Team.

Table 3 provides details of exit packages. The packages included within each band are those that have been agreed by the Authority. The agreement may be legal, contractual or constructive at the end of the financial year. The costs include all relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

Table 1

2013/14						2014/15				
APT&C	**LEA Teachers**	**VA Teachers**	**Trust Employees**	**Total**	**Remuneration Band**	**APT&C**	**LEA Teachers**	**VA Teachers**	**Trust Employees**	**Total**
37	6	4	27	**74**	£50,000 - £54,999	34	6	5	41	**86**
7	9	2	35	**53**	£55,000 - £59,999	5	2	3	39	**49**
7	7	2	7	**23**	£60,000 - £64,999	5	9	0	16	**30**
0	3	1	4	**8**	£65,000 - £69,999	4	2	3	9	**18**
3	1	0	3	**7**	£70,000 - £74,999	3	2	0	6	**11**
0	1	0	3	**4**	£75,000 - £79,999	1	1	0	6	**8**
0	0	0	2	**2**	£80,000 - £84,999	1	0	1	4	**6**
0	0	0	4	**4**	£85,000 - £89,999	0	0	0	5	**5**
0	0	0	1	**1**	£90,000 - £94,999	0	0	0	0	**0**
0	0	0	1	**1**	£95,000 - £99,999	0	0	0	2	**2**
0	0	0	0	**0**	£100,000 - £104,999	0	0	0	0	**0**
0	0	0	0	**0**	£105,000 - £109,999	0	0	0	0	**0**
0	0	0	0	**0**	£110,000 - £114,999	0	0	0	0	**0**
0	0	0	0	**0**	£115,000 - £119,999	0	0	0	0	**0**
0	0	0	1	**1**	£120,000 - £124,999	0	0	0	0	**0**
0	0	0	0	**0**	£125,000 - £129,999	0	0	0	0	**0**
0	0	0	1	**1**	£130,000 - £134,999	0	0	0	0	**0**
0	0	0	0	**0**	£135,000 - £139,999	0	0	0	1	**1**
54	**27**	**9**	**89**	**179**	**Total**	**53**	**22**	**12**	**129**	**216**

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

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

Table 2

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

2014/15

Post Holder Information (2014/15)	**Salary (including Fees & Allowances) £**	**Bonuses £**	**Expense Allowances £**	**Benefits in Kind (eg Car Allowance) £**	**Total Remuneration excluding Pension Contributions £**	**Pension Contributions £**	**Total Remuneration including Pension Contributions £**
Chief Executive	145,225	0	0	0	145,225	15,660	**160,885**
Deputy Chief Executive	120,100	0	0	0	120,100	19,456	**139,556**
Director of Public Health	84,673	0	0	0	84,673	11,854	**96,527**
Head of Adult Social Care	94,520	0	0	0	94,520	15,312	**109,832**
Head of Environment, Housing & Leisure[1]	91,558	0	0	0	91,558	14,832	**106,390**
Head of Children, Young People and Learning	91,054	0	0	0	91,054	14,669	**105,723**
Head of Law & Governance	90,550	0	0	0	90,550	14,669	**105,219**
Head of Commissioning & Investment[2]	84,119	0	0	0	84,119	13,572	**97,691**
Head of Business & Economic Development	79,898	0	0	0	79,898	12,943	**92,841**
Head of Corporate Strategy[4]	74,512	0	0	0	74,512	12,071	**86,583**
Head of Human Resources[3]	73,236	0	0	0	73,236	11,265	**84,501**
Head of Commercial and Business Redesign[5]	21,114	0	0	0	21,114	3,420	**24,534**

Post Holder Information (2014/15)	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (eg Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Strategic Manager (Finance) – Deputy S151 Officer[6]	67,933	0	0	0	67,933	11,005	**78,938**
Head of Housing[7]	43,941	0	0	0	43,941	6,655	**50,596**
Head of Finance[8]	14,646	0	0	0	14,646	1,498	**16,144**
Total	**1,177,079**	**0**	**0**	**0**	**1,177,079**	**178,881**	**1,355,960**

[1] Post title renamed from Head of Environment & Leisure
[2] Post title renamed from Head of Fair Access & Commissioning
[3] Post title renamed from Strategic Manager Human Resources & Organisational Development
[4] Post title renamed from Strategic Manager Policy & Partnership
[5] New Post taken up January 2015
[6] Post title renamed from Strategic Manager Corporate Finance
[7] Post deleted September 2014
[8] Post deleted May 2014

Post Holder Information (2013/14)	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (eg Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive[1]	59,208	0	0	0	59,208	8,467	**67,675**
Deputy Chief Executive[2]	49,908	0	0	0	49,908	5,740	**55,648**
Director of Public Health[3]	84,673	0	0	0	84,673	12,832	**97,505**
Strategic Director of Children, Young People & Learning[4]	69,553	0	0	0	69,553	9,946	**79,499**
Strategic Director of Finance & Resources[4]	75,633	0	0	0	75,633	10,744	**86,377**
Strategic Director of Community Services[4]	68,396	0	0	0	68,396	11,178	**79,574**
Head of Finance & Commercial Services[2]	42,938	0	0	0	42,938	6,212	**49,150**
Head of Children, Young People & Learning[2]	45,302	0	0	0	45,302	6,442	**51,744**
Head of Environment & Leisure[2]	45,050	0	0	0	45,050	6,442	**51,492**
Head of Environmental Services[4]	41,400	0	0	0	41,400	5,920	**47,320**
Head of Schools, Learning & Skills[4]	41,652	0	0	0	41,652	5,920	**47,572**
Head of Customer & Cultural Services[4]	83,083	0	0	0	83,083	5,715	**88,798**

Post Holder Information (2013/14)	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (eg Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Head of Safeguarding & Preventative Services[4]	87,750	0	0	0	87,750	12,548	**100,298**
Head of Adult Social Care	92,075	0	0	0	92,075	13,167	**105,242**
Head of Business & Economic Development[5]	79,500	0	0	0	79,500	11,369	**90,869**
Head of Law & Governance[5]	90,100	0	0	0	90,100	13,599	**103,699**
Head of Housing[5]	82,800	0	0	0	82,800	11,840	**94,640**
Head of Fair Access & Commissioning[5]	82,800	0	0	0	82,800	11,840	**94,640**
Strategic Manager, Human Resources & Organisational Development	56,747	0	0	0	56,747	8,115	**64,862**
Strategic Manager, Policy & Partnership	69,690	0	0	0	69,690	9,916	**79,606**
Senior Manager Corporate Finance (Deputy S151 Officer)	54,237	0	0	0	54,237	7,756	**61,993**
Total	**1,402,495**	**0**	**0**	**0**	**1,402,495**	**195,708**	**1,598,203**

1 - New Post taken up 4 November 2013
2 - New Post created as part of the Senior Leadership Restructure during 2013/14
3 - Responsibility for Public Health came under Local Authority control from 1 April 2013
4 - Post deleted as part of the Senior Leadership Restructure during 2013/14
5 - Post title renamed as part of the Senior Leadership Restructure during 2013/14

Table 3

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments) (a)	Number of compulsory redundancies (b)		Number of other departures agreed (c)		Total number of exit packages by cost band (b) + (c)		Total cost of exit packages in each band £000s	
£	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 - £20,000	24	53	88	80	112	133	775	998
£20,001 - £40,000	2	12	9	15	11	27	326	710
£40,001 - £60,000	1	0	6	1	7	1	349	54
£60,001 - £80,000	1	0	3	0	4	0	258	0
£80,001 - £100,000	0	1	1	0	1	1	98	90
£100,001 - £150,000	1	0	2	0	3	0	313	0
Total	**29**	**66**	**109**	**96**	**138**	**162**	**2,119**	**1,852**

There is a provision for redundancy payments (see Note 30) included within the Comprehensive Income and Expenditure Statement of £0.546m (£0.968m 2013/14). These figures have not been included in the table above. There is also a reserve for redundancy payments of £1.676m (£1.130m 2013/14) (see Note 35).

The figures above include actual numbers and costs of leavers that were previously recognised as a provision in 2013/14 so therefore have not been included in the 2014/15 Comprehensive Income and Expenditure Statement.

15 Members Allowances

Total allowances paid to Members during the year were as follows:

2013/14 £000s		2014/15 £000s
479	Basic Allowances	486
153	Special Responsibility Allowances	166
12	Expenses	9
644	**Total**	**661**

16 Related Parties Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in Note 5 – Amounts Reported for Resource Allocation Decisions. Note 13 – Grant Income details grant income reported in the Comprehensive Income & Expenditure Statement.

Members of the Council have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 15. During 2014/15, the Authority had no material dealings with companies in which one or more members have an interest. However, the Authority paid grants and other sums totalling £3.171m to voluntary and other statutory bodies in which 34 members had declared an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest open to public inspection at Law and Governance Services, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY.

Officers – During 2014/15 an officer declared a pecuniary interest regarding a payment of £0.188m made by the Authority to a regional body with an interest in learning and education.

Other public bodies – The Authority has two pooled budget arrangements with North Tyneside Clinical Commissioning Group. Details are outlined in Note 40.

Entities controlled or significantly influenced by the Authority – the Authority is the sole shareholder in North Tyneside Trading Company. This company is currently dormant and as such no transactions took place during 2014/15. Details of where the Authority has an interest in active companies are shown in Note 23.

17 Audit Costs

In 2014/15 the Authority incurred the following fees relating to external audit and inspection:

2013/14 £000s		2014/15 £000s
180	Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor	180
(25)	Rebate received in respect of Audit Fees in prior years	(19)
15	Fees payable to the appointed auditor for the certification of grant claims and returns	16
170	Total fee payable to appointed auditor	177

18 Long Term Contracts – Service Concessions

The Service Concessions entered into by the Authority are three Private Finance Initiative (PFI) Schemes – Schools for the Future, Street Lighting (joint with Newcastle City Council) and North Tyneside Living, and two Local Improvement Finance Trust (LIFT) to provide Joint Service Centres at Dudley and Whitley Bay.

Schools PFI Scheme

2014/15 was the twelfth year of a thirty year PFI contract for the construction, maintenance and operation of four schools in the borough. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Kajima North Tyneside Limited, took on the obligation to construct and maintain the plant and equipment required to operate the schools. The buildings and any plant and equipment installed in them will transfer to the Authority for nil consideration at the end of the contract.

The schools involved in the scheme are Burnside Community High School, Coquet Park First School, Marine Park First School and Western Community Primary School.

Street Lighting PFI Scheme

2014/15 was the eleventh year of a twenty five year PFI contract for the replacement, maintenance and operation of street lighting provision in the borough. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor took on the obligation to replace and maintain the assets required to operate the street lighting across the borough. The assets will transfer to the Authority for nil consideration at the end of the contract. The operator is Scottish and Southern Electric Contracting.

North Tyneside Living – Housing PFI Scheme

2014/15 was the second year of a twenty eight year PFI contract for the construction/ refurbishment, maintenance and operation of twenty six sheltered accommodation schemes in the borough. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Solutions for North Tyneside, took on the obligation to construct and maintain the plant and equipment required to operate the schemes.

Dudley Joint Service Centre (LIFT)
2014/15 was the eighth year of a twenty five year Local Improvement Finance Trust (LIFT) contract for the construction, maintenance and operation of a joint service centre at Dudley. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Newcastle & North Tyneside LIFTco, took on the obligation to construct and maintain the building, plant and equipment required to operate the joint service centre. At the end of the twenty five year contract, the Authority has the right to purchase the building, plant and equipment from the operator.

Whitley Bay Joint Service Centre (LIFT)
2014/15 was the third year of a twenty five year Local Improvement Finance Trust (LIFT) contract for the construction, maintenance and operation of a joint service centre at Whitley Bay. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Newcastle & North Tyneside LIFTco, took on the obligation to construct and maintain the building, plant and equipment required to operate the joint service centre. At the end of the twenty five year contract, the Authority has the right to purchase the building, plant and equipment from the operator.

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

<u>Payments</u>
The Authority makes an agreed payment under each contract each year, all of which increase each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the contracts at 31 March 2015 (excluding any estimation of inflation and availability/performance deductions) are as detailed below:

2013/14 Total £000s		Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	2014/15 Total £000s
12,167	Payable in one year	4,708	2,905	6,153	13,766
62,339	Payable within 2-5 yrs	18,831	15,416	32,351	66,598
85,531	Payable within 6-10 yrs	26,360	25,430	36,095	87,885
88,762	Payable within 11-15 yrs	28,809	31,893	28,305	89,007
73,043	Payable within 16-20 yrs	21,713	31,778	18,372	71,863
55,360	Payable within 21-25 yrs	17,275	26,777	9,094	53,146
31,222	Payable within 26-30 yrs	7,160	12,514	1,176	20,850
408,424	**Total**	**124,856**	**146,713**	**131,546**	**403,115**

Although the payments made to the various contractors are described as unitary payments, they have been calculated to compensate the contractors for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The total of the liabilities outstanding to the contractors for the capital expenditure is as follows:

2013/14 £000s		2014/15 £000s
53,252	Balance outstanding at start of year	57,026
(1,223)	Payments made during the year	(3,252)
4,997	Capital expenditure incurred in the year	24,050
57,026	**Balance outstanding at year-end**	**77,824**

In March 2014, the North Tyneside Living PFI became operational and an initial amount was recognised on the Authority's Balance Sheet. The construction period is three years and the £23.034m value of construction undertaken in 2014/15 has been added to the Authority's Balance Sheet.

An additional £0.796m has been recognised on the Authority's Balance Sheet for the Street Lighting PFI scheme in relation to the purchase of new control equipment.

Other than this, there have been no renewals or terminations of the above schemes during 2014/15 and no major works have taken place. There have been no material changes in the arrangements with operators of any of the existing schemes during the year.

19 Property, Plant and Equipment

2014/15 Movement on Balances	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Cost or Valuation									
1 April 2014	481,676	397,650	16,294	139,328	4,041	11,138	14,139	1,064,266	55,242
Additions	16,509	10,868	7,169	10,664	3,268	427	35,990	84,895	24,222
Revaluations increases/(decreases) recognised in the Revaluation Reserve	36	46,160	0	0	0	251	0	46,447	3,090
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	12,173	(12,447)	0	0	0	(95)	0	(369)	2,004
Derecognition - Disposals	(3,372)	(1,134)	0	0	0	0	0	(4,506)	0
Derecognition - Other	(7,049)	(8,133)	(5,690)	(565)	0	(693)	0	(22,130)	(711)
Assets reclassified (to)/from Held for Sale	0	(74)	0	0	0	(140)	0	(214)	0
Other movements in Cost or Valuation	837	5,930	0	372	753	0	(7,893)	(1)	0
At 31 March 2015	**500,810**	**438,820**	**17,773**	**149,799**	**8,062**	**10,888**	**42,236**	**1,168,388**	**83,847**

2014/15 Contd	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Accumulated Depreciation & Impairments									
1 April 2014	0	(26,234)	(9,699)	(33,377)	(640)	(808)	0	(70,758)	(7,947)
Depreciation charge	(14,255)	(18,233)	(2,681)	(4,596)	(11)	(348)	0	(40,124)	(1,708)
Depreciation written out to the Revaluation Reserve	0	17,194	0	0	0	192	0	17,386	568
Depreciation written out to the Surplus/Deficit on the Provision of Services	13,335	4,180	0	0	0	3	0	17,518	192
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	347	0	0	0	0	0	347	3
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	0	227	0	0	0	0	0	227	8
Derecognition – Disposals	84	33	0	0	0	0	0	117	0
Derecognition - Other	31	32	5,508	565	0	52	0	6,188	694
Other movements in Depreciation & Impairment	0	0	0	0	0	0	0	0	0
At 31 March 2015	**(805)**	**(22,454)**	**(6,872)**	**(37,408)**	**(651)**	**(909)**	**0**	**(69,099)**	**(8,190)**
Net Book Value									
At 31 March 2015	500,005	416,366	10,901	112,391	7,411	9,979	42,236	1,099,289	75,657
At 31 March 2014	481,676	371,416	6,595	105,951	3,401	10,330	14,139	993,508	47,295

Movement on Balances – 2013/14 Restated

2013/14 Restated Movement on Balances	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Cost or Valuation									
1 April 2013	493,766	407,360	20,119	132,451	806	8,512	6,363	1,069,377	56,145
Additions	15,835	14,649	2,300	8,853	895	2,236	13,055	57,823	5,052
Revaluations increases/(decreases) recognised in the Revaluation Reserve	(734)	5,620	0	0	0	0	0	4,886	0
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(20,610)	(25,425)	0	0	0	(248)	0	(46,283)	(5,955)
Derecognition - Disposals	(6,457)	(3,244)	0	0	0	(414)	0	(10,115)	0
Derecognition - Other	(566)	(2,755)	(6,125)	(1,976)	0	0	0	(11,422)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	442	1,445	0	0	2,340	1,052	(5,279)	0	0
At 31 March 2014	**481,676**	**397,650**	**16,294**	**139,328**	**4,041**	**11,138**	**14,139**	**1,064,266**	**55,242**

2013/14 Contd	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Accumulated Depreciation & Impairments									
1 April 2013	(18,860)	(19,960)	(12,806)	(30,855)	(211)	(251)	0	(82,943)	(7,517)
Depreciation charge	(13,812)	(14,965)	(3,014)	(4,498)	(16)	(299)	0	(36,604)	(1,989)
Depreciation written out to the Revaluation Reserve	926	3,327	0	0	0	0	0	4,253	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	26,017	4,491	0	0	0	0	0	30,508	1,564
Impairment (losses)/ reversals recognised in the Revaluation Reserve	368	140	0	0	0	0	0	508	0
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	5,127	(47)	0	0	(485)	(106)	0	4,489	(5)
Derecognition – Disposals	234	254	0	0	0	40	0	528	0
Derecognition - Other	0	406	6,121	1,976	0	0	0	8,503	0
Other movements in Depreciation & Impairment	0	120	0	0	72	(192)	0	0	0
At 31 March 2014	**0**	**(26,234)**	**(9,699)**	**(33,377)**	**(640)**	**(808)**	**0**	**(70,758)**	**(7,947)**
Net Book Value									
At 31 March 2014	481,676	371,416	6,595	105,951	3,401	10,330	14,139	993,508	47,295
At 31 March 2013	474,906	387,400	7,313	101,596	595	8,261	6,363	986,434	48,628

The following statement shows progress of the Authority's rolling programme for the revaluation of Property, Plant & Equipment. The basis for valuation is set out in the Statement of Accounting Policies (page 22).

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Surplus Assets £000s	Total £000s
Valued at historical cost		1,910	17,773		19,683
Valued at fair value as at:					
2011/12		27,892		742	28,634
2012/13		13,865		5,468	19,333
2013/14		22,368		2,609	24,977
2014/15	500,810	372,785		2,069	875,664
Gross Book Value	**500,810**	**438,820**	**17,773**	**10,888**	**968,291**

(i) Council Dwellings are valued at current cost less a reduction of 63% for Social Housing use:

	£000s
Net Book Value at 31 March 2015	1,351,365
Social Housing Adjustment	(851,360)
Net Book Value after Adjustment for Social Housing	**500,005**

Note 1 of the Housing Revenue Account provides details of the housing stock.

20 Summary of Capital Expenditure and Sources of Finance

Restated* 2013/14 £000s		2014/15 £000s
579,053	**Opening Capital Financing Requirement**	**574,332**
	Capital Investment	
57,823	Property, Plant & Equipment	84,895
125	Intangible Assets	112
365	Heritage Assets	416
3,336	Revenue Expenditure Funded from Capital Under Statute	3,136
61,649		**88,559**
	Sources of Finance	
(4,484)	Capital Receipts	(1,665)
(2,053)	Capital Receipts Set Aside - HRA	(1,602)
(18,863)	Government Grants and Other Contributions	(22,969)
(6,300)	Government Grants and Other Contributions Donated	0
(14,164)	Major Repairs Reserve	(12,679)
(3,096)	Direct Revenue Contributions	(7,171)
(17,410)	Minimum Revenue Provision	(15,481)
(66,370)		**(61,567)**
574,332	**Closing Capital Financing Requirement**	**601,324**
	Explanation of Movements in Year	
(5,096)	Decrease in underlying need to borrow (supported by Government financial assistance)	(4,892)
(1,814)	Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	11,734
(506)	Movement in Assets acquired under Finance Leases	(471)
2,695	Movement in Assets acquired under PFI or similar Contracts	20,621
(4,721)	**Increase/(Decrease) in Capital Financing Requirement**	**26,992**

*See Note 2 for further details on Prior Period Adjustments

21 Capital Commitments

Council approved the General Fund Investment Plan and the Housing Investment Plan for 2015-2019 on 19 February 2015. The current contractually committed schemes contained within the approved plan comprise of:

	£000s
Central Services	932
Cultural & Related Services	1,078
Environment & Regulatory Services	8,935
Planning	5,650
Children's & Education Services	1,400
Housing Services	71,249
Highways & Transport	2,576
	91,820

Major schemes within the above totals include:

	£000s
North Tyneside Living PFI	60,356
HRA Housing Services	10,589
Street Lighting PFI	8,533
Swan Hunters Redevelopment	5,628
Local Transport Plan	1,779
Education & Schools	1,400

22 Investment Property

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.

2013/14 £000s		2014/15 £000s
(123)	Rental income from investment property	(128)
(123)	**Net (gain)/loss**	**(128)**

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

The following table summarises the movement in the fair value of Investment Property over the year:

2013/14 £000s		2014/15 £000s
1,745	Balance at start of year	1,983
238	Net gains/(losses) from fair value adjustments	(403)
1,983	**Balance at end of year**	**1,580**

23 Long Term Investments

31 March 2014 £000s		31 March 2015 £000s
10,784	£1 Ordinary shares in Newcastle Airport Local Authority Holding Company Ltd	10,784
0	Kier North Tyneside Limited – 200 £1 "A" ordinary shares	0
10,784		**10,784**

Newcastle Airport Local Authority Holding Company Ltd

Under the Airport Act 1986, Newcastle International Airport Limited (NIAL) was formed and seven Local Authorities were allocated shares in consideration for all the property, rights and liabilities that were transferred into the new company. In consideration of this transfer the Authority received shares in the new company.

On 4 May 2001, the seven local authority shareholders of NIAL (the 'LA7') created NIAL Holdings Ltd which is 51% owned by LA7 and 49% owned by AMP Capital Investors Limited following their purchase on 16 November 2012. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Ltd, a company wholly owned by the seven authorities. The Newcastle Airport Local Authority Holding Company Ltd has a called up share capital of 10,000 shares with a nominal value of £1 each. North Tyneside Council holds a 12.41% interest in the company valued at £10.784m. The shares are not held for trading outside of the LA7.

The valuation of the holding is reviewed each year to consider whether any events have occurred that would materially change the valuation. The last valuation is based on the sale of shares to AMP Capital Investors Limited in 2012. As no such events have occurred during 2014/15 the valuation remains unchanged.

Through its shares in Newcastle Airport Local Authority Holding Company Limited the Authority has an effective shareholding of 6.33% in Newcastle International Airport Limited (and the group companies of NIAL Group Limited and NIAL Holdings Limited). The principal activity of Newcastle International Airport Ltd (Registered No 2077766) is the provision of landing services for both commercial and freight operators.

Dividends paid for year ended 31 December 2014 were nil. The total dividend payable for year ended 31 December 2013 was £0.284m.

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

NIAL Group Ltd made a profit before tax of £0.496m and a profit after tax of £0.277m for the year ended 31 December 2014. In the previous year, the Group made a loss before tax of £11.134m and a loss after tax of £3.615m.

A request for a copy of NIAL Group Limited accounts should be made in writing to the following address:
Head of Finance, South Tyneside Council, Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear, NE33 2RL.

Kier North Tyneside Limited

A contract with Kier North Tyneside Limited was established in September 2009, to deliver the housing and public building maintenance, housing programmed works and general capital works for North Tyneside Council. The Authority maintains a 20% holding in Kier North Tyneside Limited as a long term investment (200 £1 "A" ordinary shares).

Kier North Tyneside Limited was incorporated on 8 June 2009, and started a contract with the Authority on 6 September 2009 which runs to 31 March 2019. Between 1 April 2014 and 31 March 2015, Kier North Tyneside Limited invoiced the Authority £40.631m (net of VAT) for completed works and services.

In respect of revenue works, the Authority paid monthly cash-flow payments to Kier North Tyneside Limited of £12.406m in respect of service streams from April 2014 through to March 2015. At 31 March 2015 the Authority owed Kier North Tyneside Limited £0.864m in respect of cash-flow service streams. Other service streams within the contract are based on monthly invoices the net balance outstanding to Kier North Tyneside Limited in respect of these as at 31 March 2015 was £2.821m net of VAT.

A full set of audited accounts for Kier North Tyneside Limited is available for their accounting period ended 30 June 2015. These can be obtained from Head of Finance, Kier North Tyneside Limited, Block C, Harvey Combe, Killingworth, Newcastle Upon Tyne NE12 6UB.

24 Long Term Debtors

31 March 2014 £000s		31 March 2015 £000s
0	Deferred Capital Receipt	750
212	Car Loans	135
427	Finance Leases	425
270	LIFTco	270
80	Capita Stock	80
34	Housing Association	33
14	ICT Licences	0
1,037	**Total**	**1,693**

25 Assets Held for Sale

2013/14 £000s		2014/15 £000s
1,050	Opening Balance	0
	Assets newly classified as held for sale:	
0	Property, Plant & Equipment	214
(1,050)	Assets sold	0
0	**Closing Balance**	**214**

26 Short Term Debtors

This table shows the amounts owed to the Authority for which payments have not been received by 31 March 2015, but which should be repaid within one year.

31 March 2014 £000s		31 March 2015 £000s
5,917	Central Government Bodies	8,810
499	Other Local Authorities	973
3,811	NHS Bodies	12,918
292	Public Corporations and Trading Funds	364
28,559	Other Entities and Individuals	32,922
39,078	**Total**	**55,987**

This year the Authority set aside a sum of £13.751m (£11.912m 2013/14) to cover bad and doubtful debts. Of this £6.252m (£4.128m 2013/14) relates to the General Fund, £2.063m (£1.663m 2013/14) relates to the Housing Revenue Account and £5.436m (£6.121m 2013/14) relates to the Collection Fund.

27 Cash and Cash Equivalents

31 March 2014 £000s		31 March 2015 £000s
128	Cash held by the Authority	124
7,830	Schools Cash at Bank	9,136
(12,596)	Bank Current Accounts	(10,560)
18,000	Short term deposits	13,900
13,362	**Total**	**12,600**

28 Short Term Borrowing

31 March 2014 £000s		31 March 2015 £000s
(23,217)	Public Works Loans Board (PWLB)	(34,437)
(54,138)	Market Loans (including other local authorities)	(65,997)
(77,355)	**Total**	**(100,434)**

29 Short Term Creditors

The table below shows an analysis of the Authority's creditors as at the 31 March 2015.

31 March 2014 £000s		31 March 2015 £000s
(8,048)	Central Government Bodies	(14,836)
(798)	Other Local Authorities	(2,128)
(384)	NHS Bodies	(518)
(26,458)	Other Entities and Individuals	(32,292)
(35,688)	**Total**	**(49,774)**

30 Provisions

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

	Long Term	Short Term	
	Estimated Insurance Liabilities (a) £000s	General Provisions (b) £000s	Total £000s
Balance at 1 April 2013	(3,427)	(10,349)	(13,776)
Additional provisions made in 2013/14	(1,606)	(4,762)	(6,368)
Amounts written back in 2013/14	0	2,749	2,749
Amounts used in 2013/14	0	6,142	6,142
Balance at 31 March 2014	**(5,033)**	**(6,220)**	**(11,253)**
Balance at 1 April 2014	(5,033)	(6,220)	(11,253)
Additional provisions made in 2014/15	0	(1,381)	(1,381)
Amounts written back in 2014/15	0	0	0
Amounts used in 2014/15	117	4,842	4,959
Balance at 31 March 2015	**(4,916)**	**(2,759)**	**(7,675)**

(a) Provision for Estimated Insurance Liabilities

The provision includes estimated figures for known claims against the Insurance Reserve. Due to the varied nature of these claims it is not practicable to set out expected timings of individual claims.

(b) General Provisions

The main elements of the general provisions relate to Care Fee Payments £0.509m, Redundancy Costs of £0.546m, Public Health Prescribing Costs of £0.450m, Equal Pay of £0.441m and Business Rates Appeals of £0.712m (see Note 37 for details of a Contingent Liability in respect of Business Rates).

Long term provisions have not been discounted as this is not expected to have a material impact on the Accounts.

31 Long Term Borrowing

The Authority's total outstanding debt repayable over 12 months as at 31 March 2015 is a principal of £344.843m. The following table analyses the debt by lender and maturity:

31 March 2014 £000s		31 March 2015 £000s
	(a) by lender category	
(354,843)	Public Works Loan Board (PWLB)	(324,843)
(20,000)	Lender's Option Borrower's Option (LOBO) – Europaise Hypothekenbank	(20,000)
(374,843)		(344,843)
	(b) by maturity	
(30,000)	Maturing between 1 and 2 years	(35,000)
(75,750)	Maturing between 2 and 5 years	(46,750)
(16,000)	Maturing between 5 and 10 years	(15,000)
(253,093)	Maturing more than 10 years	(248,093)
(374,843)		**(344,843)**

32 Long Term Creditors

The table below shows an analysis of the Authority's creditors as at 31 March 2015.

31 March 2014 £000s		31 March 2015 £000s
(25)	Central Government Bodies	(25)
(4,496)	Other Entities and Individuals	(4,814)
(4,521)	**Total**	**(4,839)**

33 Transferred Debt

The table below shows an analysis of the Authority's transferred debt as at 31 March 2015. This represents the amount of debt attributable to North Tyneside Council by Newcastle City Council following boundary changes as a result of Local Government Reorganisation in 1974.

31 March 2014 £000s		31 March 2015 £000s
(354)	Other Short Term Liabilities	(220)
(2,921)	Other Long Term Liabilities	(2,804)
(3,275)		**(3,024)**

34 Useable Reserves

31 March 2014 £000s		31 March 2015 £000s
(13,251)	General Fund Balances (See Note 35)	(14,241)
(36,330)	Earmarked Balances (See Note 35)	(53,423)
(2,854)	Housing Revenue Account	(3,732)
(6,500)	Capital Receipts Reserve	(7,440)
(562)	Major Repairs Reserve	(1,685)
(3,923)	Capital Grants Unapplied	(7,322)
(63,420)	**Total Useable Reserves**	**(87,843)**

34 (a) <u>General Fund Balances including Earmarked Balances</u>

The General Fund is the statutory fund into which all the receipts of the Authority are required to be paid and out of which all liabilities of the Authority are met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payment should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year. Note 35 provides more details on the Authority's reserves and balances position.

34 (b) <u>Housing Revenue Account Balance</u>

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years. The Housing Revenue Account Income and Expenditure Statement is shown on pages 121-129.

34 (c) Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

34 (d) Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at year end. See page 124 for details of the reserve.

34 (e) Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

35 Reserves & Balances

	Balance 1 April 2014 £000s	Transfers out 2014/15 £000s	Transfers in 2014/15 £000s	Balance 31 March 2015 £000s
General Fund Balances				
School Balances	(6,647)	0	(990)	(7,637)
General Fund	(6,604)	0	0	(6,604)
Total General Fund Balances	**(13,251)**	**0**	**(990)**	**(14,241)**
General Reserves (including HRA)				
Strategic Reserve	(8,601)	0	(5,033)	(13,634)
Insurance	(3,516)	936	(965)	(3,545)
Support Change Fund Programme	(3,194)	0	(1,000)	(4,194)
Schools PFI Lifecycle costs (capital)	(2,473)	244	(103)	(2,332)
Non Domestic Rates Appeals	(2,000)	234	0	(1,766)
New Build Council Housing*	(1,717)	0	(1,071)	(2,788)
Education PFI	(1,677)	0	(50)	(1,727)
Dudley & Shiremoor Joint Service Centres	(1,518)	0	(238)	(1,756)
Redundancy Reserve	(1,130)	414	(960)	(1,676)
North Tyneside Living PFI Reserve*	(889)	0	(4,800)	(5,689)
General Fund Reserves (individually under £1.000m)	(3,353)	415	(2,444)	(5,382)
HRA Reserves (individually under £1.000m)*	(490)	44	(1,062)	(1,508)
Total General Reserves	(30,558)	2,287	(17,726)	(45,997)
Grant Reserves				
Dedicated Schools Grant	(2,969)	2,969	(2,424)	(2,424)
Weekly Waste Collection Grant	0	0	(1,757)	(1,757)
New Homes Bonus	(1,232)	314	0	(918)
Other Grants (individually under £1.000m)	(1,571)	1,122	(1,878)	(2,327)
Total Grant Reserves	(5,772)	4,405	(6,059)	(7,426)
Total Reserves	**(36,330)**	**6,692**	**(23,785)**	**(53,423)**

*This is a Housing Revenue Account Reserve

	Balance 1 April 2013 £000s	Transfers out 2013/14 £000s	Transfers in 2013/14 £000s	Balance 31 March 2014 £000s
General Fund Balances				
School Balances	(6,053)	0	(594)	(6,647)
General Fund	(6,604)	0	0	(6,604)
Total General Fund Balances	**(12,657)**	**0**	**(594)**	**(13,251)**
General Reserves (including HRA)				
Strategic Reserve	(7,134)	1,731	(3,198)	(8,601)
Insurance	(5,267)	2,695	(944)	(3,516)
Support Change Fund Programme	0	0	(3,194)	(3,194)
Schools PFI Lifecycle costs (capital)	(2,373)	2	(102)	(2,473)
Non Domestic Rates Appeals	0	0	(2,000)	(2,000)
New Build Council Housing*	(1,019)	994	(1,692)	(1,717)
Education PFI	(1,577)	0	(100)	(1,677)
Dudley & Shiremoor Joint Service Centres	(1,280)	0	(238)	(1,518)
Redundancy Reserve	0	0	(1,130)	(1,130)
General Fund Reserves (individually under £1.000m)	(2,106)	180	(1,427)	(3,353)
HRA Reserves (individually under £1.00m)*	(949)	268	(698)	(1,379)
Total General Reserves	(21,705)	5,870	(14,723)	(30,558)
Grant Reserves				
Dedicated Schools Grant	(2,236)	2,236	(2,969)	(2,969)
New Homes Bonus	(211)	225	(1,246)	(1,232)
Other Grants (individually under £1.000m)	(1,412)	820	(979)	(1,571)
Total Grant Reserves	(3,859)	3,281	(5,194)	(5,772)
Total Reserves	**(25,564)**	**9,151**	**(19,917)**	**(36,330)**

*This is a Housing Revenue Account Reserve

Purpose of main General Reserves

Reserve	Purpose
Dudley & Shiremoor Joint Service Centres	Established to provide a mechanism which takes account of project cash-flows over a 25-year period to enable the yearly equalisation of the additional costs of the Joint Service Centre.
Education PFI	Established to provide a mechanism which takes account of project cash-flows over a 30-year period to enable the yearly equalisation of the additional costs of the PFI schools.
Insurance Reserve	Risks covered by the reserve are fire, employer and third party liability, contract guarantee bonds, motor cars, personal accident.
Non Domestic Rates Appeals	Reserve for the cost of rating appeals.
New Build Council Housing	Established to support the provision of New Build Council Housing.
North Tyneside Living PFI	Set up to equalise cash flows relating to the Council's North Tyneside Living PFI scheme.
Redundancy Reserve	Reserve to meet the expected cost of redundancies arising from the Change Programme.
Schools PFI Lifecycle Costs	Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the contract.
Strategic Reserve	Established to address future potential significant external pressures on the Council’s budget.
Support Change Fund Programme	Reserve to support the implementation of the Change Programme.

Purpose of main Grant Reserves

Reserve	Purpose
Dedicated Schools Grant	Ring fenced grant that can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008.
Weekly Waste Collection Grant	Funding to support delivery around Weekly Waste Collection Support Scheme
New Homes Bonus	A grant to encourage the delivery of affordable sustainable housing.

36 Unuseable Reserves

Restated* 31 March 2014 £000s		31 March 2015 £000s
(55,041)	Revaluation Reserve	(111,767)
(10,549)	Available for Sale Reserve	(10,549)
(368,095)	Capital Adjustment Account	(390,323)
602	Financial Instruments Adjustment Account	822
360,230	Pensions Reserve	420,280
(1,429)	Deferred Capital Receipts Reserve	(1,427)
2,368	Collection Fund Adjustment Account	2,668
4,422	Accumulated Absences Account	4,209
(67,492)	**Total Unuseable Reserves**	**(86,087)**

*See Note 2 for further details on Prior Period Adjustments

36(a) Revaluation Reserve

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

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

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

Restated* 2013/14 £000s		2014/15 £000s	
(50,747)	**Balance at 1 April**		(55,041)
(14,784)	Upward revaluation of assets	(77,087)	
5,163	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	12,909	
(9,621)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/ Deficit on the Provision of Services		(64,178)
2,480	Difference between fair value depreciation and historical cost depreciation	6,912	
2,847	Accumulated gains on assets sold or scrapped	540	
5,327	Amount written off to the Capital Adjustment Account		7,452
(55,041)	**Balance at 31 March**		**(111,767)**

36(b) Available for Sale Reserve

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

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

2013/14 £000s		**2014/15 £000s**
(10,549)	**Balance at 1 April**	(10,549)
0	Accumulated gains on revaluation of assets	0
(10,549)	**Balance at 31 March**	**(10,549)**

36(c) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The Adjustments between Accounting Basis and Funding Basis under Regulations Statement (Note 4) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Restated* 2013/14 £000s		2014/15 £000s	
	Capital Adjustment Account		
(361,221)	**Balance at 1 April**		(368,095)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
42,576	Charges for depreciation & impairment of non current assets	40,125	
5,285	Revaluation (gains)/losses on Property, Plant & Equipment	(17,376)	
311	Amortisation of intangible assets	172	
3,336	Revenue expenditure funded from capital under statute	3,136	
(1,157)	Revenue expenditure funded from capital under statute (Grant Funded)	(1,946)	
13,554	Amounts of non current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	20,330	
63,905			44,441
(5,327)	Adjusting amounts written out of the Revaluation Reserve		(7,452)
58,578	**Net written out amount of the cost of non current assets consumed in the year**		**36,989**
	Capital financing applied in the year:		
(4,484)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,665)	
(14,164)	Use of the Major Repairs Reserve to finance new capital expenditure	(12,679)	
(17,406)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(19,021)	
(6,600)	Application of grants to capital financing from the Capital Grants Unapplied Account	(2,002)	
(19,464)	Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(17,082)	
(3,096)	Capital expenditure charged against the General Fund & HRA balances	(7,171)	(59,620)
(238)	Movements in the market value of investment Property debited or credited to the Comprehensive Income & Expenditure Statement		403
(368,095)	**Balance at 31 March**		**(390,323)**

*See Note 2 for further details on Prior Period Adjustments

36(d) Financial Instruments Adjustment Account

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

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

2013/14 £000s		**2014/15 £000s**	**2014/15 £000s**
450	**Balance at 1 April**		602
(109)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(41)	
261	Proportion of discounts received in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	261	
152	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		220
602	**Balance at 31 March**		**822**

36(e) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2013/14 £000s		2014/15 £000s
454,330	**Balance at 1 April**	360,230
(109,060)	Remeasurement of the net defined benefit liability	56,000
41,370	Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits	32,730
(26,410)	Employer's pensions contributions and direct payments to pensioners payable in the year	(28,680)
360,230	**Balance at 31 March**	**420,280**

36(f) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2013/14 £000s		2014/15 £000s
(431)	**Balance at 1 April**	(1,429)
2	Transfer to the Capital Receipts Reserve upon receipt of cash	2
(1,000)	Gains recognised on disposal of non current assets	0
(1,429)	**Balance at 31 March**	**(1,427)**

36(g) Collection Fund 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 Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2013/14 £000s		2014/15 £000s
291	**Balance at 1 April**	2,368
(314)	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	12
2,391	Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business Rates income calculated for the year in accordance with statutory requirements	288
2,368	**Balance at 31 March**	**2,668**

36(h) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2013/14 £000s		2014/15 £000s	2014/15 £000s
4,696	**Balance at 1 April**		4,422
(235)	Adjustment to the accrual required	(246)	
(39)	Adjustment to the debtor in respect of leave & flexi taken in advance	33	
(274)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(213)
4,422	**Balance at 31 March**		**4,209**

37 Contingent Liabilities

A contract with Kier North Tyneside Limited was established in September 2009 to deliver the housing and public building maintenance, housing programmed works and general capital works for North Tyneside Council. Establishing this contract included transfer of staff under TUPE (Transfer of Undertakings, Protection of Employment Regulations) arrangements to Kier North Tyneside Limited, with an agreement in place that allowed those staff transferred to continue membership of the Local Government Pension Scheme.

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

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

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

The 2010/11 Accounts included a disclosure regarding a potential technical issue regarding compromise agreements for equal pay and superannuation contributions, which the External Auditor has alerted the Authority to. This matter has been reviewed during 2011/12, 2012/13, 2013/14 and again during 2014/15 and the Authority agrees that equal pay settlements made under the new equal pay settlement will be subject to pension contributions, both for employers and employees. However, the Authority does not consider that any additional payments will be due with regards to settlements made under the March 2010 agreement. A liability could arise if further technical guidance and legal claims confirmed that these payments became necessary. The cost to the Authority would only be known once a settlement was confirmed.

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

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

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

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

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

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

The employer contribution rate represents the costs that are payable to the Fund by the employer to purchase the benefits of the staff. The contract reflects a risk share of the employer contribution rate that may change as a result of the triennial valuation and the

Authority will be liable for any contribution rate that is more than 3% above the contribution rate set at the contract start date.

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

1 April 2013 saw a number of significant changes to the current system of Local Government Finance. One of those changes was the introduction of the Business Rate Retention Scheme. The aim of this scheme is to provide an incentive effect by allowing local authorities to retain an element of income generated by Business Rate Growth, however this also means the Authority is subject to the risk of income reducing following the outcome of any rating appeals. As at 31 March 2015, a number of appeals remained outstanding, the outcome of which could create a further liability for the Authority. Note 30 provides details of a provision in respect of Business Rates Appeals.

38 School Balances

	Schools with Surpluses £000s	Schools with Deficits £000s	Net Surplus £000s
Balance at 1 April 2014	(7,119)	472	(6,647)
Net (underspend)/overspend during year	(1,098)	108	(990)
Balance at 31 March 2015	**(8,217)**	**580**	**(7,637)**

The above balances are committed to be spent solely on the Education Service of the Authority.

39 Deployment of Dedicated Schools Grant

The Authority's expenditure on schools is funded by grant monies (the Dedicated Schools Grant (DSG)) which is provided by the Department for Education (DfE). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a restricted range of educational services provided on an Authority wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school.

Details of the deployment of DSG receivable for 2014/15 are as follows:

	Central Expenditure £000s	Individual Schools budget £000s	Total £000s
Final DSG for 2014/15 before Academy recoupment			139,204
Academy figure recouped for 2014/15			(10,997)
Total DSG after Academy recoupment for 2014/15			128,207
Brought forward from 2013/14 as agreed with the Department for Education			2,969
Agreed initial budgeted distribution in 2014/15	6,973	124,203	131,176
In year adjustments*		68	68
Final budgeted distribution for 2014/15	6,973	124,271	131,244
Less actual central expenditure	(5,622)		(5,622)
Less actual ISB deployed to schools		(123,130)	(123,130)
Carry forward to 2015/16	**1,351**	**1,141**	**2,492**

* The final DSG for 2014/15 before academy recoupment figure includes an early years block figure based on January 2014 census. The final allocation for the 2014/15 early years block was notified in May 2015 updated for the January 2015 census. An in-year adjustment has been included in the above table as set out in the DSG Technical notes which has not been included in the 2014/15 accounts.

40 Health Services Act 2006 Pooled Funds and similar arrangements

The Authority has two separate pooled budget arrangements under section 75 of the Health Service Act 2006. They are both joint working relationships between health and social care.

Intermediate Care

The purpose of the partnership is:

- The improvement of intermediate care for older people to facilitate early discharge for people who are medically fit, but need extra support through rehabilitation and preventing unnecessary admission to hospital or long term care through working together as partners;
- Ensuring that the service reflects the needs of the service user/patient and their carers, and ensures equality of access to the service;
- Freeing up capacity in local services e.g. prevention of delayed discharges;
- Ensuring the service provided is efficient, effective, timely and equitable; and
- The agreement leads to an improvement in the way in which partners prescribed functions are exercised.

The partners are North Tyneside Council and North Tyneside Clinical Commissioning Group (the Authority is the host partner). The gross expenditure is £1.816m, income £0.002m leaving net expenditure of £1.814m, with the Authority's contribution being £1.286m.

Joint Loan Store

The purpose of the partnership is:

- The continued provision of a Loan Equipment Service as outlined in the Department of Health's Guide to Integrating Community Equipment Services to residents of North Tyneside;
- To provide premises to house a Loan Equipment Service;
- To offer appropriate training to staff and service users in the use of all equipment supplied in the service;
- To implement an IT system capable of tracking equipment, assisting with recycling, stock control and delivery scheduling;
- To increase the range and quality of equipment available to service users;
- To enable the provision of advice to clients who are purchasing their own equipment;
- To offer a "one stop shop" for community equipment; and
- To increase the number of people benefiting from community equipment services.

The partners are North Tyneside Council and North Tyneside Clinical Commissioning Group (the Authority is the host partner). The gross expenditure is £1.283m, income £0.053m leaving net expenditure of £1.230m, with the Authority's contribution being £0.751m.

In addition to £0.479m of section 75 income under the Pooled budget arrangement, the Authority also received £0.026m from North Tyneside Clinical Commissioning Group under section 256 of the Health Service Act 2006.

41 Financial Instruments

Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-term		Current	
	31 March 2014 £000s	31 March 2015 £000s	31 March 2014 £000s	31 March 2015 £000s
Financial liabilities at amortised cost:				
Loans	374,843	344,843	77,355	100,434
PFI Schemes	54,265	74,919	2,761	2,905
Finance Leases	154	0	471	154
Total Financial Liabilities	429,262	419,762	80,587	103,493
Loans and receivables	673	593	438	302
Available-for-sale assets	10,784	10,784	0	0
Total Financial Assets	11,457	11,377	438	302

The current balances above include accrued interest within the liability/asset category of:

Financial liabilities: £4.738m (2013/14 £5.383m).

Other financial instruments included within the Authority's Balance Sheet are short term debtors £37.073m (£23.128m 2013/14) and short term creditors £37.025m (£30.876m 2013/14).

Financial instruments gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments (borrowings and investments in the table above) are made up as follows:

	2014/15			
	Financial Liabilities	Financial assets		Total
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s	£000s
Interest on loans	(19,572)	0	0	(19,572)
Interest on PFI Schemes	(4,397)	0	0	(4,397)
Interest on Finance Leases	(19)	0	0	(19)
Total Interest Payable	(23,988)	0	0	(23,988)
Interest Income	0	119	0	119
Net gain/(loss) for the year	**(23,988)**	**119**	**0**	**(23,869)**

	2013/14			
	Financial Liabilities	Financial assets		Total
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s	£000s
Interest on loans	(20,517)	0	0	(20,517)
Interest on PFI Schemes	(3,595)	0	0	(3,595)
Interest on Finance Leases	(33)	0	0	(33)
Total Interest Payable	(24,145)	0	0	(24,145)
Interest Income	0	46	0	46
Net gain/(loss) for the year	**(24,145)**	**46**	**0**	**(24,099)**

Fair value of assets and liabilities at amortised cost

Financial liabilities and financial assets represented by loans and receivables 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:

- For PWLB debt the premature repayment rate has been assumed as the discount factor;
- For market debt estimated interest rates at 31 March 2015 for loans/receivables based on the market rate for an instrument with the same duration and no early repayment or impairment is recognised;

- The fair value of trade and other receivables and payables is taken to be the invoiced or billed amount. Cash at bank and overdrawn amounts are held at the nominal value, as disclosed on the face of the balance sheet. These are not included in the financial instruments information included below; and
- The fair value of the PFI and Finance Leases 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.

The fair values are calculated as follows:

	31 March 2015	
	Carrying amount £000s	**Fair value £000s**
PWLB loans	359,279	479,109
Lender option borrower option loan	20,160	26,800
Market loans (including other local authorities)	65,838	65,977
Total Financial liabilities	**445,277**	**571,886**

	31 March 2014	
	Carrying amount £000s	**Fair value £000s**
PWLB loans	378,060	428,151
Lender option borrower option loan	20,160	19,730
Market loans (including other local authorities)	53,978	54,042
Total Financial liabilities	**452,198**	**501,923**

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

	31 March 2015	
	Carrying amount £000s	**Fair value £000s**
Fixed rate investments	300	300
Loans and receivables	595	595
Total Financial Assets	895	895

	31 March 2014	
	Carrying amount £000s	**Fair value £000s**
Fixed rate investments	436	436
Loans and receivables	675	675
Total Financial Assets	1,111	1,111

The carrying amount and the fair value of the assets are comparable reflecting the fact that, on average, the fixed rate investments are at interest rates consistent with the market rate at the Balance Sheet date.

Soft Loans – The Authority previously offered car loans to employees. The Code requires that where local authorities offer loans to third parties at below market rates they must be accounted for on a fair value basis. These loans were offered at an annual percentage rate (APR) of 7.7%. As this rate is not materially different from the prevailing market rate for similar loans, there would be no material difference between the amortised cost and fair value of the loan. The loans are therefore held at amortised cost.

Nature and extent of risks arising from financial instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments; and,
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Treasury Management Team, under policies approved by Authority in the 'Treasury Management and Annual Investment Strategies'. This provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit rate risk and the investment of surplus cash. The annual Treasury Management Strategy is available on the Authority's website.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they meet the Authority's minimum credit requirements. This is assessed using information on these institutions provided by our external Treasury Management advisors. The Authority has a policy of not lending more than £50.000m of its surplus funds to any one institution.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability in recent years, adjusted to reflect current market conditions. The deposits with financial institutions relates to short-term investments placed at the year-end.

	31 March 2015 £000s	Estimated maximum exposure to default and uncollectability £000s
Customers (gross)*	69,738	13,751

*The amount shown as being due from customers is the gross debtors figure. Based on our experience of debt management, it is prudent to make a bad debt provision for debt that may not be collectable. The method of calculating the appropriate provision is based on an analysis of the specific debt rather than a general percentage. The calculation of the provision takes into account the age of the debt for the General Fund and Collection Fund, and the value of the debt for the HRA. At 31 March 2015, this provision is £13.751m and the debtor included in the Balance Sheet is net of this provision.

The Authority does not generally allow credit for its debtors. Trade debtors account for £19.263m of the gross debtors balance disclosed above. £9.356m of the trade debtors balance is more than one month, i.e. past its due date, and can be analysed as follows:

31 March 2014 £000s		31 March 2015 £000s
619	1-3 months	5,071
401	3-6 months	2,612
211	6-12 months	654
722	Over 1 year	1,019
1,953	**Total**	**9,356**

No credit limits were exceeded during the financial year ended 31 March 2015 and the Authority does not expect any losses from non-performance by any of its counterparties in relation to investments/deposits. No exposure is expected in relation to deposits with financial institutions.

Liquidity risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finances to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Treasury Management Strategy is to continually review the profile of maturity dates so that it does not expose the Authority to undue risk.

The maturity analysis of the financial loans is as follows:

31 March 2014 £000s		31 March 2015 £000s
77,355	Less than 1 year	100,434
30,000	Between 1 and 2 years	35,000
75,750	Between 2 and 5 years	46,750
16,000	Between 5 and 10 years	15,000
253,093	More than 10 years	248,093
452,198		**445,277**

All trade and other payables are due to be paid in less than 1 year.

Market risk

Interest rate risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowings will fall;
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and,
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings and investments are not carried at fair value; so nominal gains and losses on fixed rate borrowings and investments would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound.

The Authority has a number of strategies for managing interest rate risk. The policy is to keep a maximum of 30% of its borrowings in variable rate loans, although there are no such loans at present. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposures to losses. The risk is ameliorated by the fact that a proportion of government grant payable, relating to supported borrowing, will normally move with the prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting and monitoring of the annual budget. The budget is monitored bi-monthly during the year which allows any adverse changes to be accommodated. The analysis will also advise on whether new borrowing taken out is fixed or variable. Authorities are required to disclose the impact of interest rate changes on their financial assets and liabilities. Whilst there is provision in the Treasury Management Strategy for variable loans, no such loans were in place during 2014/15.

According to this investment strategy, as at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2015 £000s
Change in fair value of fixed rate investments	0
Decrease in fair value of fixed rate borrowings liabilities (which does not have an impact on the Comprehensive Income and Expenditure Statement)	57,840

The impact of a fall in interest rates would be as above but with the movements reversed.

Price risk

The Authority does not generally invest in equity shares; consequently it is not exposed to losses arising from movements in the prices of shares.

The Authority does hold an investment in Newcastle Airport Local Authority Holding Company Ltd. The shares held by LA7 are not held for trading outside of the local authorities as outlined in Note 23.

Foreign exchange risk

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

42 Cash held on behalf of third parties

The Authority held £0.069m as at 31 March 2015 (£0.098m in 2013/14) on behalf of third parties. This amount has been excluded from the Authority's cash balance as at the year-end.

43 Notes to the Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

2013/14 £000s		2014/15 £000s
101	Interest Received	119
(24,265)	Interest Paid	(24,734)

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

Restated*

2013/14 £000s		2014/15 £000s
42,576	Depreciation	40,125
5,285	Impairment and revaluations	(17,376)
311	Amortisation	172
(1,532)	(Decrease)/Increase in Creditors	12,547
(1,709)	Increase in Debtors	(14,167)
(53)	(Increase) in Inventories	(47)
14,960	Pension Liability	4,050
5,227	Contributions (to)/from Provisions	(2,689)
(7,750)	Provision for Equal Pay	(889)
13,554	Carrying amount of non-current assets sold	20,330
(238)	Movement in Investment Property Values	402
70,631		42,458

*See Note 2 for further details on Prior Period Adjustments

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

2013/14 £000s		2014/15 £000s
(20,974)	Capital Grants credited to the surplus/ deficit on the provision of services	(26,442)
0	Net adjustment from the sale of short and long term investments	136
(10,378)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,871)
(31,352)		(32,177)

44 Notes to the Cash Flow – Investing Activities

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

Restated* 2013/14 £000s		2014/15 £000s
(52,481)	Purchase of Property, Plant & Equipment, investment property and intangible assets	(60,161)
(82)	Purchase of short and long term investments	0
9,381	Proceeds from the sale of Property, Plant & Equipment, investment property and intangible assets	5,873
25,237	Other receipts from Investing Activities	18,705
(17,945)	**Net Cash Flows from Investing Activities**	**(35,583)**

*See Note 2 for further details on Prior Period Adjustments

45 Notes to the Cash Flow – Financing Activities

2013/14 £000s		2014/15 £000s
15,534	Cash receipts of short and long term borrowing	74,010
(1,185)	Council Tax and NDR Adjustments	(50)
(20,129)	Repayment of short and long term borrowing	(80,537)
(1,728)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,723)
(7,508)	**Net Cash Flows from Financing Activities**	**(10,300)**

46 Post Balance Sheet Events – Events after the Reporting Period

Events happening between the balance sheet date and the date the accounts are authorised for issue are classed as post balance sheet events.

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

There have been no post balance sheet events to report.

Housing Revenue Account – Income & Expenditure Statement for year ended 31 March 2015

The Housing Revenue Account (HRA) Income & Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations, this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2013/14 £000s		Note	2014/15 £000s	2014/15 £000s
	<u>Expenditure</u>			
11,428	Repairs & Maintenance		11,546	
9,694	Supervision and Management		9,127	
0	PFI Unitary Charge Payments		1,840	
420	Rents, Rates, Taxes and other charges		451	
189	Contribution to Bad Debt Provision	4	640	
3,893	Capital Charges – including Depreciation, Revaluation and Impairment of non current assets	7/12	(10,574)	
25,624	Total Expenditure			13,030
	<u>Income</u>			
(54,313)	Dwelling rents (Gross)		(57,038)	
(631)	Non-dwelling rents (Gross)		(635)	
(2,480)	Charges for services and facilities		(2,322)	
(1,826)	Contributions towards expenditure		(2,382)	
0	PFI Credits		(7,868)	
(59,250)	Total Income			(70,245)
(33,626)	**Net cost of HRA services as included in the Comprehensive Income & Expenditure Statement**			**(57,215)**
298	HRA service's share of Corporate & Democratic Core		317	
2,412	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		2,393	2,710
(30,916)	**Net Income for HRA Services**			**(54,505)**
	HRA Share of the operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
486	Loss on disposal of HRA non-current assets		6,339	
13,003	Interest payable and similar charges		13,461	
(30)	Interest and investment income		(40)	
809	Pensions interest cost and expected return on pensions assets	8	615	
(77)	Capital Grants and Contributions		(10)	20,365
(16,725)	**Surplus for the year on HRA Services**			**(34,140)**

2013/14 £000s		Note	2014/15 £000s	2014/15 £000s
	Movement on the HRA Statement			
(2,200)	Balance on the HRA at the end of the previous year			(2,854)
(16,725)	Surplus for the year on the HRA Services		(34,140)	
14,942	Adjustments between accounting basis and funding basis under statute		26,373	
(1,783)	Net increase before transfers to or from Reserves			(7,767)
1,129	Transfers to Reserves			6,889
(654)	Increase in year on the HRA			(878)
(2,854)	**Balance on the HRA at the end of the year**			**(3,732)**

Notes to the Housing Revenue Account

1 Housing Stock

The Authority was responsible for managing 15,058 dwellings at 31 March 2015 compared with 15,159 at 31 March 2014. The net reduction of 101 includes 100 properties sold, of which 16 properties were demolished, with the addition of 10 new build properties and 5 additional properties subject to a change in use. The number of voids included in the above figures as at 31 March 2015 stands at 500 compared with 409 at 31 March 2014.

The stock is made up as follows:

1 April 2014		31 March 2015
	Low Rise Flats	
1,710	- 1 Bed	1,692
1,007	- 2 Bed	1,004
121	- 3+ Bed	119
	Medium Rise Flats	
449	- 1 Bed	449
1,121	- 2 Bed	1,113
61	- 3+ Bed	61
	Houses and Bungalows	
1,563	- 1 Bed	1,563
3,082	- 2 Bed	3,075
5,672	- 3 Bed	5,626
373	- 4+ Bed	356
15,159	**Total**	**15,058**

2 Balance Sheet Valuation

This note identifies the total net balance sheet value of land, houses and other property within the HRA (valued in accordance with government guidelines), and also analyses the movement in the balance sheet value during the year.

1 April 2014 £000s		31 March 2015 £000s
481,676	Houses	500,005
2,917	Land & Buildings	2,205
1,066	Vehicles, Plant & Equipment	1,172
250	Surplus Assets	725
10	Infrastructure	10
5,743	Assets Under Construction	30,879
491,662		**534,996**

3 Vacant Possession

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

1 April 2014 £ms		31 March 2015 £ms
1,245	Vacant Possession Value of HRA Dwellings	1,351

In accordance with government guidance, council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. This adjustment factor is currently 37% in 2014/15 (37% in 2013/14).

As a consequence the Authority recognises council dwellings at a value of £500.005m on the Balance Sheet. The value of these properties if vacant would be £1,351.365m, therefore recognising an economic cost to the government of providing council housing at less than open market rents of £851.360m.

4 Rent Arrears and Bad Debt Provision

Overall rent arrears have increased by £0.275m during 2014/15, from £2.616m at 31 March 2014 to £2.891m at 31 March 2015. These figures include rent, service charge and water charge arrears.

The provision for bad debt required at 31 March 2015 is £2.063m compared with £1.663m at 31 March 2014, an increase of £0.400m. Bad debts of £0.240m were written off during the year, and a contribution of £0.640m was made:

	£000s
Opening Provision for Bad Debt at 1 April 2014	1,663
Bad debts written off during 2014/15	(240)
Additional contributions to bad debt provision during year	640
Provision for Bad Debts at 31 March 2015	**2,063**

5 Major Repairs Reserve

The Accounts and Audit Regulations 2003 require local authorities to maintain a Major Repairs Reserve. The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets. Statute allows any difference between the depreciation credit on the reserve and a specified amount deemed necessary for carrying out major repairs for the year to be transferred back to the HRA. Authorities are able to charge capital expenditure directly to the reserve, and can also use it to make voluntary set aside payments to repay debt.

The movement on the HRA Major Repairs Reserve (MRR) during the year was as follows:

	£000s
Balance as at 1 April 2014	(562)
Depreciation transferred into MRR	(14,602)
Financing of HRA capital expenditure: Houses	12,679
Set aside for debt repayment	800
Balance as at 31 March 2015	**(1,685)**

6 Housing Capital Expenditure and Financing

Capital expenditure of £19.856m was incurred in the HRA during 2014/15.

2013/14 £000s		2014/15 £000s
17,269	Houses	19,832
40	Revenue Expenditure Funded from Capital under Statute	24
17,309		**19,856**

This was financed as follows:

2013/14 £000s		2014/15 £000s
14,164	Major Repairs Reserve	12,679
2,488	Revenue Contribution	6,566
0	Other contributions	9
560	Usable Capital Receipts – RTB Retained	602
20	Usable Capital Receipts - other	0
77	Contributions in Advance	0
17,309		**19,856**

Total Gross Capital Receipts:

2013/14 £000s		2014/15 £000s
4,957	Houses	3,938
717	Land	68
5,674		**4,006**

7 Depreciation for HRA Assets

The charges for depreciation within the HRA for 2014/15 were as follows:

2013/14 £000s		2014/15 £000s
13,812	Houses	14,255
280	Vehicles, Plant & Equipment	278
72	Land & Buildings	69
14,164		**14,602**

8 Pension Costs

In accordance with IAS19 – Retirement Benefits, the Authority is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. Note 9 to the Core Financial Statements provides further details on Pension Costs.

The amounts charged to the HRA for 2014/15 in accordance with IAS19 were as follows:

2013/14 £000s		2014/15 £000s
473	Allocated to Services	232
809	Interest on Net Defined Benefit Liability	615
(1,282)	Movement on Pension Reserve	(847)

9 Furniture Reserve

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

2013/14 £000s		2014/15 £000s
161	Balance as at 1 April	200
(21)	Drawdown to fund spend	(16)
60	Additional contributions to fund	0
200	**Balance as at 31 March**	**184**

10 Solar PhotoVoltaic (PV)

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

In addition EON paid upfront an agreed sum of £0.150m which was used to create a Green Fund to fund sustainable works to other Council housing which could not benefit from solar PV. This Green Fund is supplemented annually with the roof rental payments to provide a regular stream of income for green works. Each year, once suitable works have been identified and agreed by the Elected Mayor and Cabinet, the funding will be drawn down to finance the necessary works. No works were undertaken in 2014/15, but £0.210m of work on voltage optimisers was undertaken in 2013/14 as a pilot scheme.

EON were invoiced for a further £0.072m of roof rental payments in 2014/15 and the Authority also received a gain-share payment of £0.034m for the excess electricity generated and exported back to the National Grid. Hence, the Green Fund contained a balance of £0.246m at the end of 2014/15.

During 2014/15 Cabinet approved arrangements to commence the procurement of a new solar PV scheme which will increase the number of Council properties with panels, as well as looking at other Council-owned and non-Council owned properties. It was agreed as part of these approvals to fund any necessary structural works and survey costs etc from the Green Fund, to enable the procurement to proceed, with the Fund benefitting from any future proceeds generated from the Solar PV scheme from arrays built on HRA-owned properties.

EON also paid upfront an agreed amount of £0.225m in lieu of a parent company guarantee which the Authority requires to set aside as a risk pot against future potential 'compensation events' identified in the contract. In 2014/15 there were 6 compensation events resulting in the removal of solar PV systems, which resulted in total compensation payments of £0.028m from the risk pot.

Both of these amounts have been set aside as specific reserves on the balance sheet.

2013/14 £000s		2014/15 £000s
	Solar PV – Risk Pot	
187	Balance as at 1 April	151
(36)	Drawdown to fund compensation events	(28)
151	**Balance as at 31 March**	**123**

2013/14 £000s		2014/15 £000s
	Solar PV – Green Fund	
240	Balance as at 1 April	140
(210)	Drawdown to fund identified Capital works	0
38	In year Gain-Share Payments from EON	34
72	In year Roof Rental Payments from EON	72
140	**Balance as at 31 March**	**246**

11 House-building Fund

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

As at 1 April 2014 the balance on the account was £1.717m of which £1.050m had been allocated to finance the 2014/15 HRA Investment Plan new build programme, however due to re-programming in-year this financing was not required, and hence will be carried forward to fund the re-programmed works in 2015/16.

	2014/15 £000s
House-building Fund	
Balance as at 1 April 2014	1,717
Budget Contribution 2014/15	1,071
Balance as at 31 March 2015	**2,788**

Of these sums identified in 2014/15, £2.550m has already been allocated to the New Build Programme for 2015/16, which is a combination of re-programming as above i.e. £1.050m, and £1.500m for new build works planned for 2015/16. The balance of funding will be available to fund future HRA capital spend.

12 Capital Charges

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

2013/14 £000s		2014/15 £000s
14,164	Depreciation	14,602
10,311	Downwards Revaluations	1,279
(5,285)	Impairments	0
(15,337)	Revaluation Increases	(26,479)
40	Revenue Expenditure Funded from Capital Under Statute	24
3,893		**(10,574)**

13 Housing PFI Reserve

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

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

This reserve has been created to provide the smoothing process which will match cost and income streams over the 28 years that the scheme will operate. In 2014/15 total contributions of £4.800m were made to the reserve as follows:

	2014/15 £000s
Housing PFI	
Balance as at 1 April 2014	889
Contributions to reserve in year as per Financial Model	4,776
Additional contributions to reserve	8
Interest earned on the reserve	16
Balance as at 31 March 2015	**5,689**

14 Revenue Expenditure funded from Capital under Statute

The amount of revenue expenditure funded from capital under statute in 2014/15 is £0.024m. The charges relate mainly to statutory homeloss payments. A person is entitled to homeloss payments when they are displaced from their dwelling by a compulsory purchase order or similar.

15 Interest

From 2012/13 under the requirements of the new self-financing regime for HRA, the Authority's long-term loans have been individually split between the General Fund and the HRA. The HRA is therefore charged with the actual interest costs of its long-term borrowing, plus the costs of any short-term borrowing which the HRA may undertake. The method of apportioning the HRA's share of the total interest costs incurred on its share of the debt portfolio complies with general accounting practice, and thus the amount charged to the HRA Income & Expenditure Account represents the statutory charge, totalling £12.451m for 2014/15 (£12.997m 2013/14).

16 Excepted Items

There are certain topics that councils have to report on but which do not affect North Tyneside Council's Housing Revenue Account for 2014/15. This note outlines those topics:

- Housing repairs account – local authorities have the option to operate a separate housing repairs account for recording income and expenditure on HRA repairs and maintenance. The Authority has decided not to operate such an account, with the actual repairs and maintenance costs being incurred by the Authority's joint venture partner Kier North Tyneside and then invoiced to the Authority;

- Directions by the Secretary of State – the Secretary of State has not directed any sums to be debited or credited to the Authority's HRA;

- Exceptional items – there are no exceptional items of income or expenditure which need to be disclosed to give a fair presentation of the accounts.

17 Capital Charges (Item 8 Debit and Credit)

The cost of capital asset charge to the HRA is prescribed via the Item 8 debit and credit calculations. Depreciation and impairment of fixed assets (details shown in Note 19 of the main accounts) together with debt management expenses (£0.030m in 2014/15 and £0.027m in 2013/14) are included in the Net Cost of Services to reflect the true cost of the use of assets.

Interest payable and similar charges (£13.461m in 2014/15 and £13.003m in 2013/14) are charged after the Net Cost of Services.

Depreciation and impairment charges, other than valuation reductions on non-dwelling assets, are reversed out through the Statement of Movement on the HRA Balance (details shown in Note 4 of the main accounts).

Collection Fund Statement for year ended 31 March 2015

The Collection Fund is a statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

2013/14 £000s		Note	2014/15 £000s	£000s	£000s
			Business Rates	Council Tax	Total
	Income				
(81,361)	Council Tax	1	0	(82,812)	(82,812)
207	Council Tax Benefits		0	110	110
(56,883)	Business Rates Receivable	2	(55,147)	0	(55,147)
(138,037)	**Total Income**		(55,147)	(82,702)	(137,849)
	Expenditure				
	Precepts, Demands & Shares:	3			
28,900	Central Government		26,753	0	26,753
98,716	North Tyneside Council Demand		26,218	73,573	99,791
4,591	Police and Crime Commissioner for Northumbria		0	4,798	4,798
4,456	Tyne & Wear Fire & Rescue Authority		535	4,053	4,588
136,663			53,506	82,424	135,930
	Distribution of Collection Fund Surplus:	4			
0	Central Government		0	0	0
29	North Tyneside Council		0	8	8
2	Police and Crime Commissioner for Northumbria		0	1	1
1	Tyne & Wear Fire & Rescue Authority		0	1	1
32			0	10	10
	Charges to the Collection Fund:	5			
467	Write offs of Uncollectable Amounts		1,386	536	1,922
2,224	Bad Debt Provision		(919)	(254)	(1,173)
2,852	Provision for Appeals		(1,399)	0	(1,399)
229	Cost of Collection		230	0	230
14	Disregarded Amounts		55	0	55
0	Transitional Protection Payment		3,321	0	3,321
5,786			2,674	282	2,956
142,481	**Total Expenditure**		56,180	82,716	138,896
4,444	Deficit for the year		1,033	14	1,047
325	(Surplus)/Deficit as at 1 April		4,795	(26)	4,769
4,769	**(Surplus)/Deficit as at 31 March**	**6**	**5,828**	**(12)**	**5,816**

Notes to the Collection Fund

General

This statement represents the transactions of the Collection Fund, which is a statutory fund separate from the General Fund of the Authority. The Collection Fund accounts independently for income relating to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Authority's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund. Collection Fund Balances are consolidated into the Authority's Consolidated Balance Sheet.

1 Council Tax

Under the Local Government Finance Act 1992, Council Tax replaced Community Charge as the local tax directly supporting local authority expenditure and was introduced on 1 April 1993.

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Police and Crime Commissioner for Northumbria, the Tyne & Wear Fire & Rescue Authority and the Council, for the forthcoming year, and dividing this by the Council Tax base, (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: (55,400 in 2014/15).

This basic amount of Council Tax for Band D property (£1,487.81 in 2014/15) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax Base Calculation

Band	Properties	Less Discounts at 25%	Total Properties	Proportion of Band D Equivalent	Band D Equivalent
A*	121	(17)	104	5/9	58
A	36,413	(5,990)	30,423	6/9	20,282
B	13,511	(1,347)	12,164	7/9	9,461
C	17,095	(1,228)	15,867	8/9	14,104
D	7,001	(370)	6,631	9/9	6,631
E	3,112	(123)	2,989	11/9	3,653
F	1,048	(42)	1,006	13/9	1,453
G	343	(23)	320	15/9	533
H	11	(2)	9	18/9	18
	78,655	**(9,142)**	**69,513**		**56,193**

*Band A - Entitled to Disabled Relief Reduction.

	Band D Equivalents	Collection Rate	Council Tax Base
Tax Base Calculation	56,193	98.50%	55,350
Add Payments in Lieu			50
2014/15 Council Tax Base			55,400

2 Non Domestic Rates (NDR) (Business Rates)

The NDR multipliers (the rate in the £) are set annually by Central Government. For 2014/15, the standard rates multiplier was set at 48.2 pence in the £ and the small business multiplier was set at 47.1 pence in the £.

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

At the outset of the Business Rates Retention Scheme the government undertook calculations to ensure that Councils with greater needs than their business rates income would receive a 'top up' payment and Councils with more business rates than their current spending will make a 'tariff' payment to Central Government. In the case of North Tyneside Council the 'top up' payment for 2014/15 is £15.252m. In addition, the Business Rates Retention system offers an element of protection through 'Safety Net' payments. North Tyneside Council would be entitled to a safety net payment if our business rates income in any year fell below 92.5% of its baseline amount.

The Authority's non-domestic rateable value at 31 March 2015 was £146,521,630 (£148,741,974 in 2013/14). This change in Rateable Value is as a direct result of appeals being settled.

3 Precepts, Demands and Shares

In relation to the changes introduced as part of the Business Rates Retention Scheme and described previously, the amount estimated before the start of the 2014/15 financial year for business rates are set out here. Of these totals the North Tyneside Council share was 49%, the Central Government share was 50% and the amount in respect of the Tyne & Wear Fire and Rescue Authority was 1%.

In relation to Council Tax, the following Authorities made significant Demands and Precepts on the Collection Fund:

2013/14 £000s		2014/15 £000s
70,394	North Tyneside Council Demand	73,573
4,591	Police and Crime Commissioner for Northumbria Precept	4,798
3,878	Tyne & Wear Fire & Rescue Authority Precept	4,053
78,863		**82,424**

4 Distribution of Collection Fund Surplus

Under Collection Fund legislation, North Tyneside Council has a statutory requirement to produce an estimated surplus or deficit for the following financial year. For 2014/15, these amounts were as follows:

2013/14 £000s		2014/15 £000s
29	North Tyneside Council	8
2	Police and Crime Commissioner for Northumbria Precept	1
1	Tyne & Wear Fire & Rescue Authority Precept	1
32		10

5 Charges to the Collection Fund

As part of the charges to the Collection Fund, North Tyneside Council is required to show amounts written off as uncollectable, which for 2014/15 are £0.536m for Council Tax and £1.386m for Business Rates.

Bad Debt provisions are re-calculated on an annual basis, and for 2014/15 the Council Tax bad debt provision has been reduced by £0.254m and the NDR bad debt provision reduced by £0.919m.

The other significant item here is the provision for the NDR appeals as part of the Business Rates System and the Transitional Protection Payment.

6 Collection Fund (Surplus)/Deficit

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

	Business Rates Deficit £000s	Council Tax Surplus £000s
North Tyneside Council	2,856	(10)
Central Government	2,914	n/a
Police and Crime Commissioner for Northumbria Precept	n/a	(1)
Tyne & Wear Fire & Rescue Authority Precept	58	(1)
	5,828	(12)

2014/15 Annual Governance Statement

1.0 Scope of Responsibility

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

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

North Tyneside Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE "Framework Delivering Good Governance in Local Government". A copy of the Code can be found on our website or can be obtained from Legal Services. This Statement explains how North Tyneside Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication the Annual Governance Statement (AGS).

2.0 The purpose of the governance framework

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

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

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

The governance framework has been in place at North Tyneside Council for the year ended 31 March 2015 and up to the date of approval of the Annual Financial Report.

3.0 The governance framework

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

The key features that underpin each of the core principles, together with examples of how the Authority achieves them are outlined in the following diagrams. The Assurance Statement on Governance Arrangements within the Authority provides further details on each of the supporting principles and examples of how they are achieved within the Authority. [Audit committee - North Tyneside Council]

1. CORE PRINCIPLE

Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area

SUPPORTING PRINCIPLE

Strategic Leadership – development and communicating the Authority's vision

EXAMPLES OF HOW THIS IS ACHIEVED

'Our North Tyneside Plan 2014-2018'

Creating a Brighter Future Programme

Joint Strategic Needs Assessment

Health & Wellbeing Strategy

North Tyneside Strategic Partnership

Service Plans

Consultation during budget process

SUPPORTING PRINCIPLE

Best Use of Resources

EXAMPLES OF HOW THIS IS ACHIEVED

Change Programme Board

External Audit review

Audit Committee

Resource decisions – Strategic Property Group & Investment Programme Board

Budget monitoring to Cabinet and Finance Sub-Committee

Financial Planning

SUPPORTING PRINCIPLE

High Quality of Service

EXAMPLES OF HOW THIS IS ACHIEVED

Robust monitoring processes

Review of Partnerships

Regular budget monitoring

Internal Audits

Corporate Performance Management

Joint Strategic Needs Assessment

2. CORE PRINCIPLE

Members and officers working together to achieve a common purpose with clearly defined functions and roles

SUPPORTING PRINCIPLE

Effective leadership

EXAMPLES OF HOW THIS IS ACHIEVED

The Constitution

Leaders for the 21st Century Programme

Leadership Forum

Releasing the Potential of the Workforce Programme

Overview Scrutiny & Policy Development Committee

Regular meetings between Cabinet Members and Senior Officers

SUPPORTING PRINCIPLE

Clear relationships with partners and public

EXAMPLES OF HOW THIS IS ACHIEVED

Strategic and Operational Partnership Boards

Health and Wellbeing Board

Service & Corporate Performance Reports

Employee Code of Conduct

Individual Performance Reviews

Shared Services Management Board

Mayor's Welfare Reform Task Group, Project Board

SUPPORTING PRINCIPLE

Constructive working relationships between elected members and officers

EXAMPLES OF HOW THIS IS ACHIEVED

The Constitution

Working with Members training

Protocols on Member/Officer Relations

Member Development Programme

Ward Briefings

3. CORE PRINCIPLE
Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

SUPPORTING PRINCIPLE

High standards of conduct and effective governance

EXAMPLES OF HOW THIS IS ACHIEVED

Governance arrangements in place across the Authority

Standards Committee

Member Development Programme

Leadership Forum

Code of Conduct for employees

Regular monitoring of Health and Safety, Equality and Diversity

SUPPORTING PRINCIPLE

Organisational values are put in practice and are effective

EXAMPLES OF HOW THIS IS ACHIEVED

Service Plans

Workforce Strategy

Individual Performance Reviews

Organisation value statements are in place

4. CORE PRINCIPLE
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

SUPPORTING PRINCIPLE

Rigorous and transparent decision making

EXAMPLES OF HOW THIS IS ACHIEVED

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

Customer Complaints System

Governance arrangements in place, e.g. to cover the decision making process

SUPPORTING PRINCIPLE

Quality Information

EXAMPLES OF HOW THIS IS ACHIEVED

Rigorous clearance process for Council reports

Governance Policies in place, e.g. to cover the role of Council Committees

Established quality framework within North Tyneside Homes, accredited to ISO 9001:2008

SUPPORTING PRINCIPLE

Effective Risk Management

EXAMPLES OF HOW THIS IS ACHIEVED

Risk management is undertaken at strategic and operational level

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

Corporate whistle blowing policy in place

All Council and Committee reports include a risk section

SUPPORTING PRINCIPLE

Legal Powers

EXAMPLES OF HOW THIS IS ACHIEVED

Legislative requirements of posts highlighted

Training needs addressed

Continuing professional development

5. CORE PRINCIPLE
Developing the capacity and capability of members and officers to be effective

SUPPORTING PRINCIPLE

Ensuring members and officers have the appropriate skills, knowledge and experience

SUPPORTING PRINCIPLE

Capability of people charged with governance responsibilities

SUPPORTING PRINCIPLE

Encouraging new talent

EXAMPLES OF HOW THIS IS ACHIEVED

Individual Performance Reviews

Staff Surveys

Member Development Programme

Learning & Development Framework

EXAMPLES OF HOW THIS IS ACHIEVED

Governance arrangements

Working with Members training

Individual Performance Reviews

EXAMPLES OF HOW THIS IS ACHIEVED

Leadership Forum

Recruitment Policy and Procedures

Managers Development Programme

Releasing the Potential of the Workforce Programme

6. CORE PRINCIPLE

Engaging with local people and other stakeholders to ensure robust public accountability

SUPPORTING PRINCIPLE

Dialogue with, and accountability, to the public

SUPPORTING PRINCIPLE

Meeting responsibility to staff

SUPPORTING PRINCIPLE

Robust scrutiny function which engages local people and partnerships

EXAMPLES OF HOW THIS IS ACHIEVED

Elected Mayor's Listening Events

Community Conversations hosted by local councillors

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

EXAMPLES OF HOW THIS IS ACHIEVED

Gold Award for 'Better Health at Work Award'

Staff Panel

Staff surveys and associated Action Plan

Engagement with Trade Unions

Health Safety & Wellbeing Framework & Policies

Industrial relations Framework

EXAMPLES OF HOW THIS IS ACHIEVED

Overview, Scrutiny & Policy Development arrangements

Public engagement and feedback

Mayor's Listening Events

Tenant & Leaseholder Involvement Strategy

Service Development Groups

Authority's website

4.0 Review of effectiveness

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

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

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

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

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

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

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

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

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

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

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

- **Standards Committee** - The Standards Committee is responsible for the promotion and maintenance of high ethical standards within the Authority, helping to secure adherence to the Members' Code of Conduct, monitoring the operation of the Code within North Tyneside, the provision of training to members in relation to the Code and to requirements for disclosure of interests The Committee also promotes and reviews the Whistleblowing Policy for Members and conducts hearings following investigation and determines complaints made against Councillors in respect of alleged breaches of the Code of Conduct (including following requests for review);

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

- **Corporate Assurance Group** – The Corporate Assurance Group consists of the Chief Executive, Deputy Chief Executive, Head of Children's Services and the Head of Adult Services. The Group not only provides adequate and regular assurance for the statutory functions for Adult and Children's Services, but enables a strategic discussion of trends, pressures, special measures for specific establishments/service areas or client groups. It also enables the performance, engagement and resource commitment of partners to be kept under review, as well as providing a regular link with the Safeguarding Board Chairs. A primary function of the Group is to provide the evidence by which the Chief Executive, Elected Mayor and Cabinet Members fulfil their statutory responsibilities to adults and children within the borough – in both a retrospective scrutiny of performance and a forward view of pressures and challenges facing the services – which will inform corporate decisions on resources and capacity;

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

- **Risk Management Groups** – Risk Management is undertaken at operational and strategic level and is also a key element of managing our projects and partnerships. The Authority's Senior Leadership Team takes an active part in ensuring that strategic risks are identified and managed taking into consideration the Authority's priorities. Those strategic risks that are exceptional in nature are managed at corporate level and are jointly owned by the relevant member of the Senior Leadership Team and Cabinet Member. All risks are reviewed on a regular basis by the relevant risk management group and governing body to ensure that they are being managed effectively, with progress reported to Senior Management, Senior Leadership Team, Cabinet, and the Audit Committee; and

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

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

5.0 Overall assessment of Governance Arrangements in place

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 and that significant risks impacting on the achievement of the Authority's objectives have been mitigated.

The annual report produced by the Chief Internal Auditor - "2014/15 Opinion on the Framework of Governance, Risk Management and Control" has been reviewed and found to be satisfactory with some areas for consideration set out in paragraph 5.1.8.

As a result of reviewing the evidence outlined in sections 3 and 4, the Senior Leadership Team has taken the view that as a whole, the governance arrangements in operation during 2014/15 within the Authority were adequate.

5.1 Outlook

As a result of reviewing the evidence outlined in sections 3 and 4, together with the Authority's assurance statement, some issues were identified that will need to be monitored during 2015/16. These issues relate to the changing nature of the Authority and local government as a whole, with the Authority's approach to governance of partnership arrangements being a key feature. If the Authority failed to address these challenges properly it may result in future governance issues. Outlined below is a summary of these key challenges:

5.1.1 The Our North Tyneside Plan 2014-2018 identifies the priorities that the Council and partners will address over the next 4 years. To enable the objectives laid down in the Plan to be supported and met the Creating a Brighter Future Programme has been established. The Creating a Brighter Future Programme (CBF) has been rolled out across the Authority and represents a new plan for delivery in addition to major culture change and new ways of working. To enable the objectives of the Programme to be met it is important that the current monitoring processes that are in place will enable robust financial and service challenges to continue during the year.

5.1.2 As part of the CBF programme a workforce development programme is being established to look at: reviewing the Individual Performance Review Process, moving towards competency based job descriptions, reviewing employee and management competencies, linking services to the CBF programme and working towards fewer layers/tiers/more generic roles to allow greater flexibility. To ensure that the Authority is able to deliver its statutory responsibilities and continue to be a fit for purpose organisation it is important that the workforce development programme is fully developed.

5.1.3 The Better Care Fund (BCF) creates pooled budgets from April 2015 in each Health and Wellbeing Board area. It aims to support the integration and transformation of health and social care services to ensure that local people receive better care. Ongoing risk management of the BCF needs to be carried out in accordance with the Authority's risk management strategy, including regular review of the risk register by the Partnership Board to ensure that objectives are met and appropriate governance arrangements are in place. Reporting to the Health & Wellbeing Board and Cabinet as required. Alongside this the Authority will need to keep under consideration the wider health economy, the on-going financial pressures in commissioning services for health and any consequences of the introduction of the new emergency care facility at Cramlington.

5.1.4 The Authority has statutory responsibilities in respect of Safeguarding for both Adults and Children and it is important that appropriate policies and procedures are in place to ensure the statutory guidance is complied with and collective responsibility is taken. Following a Peer Review in February 2015 of the Health & Wellbeing Board (HWB) by the Local Government Association (LGA) a number of recommendations were made which range from clarifying in consultation with partners the purpose, role, remit and scope of the HWB to putting in place robust programme management capacity with a clearly identified lead officer that is jointly owned and resourced. To meet the recommendations of the Peer Review Panel it is important that an action plan is developed and key milestones set out to enable the changes to be made.

5.1.5 During 2014/15 the LGA carried out a Peer Challenge to help improve the adult safeguarding service. The review identified “many positive and creative services and support to safeguard adults at risk in the borough”. The feedback from the review is being used to identify where further improvements can be achieved. An action plan is being developed alongside the Safeguarding Adults Board to ensure that all partners implement the changes in their organisation’s planning and practices. It is important that this action plan is developed to build on the existing safeguarding arrangements. The North Tyneside Safeguarding Children Board Annual Report sets out the outcomes of a Self Assessment including an actions plan for areas of improvement.

5.1.6 The Authority needs to continue to embed and review governance arrangements that are in place in respect of all partnerships to ensure required services are delivered satisfactorily, whilst also achieving and sustaining value for money. In addition the Authority needs to ensure that boundaries and responsibilities remain clear and are robustly managed, recognising that operations and staffing in both partner organisations and the Authority change over time.

5.1.7 Continue to embed the new health and safety framework and gain assurance that the framework is being followed across the Authority.

5.1.8 The Annual Report from the Chief Internal Auditor contained the following comments in relation to the AGS:

<u>Overall Opinion on the Framework of Governance, Risk Management and Control</u>

(a) The Chief Internal Auditor’s overall opinion on the organisation’s internal systems of governance, risk management and control, was found to be satisfactory;

(b) The Authority's fundamental financial systems, which overall are operating as intended and achieving the required outcomes;

Preventative and Directive Controls

(c)The continued importance of establishing and monitoring effective directive control within all parts of the Authority. In particular, enforcement of clear authorisation and approval processes between the Authority and its major strategic partners should be monitored closely;

Information Governance and Data Quality

(d)The Authority is aware of a number of areas in which information governance should be improved, and has commenced plans to strengthen arrangements in this regard. Pending effective implementation of these planned improvements, there remain some control and value for money issues in the way in which the Authority manages its data;
(e) Some localised data quality issues have been identified, in several partnership arrangements. As reliable data is a cornerstone of sound performance management, this issue should continue to be given a high priority as part of client management responsibilities;

ICT Resilience

(f) A number of factors have contributed to ICT problems experienced across the Authority during 2014/15. The Authority is aware of, and has taken action in association with Cofely, to begin to address this. This is essential to ensure that the stability of the ICT environment is increased.

6.0 Signatures

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

Signed:

……………………………………………… ……………………………………………

Elected Mayor **Chief Executive**

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

………………………………………………..

Chair of Council

Date: …………………………………………

I confirm that the Audit Committee (at its meeting 27 May 2015) was satisfied on the basis of the information available to it, that the Annual Governance Statement 2014/15, which is required, under the Regulations governing the audit of local government accounts, has been prepared and approved after due and careful enquiry.

…………………………………………

Chair of the Audit Committee

Date: …………………………………………

Glossary of Terms

A

Accounting period: the period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period i.e. 31 March is the balance sheet date.

Accounting policies: are the specific principles, bases, conventions, rules and practices applied in preparing and presenting these accounts.

Accruals basis: the method of including amounts in accounts to cover income or expenditure attributable to an accounting period but for which payment has not been received or made by the end of the accounting period. This is based on the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Acquired Operations: operations comprise of services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. Acquired operations are those of the Authority that are acquired in the period.

Actuarial Gains and Losses: for a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation or;
- the actuarial assumptions have changed.

Amortised: reducing the value of a balance in an accounting period. The reduction in value is transferred from the balance sheet to the Comprehensive Income and Expenditure Statement.

Amortised Cost: is the amount at which an asset or liability is measured (usually at cost) plus or minus accumulated interest.

Appropriations: transferring of an amount between specific reserves in the Comprehensive Income and Expenditure Statement.

Asset: something of value which is measurable in monetary terms.

Authorised Limit: this is the limit beyond which borrowing is prohibited.

Authority: this is the corporate body of North Tyneside Council.

Available for Sale financial assets: financial instruments that either do not have fixed or determinable payments or whose prices are quoted on an active market.

B

Bad (and doubtful) debts: debts which may be uneconomic to collect or unenforceable in law.

Balances: the reserves of the Authority, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the funds.

Balance Sheet: a statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Billing authority: a local authority empowered to collect Non - Domestic Rates and Council Tax i.e. metropolitan authorities, unitary authorities, London Boroughs, district authorities and the City of London. North Tyneside Council is a billing authority.

Business Rates: a tax on the occupation of non-domestic property in England (and Scotland and Wales) based on the notional annual rent of a property known as the Rateable Value.

Business Rates Retention: as a result of Government reforms to the way in which local government is funded, from 1 April 2013 Councils are able to retain a proportion of business rates revenues, as well as growth on the revenue that is generated in their area. In the case of North Tyneside Council, 49% of business rates income is retained in the borough, with 50% being distributed to Central Government and 1% to the Tyne & Wear Fire and Rescue Authority.

Budget: a statement of the Authority's expected level of service expressed as an amount of spending over a set period, usually one year.

C

Capital Adjustment Account: provides a balancing mechanism between the different rates at which assets are depreciated under The Code and are financed through the capital controls systems.

Capital expenditure: expenditure on the acquisition or enhancement of non current assets. Capital expenditure can be incurred in some instances (where no asset is created) if Secretary of State permission is granted (e.g. equal pay, redundancy costs or where grants are made to other organisations for capital projects).

Capital Financing Requirement: the capital financing requirement is one of the indicators that must be produced as part of the CIPFA prudential code. This measures the Authority's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and the next two financial years.

Capital receipts: the proceeds from the sale of a fixed asset, or the repayment of some grants or loans made by the Authority.

Capitalised: transferred from revenue to capital.

Cash and cash equivalents: this comprises cash in hand, cash overdrawn and short term investments which are readily convertible into known amounts of cash.

Cashflow: movement in cash and cash equivalents by the Authority in the accounting period.

CIPFA: The Chartered Institute of Public Finance and Accountancy.

CIPFA/LASAAC Code of Practice on Local Authority Accounting (The Code): the code of practice applicable to preparing the accounts.

Collection Fund: this account reflects the statutory requirement contained in section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR).

Community assets: assets that the Authority intends to hold in perpetuity have no determinable finite useful life and in addition may have restrictions on their disposal. Examples of community assets are playing fields and parks.

Component: is a significant part of an asset (such as a roof or major item of plant or equipment), which has to be separately identified for the purposes of accounting and asset management.

Comprehensive Income & Expenditure Statement: the account, that sets out the Authority's income and expenditure for the year for non-capital spending. It is sometimes referred to as the Revenue Account.

Consistency: the concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Consolidated: added together with adjustments to avoid double counting of income, expenditure, or to avoid exaggeration, e.g. debtors, creditors as a result of trading between services within the Authority which are reported on as a whole in the section on consolidated financial accounts.

Consumer Price Index (CPI): the index has been designed as a macro-economic measure of consumer price inflation. The official measure is calculated each month by taking a sample of goods and services that a typical household might buy including food, heating, household goods and travel costs.

Contingent asset: a contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

Contingent liabilities: arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingencies: sums set aside as a provision for liabilities which may arise in the future but which cannot be determined in advance.

Corporate & Democratic Core: comprises all activities that the Authority engage in specifically because it is an elected, multi-purpose authority. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs of service.

Corporate management: those activities and costs which provide the framework for services to be undertaken and information required for public accountability.

Council (or Full Council): the formal meeting of all Members of North Tyneside Council.

Creditors: amounts owed by the Authority for work done, goods received or services rendered to the Authority during the accounting period, but for which payment has not been made by the Balance Sheet date.

Council Tax: the main source of local taxation for local authorities. It is a banded property tax (using 1 April 1991 property values) which is levied on households within its area by the billing authority and is set annually for the properties in its area. Council Tax income is paid into the billing authority's Collection Fund for distribution to precepting authorities and for use by the billing authority's own General Fund.

Current assets: which will be consumed or cease to have value within the next accounting period, e.g. inventories and debtors.

Current liabilities: amounts that the Authority owes to other bodies and due for payment within 12 months.

Current Service Cost (Pensions): the increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

Curtailment: for a defined benefit pension scheme this is an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service, examples being termination of employees service through redundancy or amendment of the terms affecting future benefits.

D

Debtors: amounts due to the Authority which relate to the accounting period and have not been received by the Balance Sheet date.

Deferred Credits including deferred capital receipts: amounts derived from the asset sales which will be received in instalments over a period of a year (e.g. mortgages on the sale of Council houses).

Deferred Liabilities: these are liabilities which are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time, e.g. deferred purchase arrangements.

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

Defined Benefit Scheme: a defined contribution scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all the employees benefits relating to employee service in the current or prior periods. A defined benefit scheme is a pension or retirement benefit scheme other than a defined contribution scheme.

E

Earmarked reserves: these reserves represent the monies set aside that can only be used for a specific usage or purpose (see Reserves definition for more information).

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

Enterprise Zones: specific areas where a combination of financial incentives and reduced planning restrictions apply.

Equity instrument: a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Estimation Techniques: methods adopted by the Authority to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Events after the Balance Sheet Date: events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

Exceptional items: are ones that are material in terms of the Authority's overall expenditure for example impairments and changes in accounting regulations.

Expenditure: costs incurred by the Authority for goods received, services rendered or other value consumables during the accounting period, irrespective of whether or not any movement of cash has taken place.

Extraordinary items: these are very rare. They are material items with a high degree of abnormality that arise outside the normal activities of the Authority and are not expected to recur.

F

Fair Value: the fair value of an asset is the price at which it would be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.

Finance Lease: a lease that transfers substantially all the risk and rewards of ownership of a fixed asset to the body leasing the asset (see Leasing definition for more information).

Financial Asset: a right to future economic benefits controlled by the Authority that is represented by: cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity.

Financial Instruments: contracts that give rise to a financial asset of one entity and a financial liability of another entity.

Financial Liability: an obligation to transfer economic benefits controlled by the Authority that is represented by: a contractual obligation to deliver cash (or another financial asset) to another entity, or a contractual obligation to exchange financial assets/liabilities with another entity.

G

General Fund: the main revenue account of the Authority, which brings together all income and expenditure other than recorded in the Housing Revenue Account and the Collection Fund.

Government grants: grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of local authority services. These grants may be specifically towards the cost of particular schemes or to support the general revenue spending of the Authority.

H

Historical cost: the actual cost of assets, goods or services, at the time of their acquisition.

Housing Benefits: a system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

Housing Revenue Account: a separate account that includes all income and expenditure arising from the provision of Council housing by the Authority.

I

Impairment: a reduction in the value of a fixed asset, measured by specific means, below its stated carrying amount in the Balance Sheet.

Income: amounts which the Authority receives or expects to receive from any source, including rents, fees, charges, sales and grants.

Infrastructure Assets: assets such as highways, bridges, street lights and footpaths.

Intangible Asset: identifiable non-monetary asset without physical substance e.g. computer licences.

Interest Cost (pensions): for a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Accounting Standards (IAS): international accounting standards issued by the International Accounting Standards Board. They are authoritative statements of how particular types of transactions and other events should be reflected in financial statements.

Inventories: raw materials and consumable items which the Authority has procured to use on a continuing basis and have not been used by the end of the accounting period.

Investment Property: interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

Investments: items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts).

L

Leasing: a method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright. The two methods are:

- *Operating Leases* – may generally be described as those which do not provide for the property in the asset to transfer to the Authority, only the rental will be taken into account by the lessee; or
- *Finance Leases* – are leases that transfer substantially all of the risks and rewards of ownership of the asset to the lessee. The asset is recorded on the lessee's balance sheet.

Lender Option Borrower Option Loans (LOBO): borrowing whereby the lender can opt to increase the interest rate payable at the end of the initial period. If the lender opts to increase the interest rate payable then the borrower can either agree to this increase and continue to repay the loan up to the maturity date or can reject the new terms and repay the loan in full (without penalty).

Levies: similar to precepts, these sums are paid to other bodies. However, these amounts are not collected through Council Tax as with precepting bodies; they are items of expenditure on the face of the Comprehensive Income and Expenditure Statement. The bodies that charge a levy on the Authority are the Tyne and Wear Integrated Transport Authority, the Environment Agency and the Tyne Port Health Authority and Northumberland Inshore Fisheries and Conservation Authority.

Liabilities: amounts due to individuals or organisations, which will have to be paid at some time in the future.

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

M

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

Material: the concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP): is the minimum amount which must be charged to an authority's revenue account each year and set aside as a provision for credit liabilities (repayment of debt), as required by the Local Government Act 1989.

N

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

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

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

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

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

Non Distributed Costs: the SeRCOP defines these costs as including the following – past service costs, settlements and curtailments relating to retirement benefits, impairment losses relating to assets under construction, other surplus assets held for disposal (but which do not satisfy the criteria in the Code to be classified as held for sale) and depreciation on these assets.

O

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

P

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

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

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

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

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

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

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

R

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

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

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

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

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

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

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

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

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

S

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

Service Reporting Code of Practice (SeRCOP): provides guidance on financial reporting to ensure data consistency and comparability. It was introduced in response to the demands placed upon local authorities to secure and demonstrate Best Value in the provision of services to the community.

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

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

T

Tangible assets: physical assets owned by the Authority, which can be seen or touched e.g. buildings and equipment.

U

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

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