North Tyneside Council

ANNUAL FINANCIAL REPORT

2015/16

Table of Contents

Narrative Report

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.

This Statement of Accounts details the Authority's financial position for the financial year 1 April 2015 to 31 March 2016. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code). The Code of Practice constitutes "proper accounting practice" under the terms of the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989 and, for audit, the Local Audit and Accountability Act 2014.

This Annual Financial Report brings together our financial position together with a summary of the performance of the Authority over the previous 12 months.

2 Performance Overview

With partners we have developed the Our North Tyneside Plan, which has been refreshed in the last twelve months. It describes the outcomes which the Authority, with partners will work together to deliver. It was developed via the North Tyneside Strategic Partnership, which is chaired by the Elected Mayor and includes representatives from key partners in public, private and voluntary sectors.

Internally the Authority has established the Creating a Brighter Future Programme, which describes how we will deliver the Our North Tyneside plan. This is a longer term 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. The Programme has 4 key themes, alongside a number of enabling projects:

- Ready for School,
- Ready for Work and Life,
- Cared for, Safeguarded and Healthy, and;
- A great place to live, work and visit.

This programme has already reduced costs for the Authority but in a way that 73% of local residents have not noticed any changes to local services.

It is also encouraging that despite the significant financial savings that the Authority has already made more local residents believe that the Authority provides good Value for Money (from a net score of -5 in 2008 to +23 in 2015).

It is important even within the context of these financial statements to recognise that as previously identified the Authority's accounts only tell part of the story. Within these key themes we are then able to try and measure the Authority's performance in their context using a range of performance indicators, some of which are reported nationally and for which comparative regional and national figures are available.

It is intended that the following information helps provide a wider context to the financial statements and demonstrates how the services delivered can make a difference.

3 Overview of North Tyneside

North Tyneside continues to be a place of choice as indicated by a growing population. From mid 2002 to mid 2013, around 7,050 more people moved into the Borough than moved out. This contrasts with the other areas of Tyne and Wear, where around 25,980 more people moved out to other local authority areas. This is expected to continue into the future.

The majority of residents are satisfied with their local area as a place to live. In response to local peoples' views on what makes a place a great place to live, in North Tyneside:

- 96% of pupils attend a school that is judged (by OFSTED) as 'Good' or 'Outstanding', compared to the national average of 84%;
- North Tyneside is the safest Metropolitan area in England;
- The Borough has the lowest levels of Job Seekers' Allowance claimants in Tyne and Wear; and
- There were 414 net additional homes provided in 2014/15 and 265 affordable homes.

North Tyneside also attracts 5.8m tourist visits, who contribute £279.06m in income to the local economy and support 3,792 jobs.

This is also reflected in the economic strength of the area. Over recent years the Borough has attracted inward investment with firms such as Tesco Bank, EE, UtilityWise, Hewlett Packard, G4S, ENGIE, Accenture, Perfect Image and Greggs. This has contributed to over 14,000 jobs being created and more businesses in the Borough.

For the future, plans are progressing to regenerate the coast and bring additional employment opportunities in the two main business parks and at the former Swans site.

Despite North Tyneside becoming, relative to the rest of the country, a less deprived area there continues to be significant challenges as significant inequalities exist within the Borough. A child born today in the most deprived part of the Borough will live 10 years less than a child born in the least deprived part. This inequality exists at all the key life stages. It is why, as part of the Our North Tyneside plan and through the Creating a Brighter Future Programme, work is ongoing to reshape services to address the effects of deprivation. An early success was the national recognition of the Active North Tyneside programme from Public Health England.

Whilst the population is growing it is also changing, with an expected increase in age groups such as the over 70s. This will lead to different issues for service delivery, such as an increase in the number of people having a fall or being admitted into permanent care.

The following is a link to the Performance report to Cabinet in March 2016, this set out progress in the delivery of the key aims and objectives of Our North Tyneside plan during 2015-16. **Council performance | North Tyneside Council**

4 Summary of the 2015/16 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, and Non Domestic Rates under the rates retention scheme and other income such as fees and charges. Capital expenditure is money spent on assets which have a useful life in excess of one year; these are financed by capital receipts, borrowing, and grants and contributions.

General Fund

At its meeting of 19 February 2015, Council approved a total General Fund Revenue Budget of £156.757m for the financial year 2015/16.

The Dedicated Schools Grant (DSG) received for 2015/16 was £138.879m for North Tyneside Council with a subsequent Academy recoupment of £11.190m leaving the total amount of DSG received in 2015/16 as £127.689m (original budget estimate was £137.823m).

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:

2014/15 Actual Outturn £000s		2015/16 Actual Outturn £000s	2015/16 Budget* £000s
255,628	Expenditure on all Services	256,422	263,230
12,754	Levies	12,556	12,556
17,026	Interest payable, interest income & capital financing costs (excluding PFI & finance leases)	16,480	20,213
10,204	Transfers to/(from) reserves	(358)	(1,419)
295,612		285,100	294,580
(53,094)	Revenue Support Grant	(39,832)	(39,832)
(128,207)	Dedicated Schools Grant	(127,689)	(137,823)
(73,573)	Council Tax Collection Fund Receipts	(74,933)	(74,933)
(26,467)	Retained Business Rates	(26,411)	(26,411)
(15,253)	Business Rates Top Up	(15,544)	(15,544)
(8)	Transfer from Collection Fund	(37)	(37)
(296,602)		(284,446)	(294,580)
990	Addition/(Reduction) to Balances	(654)	0
13,251	Balances brought forward	14,241	14,241
14,241	Balances carried forward	13,587	14,241

*This figure is the approved General Fund Budget of £156.757m and the Dedicated Schools Budget of £137.823m.

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 4) 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 of £1.573m 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 13 June 2016. The link to the published report is set out below.

Cabinet Report 13 June 2016

The Accounting Statements:

The Authority’s Accounts for the year 2015/16 consist of:

1	**Independent Auditor’s Report**	Page
	This sets out the External Auditor’s opinion on the Accounts	13
2	**Statement of Responsibilities for the Statement of Accounts**	
	This statement discloses the respective responsibilities of the Authority and the Head of Finance.	16
3	**Comprehensive Income and Expenditure Statement**	
	This sets out income and expenditure on services, including the day to day expenses and related income on services and the value of assets consumed during the year.	17
4	**Movement in Reserves Statement**	
	This summarises the difference between the Comprehensive Income and Expenditure Statement and the movements on useable and unuseable reserves.	18

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 17). The net expenditure of £146.733m (£90.797m 2014/15) is an increase of £55.936m on the previous year. The variations relate in the main to capital accounting adjustments and particularly within the Housing Revenue Account.

Other operating expenditure has decreased from £28.877m in 2014/15 to £17.477m during 2015/16. This is substantially due to a decrease of £11.442m from 2014/15 in respect of losses on disposal of assets.

In terms of income, Taxation and Non-specific Grant Income there has been a fall in income of £11.136m from £193.569m in 2014/15 to £182.433m in 2015/16. This is substantially due to a decrease in the Revenue Support Grant received between years (reduction of £13.262m).

Balance Sheet

The Balance Sheet is set out on page 20. Overall, the Authority has net assets of £198.084m which is an increase from 2014/15 of £24.154m from the figure of £173.930m.

There has been a reduction in the long term liabilities of the Authority of £26.929m which is the main reason behind the increase in the Authority's net assets. The reduction is a combination of a decrease in long term borrowing and a reduction in the pension liability.

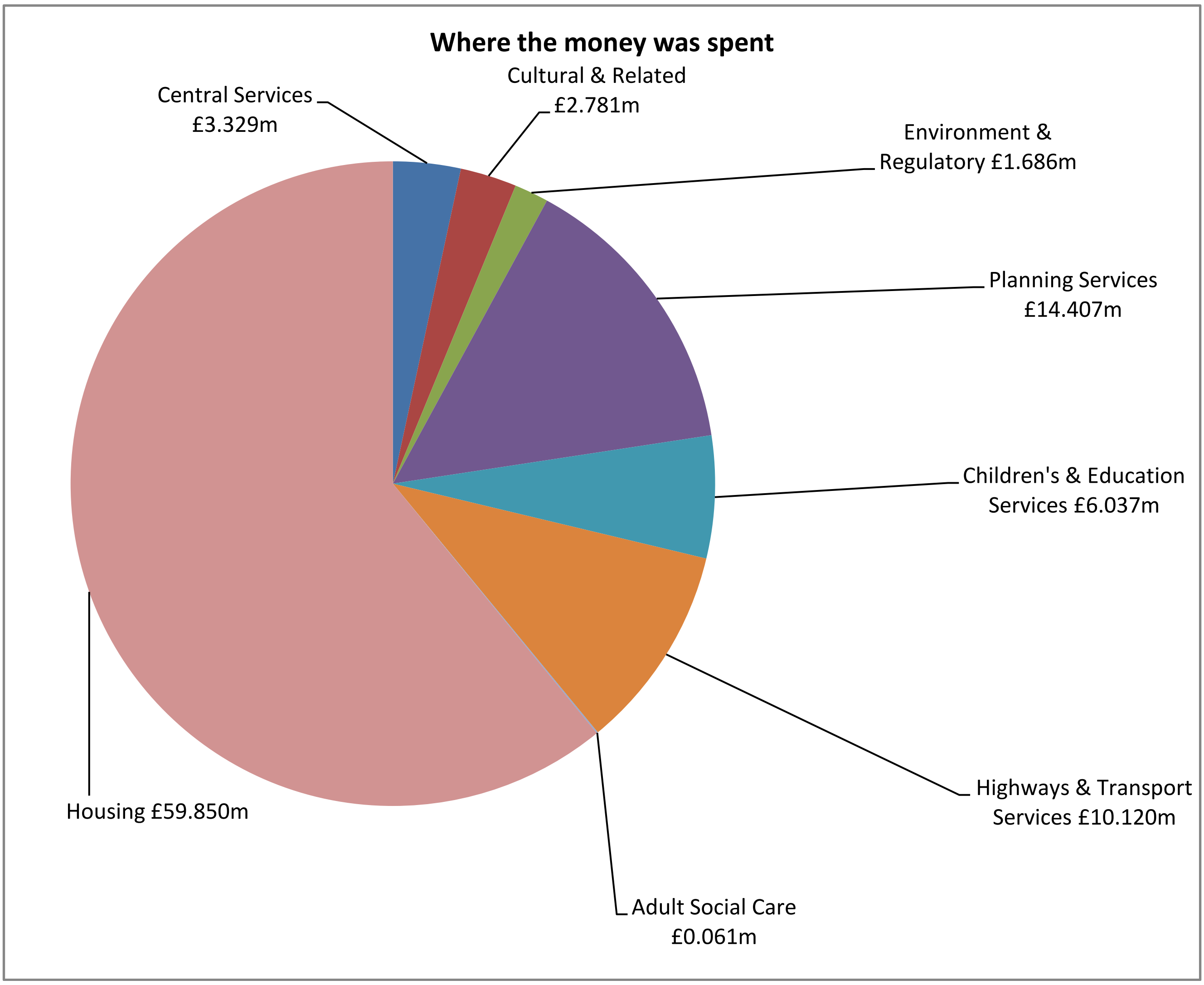
Housing Revenue Account

On 15 January 2015 the Authority approved the Housing Revenue Account (HRA) budget which included an average rent increase of 2.2% and income and expenditure of £69.338m.

The detailed HRA outturn for 2015/16 was reported to Cabinet on 13 June 2016 and showed a final contribution to working balances of £0.656m. This is £1.296m higher than the originally budgeted figure and reflects various savings that have been made across the HRA.

Capital Expenditure

Capital expenditure in 2015/16 totalled £98.271m (£88.559m 2014/15) which includes spend on PFI projects within the Authority. The following chart shows where the £98.271m was spent.



Major schemes within the 2015/16 plan included:

	£000s
HRA Schemes including PFI	58,663
Education and Schools	6,036
Swan Hunters Redevelopment	12,508
Local Transport Plan	3,230
Asset Maintenance	1,643
Vehicle Transport Review	1,523
Additional Highways Maintenance	1,993
Whitley Bay Regeneration	1,141
Surface Water Monitoring	1,344
Industrial Estate Strategy	1,131

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 2015/16 at £1,220.000m (£1,190.000m 2014/15) and its Operational Boundary for external debt at £665.000m (£635.000m 2014/15). All transactions were carried out within the Authorised Limit boundaries during 2015/16. As shown in the Balance Sheet, the total liabilities for borrowing, finance lease balances (including Private Finance Initiative (PFI)) and other liabilities are £548.844m (£526.279m 2014/15).

5 Overview and Outlook

The announcement of the 2016/17 Local Government Finance settlement gave some indication of core funding levels up to 2019/20 particularly with regard to the Revenue Support Grant which will continue to reduce. However, uncertainty still exists in respect of likely Government funding levels in relation to other grants over the period, as well as instability that arises from the volatility of business rates funding and the implications of the move towards a new funding regime of 100% rate retention from 2019.

The figures highlight significant challenges ahead as efficiencies will be required to compensate for any additional cost pressures we face. These pressures include those arising from cost pressures in the care sector, increase in demand in adults and children needing support with rising levels of need and increases in core costs such as pension contributions.

Currently it is anticipated that the Authority will be required to make efficiencies of close to £56.000m over the next three years with nearly £16.000m being targeted during 2016/17. This is in addition to close to £43.000m delivered over the last three years.

The Authority continues to develop and deliver the Creating a Brighter Future programme 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.

The Authority is developing a Target Operating Model to provide a framework for the way in which services will be delivered in the future. The aim of this model is to ensure the Authority can deliver policy priorities and their associated outcomes within available resources. The model is being developed around a set of principles and outcomes that aim to target investment and resources to deal with issues at an early stage, to prevent costs escalating into the future.

Welfare reform is likely to continue to place additional demands on our services as well as impacting on local authority finances with a further £12 billion cuts to the welfare budget being included in the Summer Budget 2015. The Care Act will also put additional strain on local authority services and whilst provision has been made to further improve the integration of social care and health services through the Better Care Fund, it is unclear whether resources allocated by local government will be enough to cover additional burdens.

The next triennial review of the Local Government Pension Scheme (LGPS) will be as at 31 March 2016 and will impact from 2017/18.

The North East Combined Authority and seven north east authorities have been in discussions with the Government regarding the devolution of a number of powers and the election of a regional mayor. Authorities have been unable to reach a position where all seven council agrees on the terms of under which the government made the devolution offer and Central Government has announced its decision to end the current discussions. There may be impacts on the Authority as a result of these decision but the precise implications are unclear

The Council has an approved Investment programme of £91.800m for 2016/17, this includes £24.900m within the Housing Revenue Account. The programme illustrates a continued focus on local economic development and delivery of Our North Tyneside Plan.

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 deliver the outcomes shaped by the Creating a Brighter Future programme.

Our financial strategy includes consideration of the level of reserves we plan to hold and how these will be utilised, taking into account the risks and challenges we potentially face over the financial planning period.

The delivery of efficiencies to allow front line services to be protected as far as possible has been a feature in the Authority's budget plans for many years. Financial plans for future years are no different, with a challenging remit to deliver efficiencies. Failure to meet these targets would place significant pressure on the Authority's finances and its ability to balance its budget and continue to deliver excellent services.

Janice Gillespie
Head of Finance
Date:

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

Opinion on the Council's financial statements

We have audited the financial statements of North Tyneside Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the 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 2015/16.

This report is made solely to the members of North Tyneside Council in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of 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 2015/16, 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 Narrative Report 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 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Narrative Report 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 24, schedule 7 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves 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 National Audit Office requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding 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 are required to conclude whether the Council has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office, 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 2016.

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 Council's Whole of Government Accounts consolidation pack. We are satisfied 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

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

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

Signed:

Chair of Council
Date:

The Head of Finance's Responsibilities

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

In preparing this Statement of Accounts the Head of Finance has:

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

The Head of Finance has also:

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

I certify that the Statement of Accounts for the year ended 31 March 2016, required by the Accounts and Audit Regulations 2015 are set out in the following pages and that they give a true and fair view of the financial position of the Authority and its income and expenditure for the year ended 31 March 2016.

Signed:

Janice Gillespie
Head of Finance
Date:

Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

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.

2014/15				2015/16		
Gross Exp £000s	Gross Inc £000s	Net Exp £000s		Gross Exp £000s	Gross Inc £000s	Net Exp £000s
2,485	(1,260)	1,225	Central Services to the Public	2,603	(2,080)	523
28,710	(8,706)	20,004	Cultural & Related Services	22,795	(9,858)	12,937
31,782	(10,299)	21,483	Environmental & Regulatory Services	31,146	(8,716)	22,430
9,206	(4,895)	4,311	Planning Services	15,471	(3,797)	11,674
210,908	(174,813)	36,095	Children's & Education Services	216,339	(178,305)	38,034
13,593	(6,827)	6,766	Highways & Transport Services	14,858	(7,501)	7,357
13,030	(70,245)	(57,215)	Local Authority Housing (HRA)	61,202	(71,109)	(9,907)
79,936	(80,470)	(534)	Other Housing Services	80,903	(81,217)	(314)
86,602	(35,513)	51,089	Adult Social Care	90,047	(39,775)	50,272
11,025	(11,015)	10	Public Health	12,041	(11,760)	281
5,883	(1,255)	4,628	Corporate & Democratic Core	6,017	(1,280)	4,737
2,935	0	2,935	Non Distributed Costs (NDC)	8,709	0	8,709
496,095	**(405,298)**	**90,797**	**Cost of Services**	**562,131**	**(415,398)**	**146,733**
28,877	0	28,877	Other Operating Expenditure (Note 9)	17,477	0	17,477
39,174	(119)	39,055	Financing and Investment Income and Expenditure (Note 10)	34,989	(141)	34,848
0	(193,569)	(193,569)	Taxation and Non Specific Grant Income (Note 11)	0	(182,433)	(182,433)
564,146	**(598,986)**	**(34,840)**	**Deficit/(Surplus) on Provision of Services**	**614,597**	**(597,972)**	**16,625**
		(64,178)	Surplus on Revaluation of Non-Current Assets (Note 31)			(2,019)
		56,000	Remeasurement of the net defined benefit liability (Note 31)			(38,760)
		(8,178)	**Other Comprehensive Income and Expenditure**			**(40,779)**
		(43,018)	**Total Comprehensive Income and Expenditure**			**(24,154)**

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. The Net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Authority.

	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 31 £000s	Total Authority Reserves £000s
Balance at 31 March 2015	**14,241**	**53,423**	**3,732**	**7,440**	**1,685**	**7,322**	**87,843**	**86,087**	**173,930**
<u>Movement in Reserves during 2015/16</u>									
Deficit on the Provision of Service	(5,562)	0	(11,063)	0	0	0	(16,625)	0	(16,625)
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	40,779	40,779
Total Comprehensive Income & Expenditure	(5,562)	0	(11,063)	0	0	0	(16,625)	40,779	24,154
Adjustments between accounting basis & funding basis under regulations (Note 3)	4,550	0	18,238	(2,965)	0	(2,095)	17,728	(17,728)	0
Net increase/(decrease) before transfers to earmarked reserves	(1,012)	0	7,175	(2,965)	0	(2,095)	1,103	23,051	24,154
Transfers (to)/from earmarked reserves (Note 30)	358	6,161	(6,519)	0	0	0	0	0	0
Increase/(decrease) in 2015/16 (Note 30)	(654)	6,161	656	(2,965)	0	(2,095)	1,103	23,051	24,154
Balance at 31 March 2016	**13,587**	**59,584**	**4,388**	**4,475**	**1,685**	**5,227**	**88,946**	**109,138**	**198,084**

	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 31 £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**
Movement in Reserves during 2014/15									
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 3)	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 30)	(10,204)	17,093	(6,889)	0	0	0	0	0	0
Increase/(decrease) in 2014/15 (Note 30)	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**

** Earmarked Balances includes reserves and balances relating to both the General Fund and Housing Revenue Account – Note 30 provides more details

Balance Sheet as at 31 March 2016

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2015 £000s		Notes	31 March 2016 £000s
1,099,289	Property, Plant & Equipment	18	1,105,173
1,630	Heritage Assets		2,018
1,580	Investment Property		1,608
196	Intangible Assets		157
10,784	Long Term Investments	21	10,827
1,693	Long Term Debtors		928
1,115,172	**Long Term Assets**		**1,120,711**
300	Short Term Investments	36	482
214	Assets Held for Sale		995
709	Inventories		726
55,987	Short Term Debtors	22	47,062
12,600	Cash & Cash Equivalents	23	12,588
69,810	**Current Assets**		**61,853**
(100,434)	Short Term Borrowing	24	(116,519)
(49,774)	Short Term Creditors	25	(33,743)
(3,059)	Finance Lease & PFI Creditors	17	(3,494)
(2,759)	Provisions	26	(2,635)
(220)	Other Short Term Liabilities		(212)
(156,246)	**Current Liabilities**		**(156,603)**
(74,919)	Finance Lease & PFI Creditors	17	(103,884)
(4,916)	Provisions	26	(4,394)
(344,843)	Long Term Borrowing	27	(322,043)
(2,804)	Other Long Term Liabilities		(2,692)
(4,839)	Other Long Term Creditors	28	(3,883)
(420,280)	Pension Liability	8	(385,880)
(2,205)	Capital Grants Receipts in Advance	12	(5,101)
(854,806)	**Long Term Liabilities**		**(827,877)**
173,930	**Net Assets**		**198,084**
	Financed By:		
87,843	Useable Reserves	29	88,946
86,087	Unuseable Reserves	31	109,138
173,930	**Total Reserves**		**198,084**

Cash Flow Statement for year ended 31 March 2016

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.

2014/15 £000s		Notes	2015/16 £000s
34,840	Net surplus/(deficit) on the provision of services		(16,625)
42,458	Adjustments to net surplus/ deficit on the provision of services for non cash movements	37	87,594
(32,177)	Adjustments for items included in the net surplus/ deficit on the provision of services that are investing and financing activities	37	(33,663)
45,121	**Net Cash Flows from Operating Activities**		**37,306**
(35,583)	Net Cash flow from Investing Activities	38	(28,820)
(10,300)	Net Cash flow from Financing Activities	39	(8,498)
(762)	**Net Increase/(decrease) in cash and cash equivalents**		**(12)**
13,362	Cash and cash equivalents at the beginning of the reporting period	23	12,600
12,600	**Cash and cash equivalents at the end of the reporting period**		**12,588**

Head of Finance's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2016, required by the Accounts and Audit Regulations 2015 are set out in the following pages and that they give a true and fair view of the financial position of the Authority and its income and expenditure for the year ended 31 March 2016.

Signed:

Janice Gillespie
Head of Finance

Date:

Index to the Notes to the Financial Statements

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

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 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2015 Regulations.

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

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

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

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

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

Accruals of Income and Expenditure

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

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

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, the Minimum Revenue Provision (MRP).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by MRP in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. The Minimum Revenue Provision policy is approved annually by Council as part of the budget setting process.

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

Exceptional items

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

Leases

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

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

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

<u>The Authority as Lessee</u>

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).

<u>The Authority as Lessor</u>

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.

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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost;
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; and,
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets under the course of construction are recorded at cost during the construction period. Once the asset becomes operational a valuation is undertaken as relevant to the asset's type.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, where the increase reverses a revaluation decrease on the same asset that was previously charged to the Surplus or Deficit on Provision of Services, all or part of the revaluation gain is credited to the Surplus or Deficit on Provision of Services up to the amount of the previously recognised loss, net of depreciation that would have been charged had the loss not been recognised.

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

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

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

<u>De-Minimis Levels</u>

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.

<u>Impairment</u>

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. For buildings valued over £0.500m consideration will be given as to whether or not there is any significant part which requires a separate component, such as the roof or any specialist item of plant or equipment.

The land element will continue to be considered as a separate asset with its own valuation which, except in very unusual circumstances, will not be subject to depreciation.

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

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.

Heritage Assets

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

Recognition and Measurement

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

Impairment

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

Disposals

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

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

Investment Property

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

Investment Properties are measured initially at cost and subsequently at fair value, based on the price that would be received from the sale of the property in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £0.010m) the Capital Receipts Reserve.

Intangible Assets

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

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 18).

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment or revenue expenditure in the relevant service line of the Comprehensive Income and Expenditure Statement when the relevant works are eventually carried out.

Financial Instruments

Financial Liabilities

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

The majority of the Authority’s borrowing is held on the Balance Sheet as the principal outstanding (plus accrued interest) and interest is charged to the Comprehensive Income and Expenditure Statement as the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

Available-for-Sale Financial Assets

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

Assets are maintained in the Balance Sheet at fair value. Equity shares with no quoted market prices are based on an independent appraisal of company valuations. As such they are classified as a Level 2 inputs. That is, they are not quoted but are observable, either directly or indirectly.

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

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

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

Provisions and Contingent Liabilities

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

Contingent Liabilities

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

Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. The nature of the Authority's main reserves and balances are shown in Note 30 to the Core Financial Statements. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent useable resources for the Authority – these reserves are explained in the relevant policies.

Estimation Techniques

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

Collection Fund Statement

Council Tax 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.

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.

Events after the Reporting Period

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

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

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

Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control whereby the parties are bound by a contractual arrangement and the contractual arrangement gives two or more of those parties joint control of 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, its share of expenditure incurred by the operation and the share of income it earns from the activity of the operation.

Where the Authority has entered into a pooled budget arrangement under Section 75 of the National Health Service Act 2006 the Authority accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement. The Authority only accounts for its share of the assets, liabilities, revenue and expenses of the arrangement.

Value Added Tax (VAT)

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

Fair Value measurement

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date ;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or
- Level 3 – unobservable inputs for the asset or liability.

Schools

The *Code of Practice on Local Authority Accounting in the United Kingdom* confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

<u>Trust Schools</u>
In accordance with accounting guidance land and buildings leased to the foundation trust are included on the Authority's Balance Sheet.

<u>Voluntary Aided Schools</u>
Land and buildings owned by the diocesan authorities are not included on the Authority's Balance Sheet.

<u>Academy Schools</u>
Land and buildings transferred to an Academy are removed from the Authority's Balance Sheet in the year that the transfer takes place.

2 Accounting Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 has introduced changes in accounting policy which will be required from 1 April 2016 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:

- Amendments to IAS19 Employee Benefits (Defined Benefit Plans: Employee Contributions). This is a narrow scope amendment to the standard and does not have a material impact on the Authority's accounts;

- Annual Improvements to IFRSs 2010-2012 Cycle. The amendments provide clarification to IFRS8 (Operating Segments), IAS16 (Property, Plant & Equipment), IAS38 (Intangible Assets) and IAS24 (Related Parties). The changes do not have a material impact on the Authority's accounts;

- Amendment to IFRS11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations). The standard does not impact on the Authority's accounts;

- Amendment to IAS16 Property, Plant & Equipment and IAS38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation). This is a narrow scope amendment and does not impact on the Authority's accounts;

- Annual Improvements to IFRSs 2012-2014 Cycle. The amendments provide clarification to IFRS5 (Non-current Assets Held for Sale & Discontinued Operations), IFRS7 (Financial Instruments Disclosures), IAS19 (Employee Benefits) and IAS34 (Interim Financial Reporting). The amendments to the standards are minor in nature and do not impact on the Authority's accounts; and

- Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiative). The overall impact of the amendment is not material.

There are also planned changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

It is not anticipated that the above amendments will have a material impact on the information provided in the Authority's accounts. There is unlikely to be a change to the reported information in the reported Net Cost of Services or the Surplus/Deficit on the Provision of Services. However, in 2016/17 the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and will be restated accordingly.

3 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2015/16	Useable Reserves					
	General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments to the Revenue Resources Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
• Pensions Costs (transferred to (or from) the Pensions Reserve) - Note 31(e)	3,453	907	0	0	0	(4,360)
• Financial Instruments (transferred to the Financial Instruments Adjustment Account) Note 31(d)	95	133	0	0	0	(228)
• Council Tax and NDR (transfers to or from the Collection Fund) - Note 31(g)	(1,107)	0	0	0	0	1,107
• Holiday Pay (transferred to the Accumulated Absences Reserve) - Note 31(h)	(1,183)	(11)	0	0	0	1,194
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	20,644	47,933	0	0	3,014	(71,591)
Total Adjustments to Revenue Resources	**21,902**	**48,962**	**0**	**0**	**3,014**	**(73,878)**

2015/16	Useable Reserves: General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,909)	(6,137)	9,046	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,906	0	(1,906)	0	0	0
Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve - Note 44	0	(15,144)	0	15,144	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) – Note 31(c)	(15,507)	(1,644)	(2,616)	(800)	0	20,567
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) – Note 31(c)	(842)	(7,799)	0	0	0	8,641
Total Adjustments between Revenue and Capital Resources	**(17,352)**	**(30,724)**	**4,524**	**14,344**	**0**	**29,208**

2015/16	Useable Reserves: General Fund Balances £000s	Useable Reserves: Housing Revenue Account £000s	Useable Reserves: Capital Receipts Reserve £000s	Useable Reserves: Major Repairs Reserve £000s	Useable Reserves: Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure – Note 31(c)	0	0	(7,489)	0	0	7,489
Use of the Major Repairs Reserve to finance capital expenditure – Note 44	0	0	0	(14,344)	0	14,344
Application of capital grants to finance capital expenditure – Note 31(c)	0	0	0	0	(5,109)	5,109
Total Adjustments to Capital Resources	**0**	**0**	**(7,489)**	**(14,344)**	**(5,109)**	**26,942**
TOTAL ADJUSTMENTS	**4,550**	**18,238**	**(2,965)**	**0**	**(2,095)**	**(17,728)**

2014/15	Useable Reserves					
	General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments to the Revenue Resources Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
• Pensions Costs (transferred to (or from) the Pensions Reserve) – Note 31(e)	3,203	847	0	0	0	(4,050)
• Financial Instruments (transferred to the Financial Instruments Adjustment Account) – Note 31(d)	95	125	0	0	0	(220)
• Council Tax and NDR (transfers to or from the Collection Fund) – Note 31(g)	300	0	0	0	0	(300)
• Holiday Pay (transferred to the Accumulated Absences Reserve) – Note 31(h)	(184)	(29)	0	0	0	213
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	20,702	(278)	0	0	5,401	(25,825)
Total Adjustments to Revenue Resources	**24,116**	**665**	**0**	**0**	**5,401**	**(30,182)**

2014/15	Useable Reserves General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,906)	(3,967)	5,873	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,666	0	(1,666)	0	0	0
Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve – Note 44	0	(14,602)	0	14,602	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) – Note 31(c)	(12,777)	(1,903)	(1,602)	(800)	0	17,082
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) – Note 31(c)	(605)	(6,566)	0	0	0	7,171
Total Adjustments between Revenue and Capital Resources	**(13,622)**	**(27,038)**	**2,605**	**13,802**	**0**	**24,253**

2014/15	Useable Reserves General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure – Note 31(c)	0	0	(1,665)	0	0	1,665
Use of the Major Repairs Reserve to finance capital expenditure – Note 44	0	0	0	(12,679)	0	12,679
Application of capital grants to finance capital expenditure – Note 31(c)	0	0	0	0	(2,002)	2,002
Total Adjustments to Capital Resources	**0**	**0**	**(1,665)**	**(12,679)**	**(2,002)**	**16,346**
TOTAL ADJUSTMENTS	**10,494**	**(26,373)**	**940**	**1,123**	**3,399**	**10,417**

4 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.

The Income and Expenditure of the Authority's principal General Fund services recorded in the budget reports for the year is as follows:

2014/15	Exp £000s	Inc £000s	Total £000s
Commissioning & Investment	157,473	(149,827)	7,646
Adult Social Care	82,889	(36,521)	46,368
Children, Young People & Learning	50,315	(34,253)	16,062
Environment, Housing & Leisure	66,814	(35,699)	31,115
Chief Executive Office	84,795	(80,801)	3,994
Other Services & Corporate Costs (including Management & Support costs)	130,176	(66,966)	63,210
Total	**572,462**	**(404,067)**	**168,395**

2015/16	Exp £000s	Inc £000s	Total £000s
Commissioning & Investment	165,366	(156,353)	9,013
Health, Education, Care & Safeguarding	159,771	(95,274)	64,497
Environment, Housing & Leisure	63,765	(34,012)	29,753
Finance	84,917	(80,473)	4,444
Other Services & Corporate Costs (including Management & Support costs)	94,062	(45,012)	49,050
Total	**567,881**	**(411,124)**	**156,757**

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* 2014/15 £000s		2015/16 £000s
168,395	Net expenditure in General Fund analysis	156,757
(30,953)	Amounts not reported in General Fund Budget Reports	43,707
(46,645)	Amounts excluded from the Cost of Services within the Comprehensive Income and Expenditure Statement	(53,731)
90,797	**Cost of Services in Comprehensive Income and Expenditure Statement**	**146,733**

*2014/15 has been restated to reflect the new format of the Reconciliation to Subjective Analysis Table followed in 2015/16

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the General Fund Services 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.

2015/16

	Service Analysis £000s	Amounts not reported in General Fund Budget Reports £000s	Amounts not included in the Cost of Services £000s	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges	(138,432)	8,364	52,709	(77,359)	0	(77,359)
Government Grants & Contributions	(241,830)	0	(24,599)	(266,429)	(64,430)	(330,859)
Support Services & Recharges	(30,549)	0	30,048	(501)	0	(501)
Interest and Investment Income	(313)	0	313	0	(141)	(141)
Housing Revenue Account	0	(71,109)	0	(71,109)	0	(71,109)
Income from Council Tax/NDR	0	0	0	0	(118,003)	(118,003)
Total Income	**(411,124)**	**(62,745)**	**58,471**	**(415,398)**	**(182,574)**	**(597,972)**
Employee Expenses	203,066	(9,745)	0	193,321	12,910	206,231
Other Service Expenses	304,896	(11,750)	(83,599)	209,547	0	209,547
Support Services Recharges	28,243	0	(10,117)	18,126	0	18,126
Depreciation, amortisation and impairment	13,190	66,745	0	79,935	0	79,935
Interest Payments	5,930	0	(5,930)	0	22,235	22,235
Precepts & Levies	12,556	0	(12,556)	0	12,556	12,556
Payments to Housing Capital Receipts Pool	0	0	0	0	1,906	1,906
Loss on Disposal of Fixed Assets	0	0	0	0	3,015	3,015
Expenditure in relation to investment properties	0	0	0	0	(156)	(156)
Housing Revenue Account	0	61,202	0	61,202	0	61,202
Total Operating Expenses	**567,881**	**106,452**	**(112,202)**	**562,131**	**52,466**	**614,597**
Deficit on the provision of services	**156,757**	**43,707**	**(53,731)**	**146,733**	**(130,108)**	**16,625**

2014/15 - Restated

	Service Analysis £000s	Amounts not reported in General Fund Budget Reports £000s	Amounts not included in the Cost of Services £000s	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges	(91,713)	10,101	29,557	(52,055)	0	(52,055)
Government Grants & Contributions	(269,355)	7,236	(6,069)	(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)
Housing Revenue Account	0	(70,245)	0	(70,245)	0	(70,245)
Income from Council Tax/NDR	0	0	0	0	(115,001)	(115,001)
Total Income	**(404,067)**	**(52,908)**	**51,677**	**(405,298)**	**(193,688)**	**(598,986)**
Employee Expenses	200,800	(10,972)	0	189,828	14,810	204,638
Other Service Expenses	307,958	8,619	(59,459)	257,118	0	257,118
Support Services Recharges	32,830	0	(20,822)	12,008	0	12,008
Depreciation, amortisation and impairment	12,833	11,278	0	24,111	0	24,111
Interest Payments	5,287	0	(5,287)	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
Loss on Disposal of Fixed Assets	0	0	0	0	14,457	14,457
Housing Revenue Account	0	13,030	0	13,030	0	13,030
Total Operating Expenses	**(572,462)**	**21,955**	**(98,322)**	**496,095**	**68,051**	**564,146**
(Surplus) on the provision of services	**168,395**	**(30,953)**	**(46,645)**	**90,797**	**(125,637)**	**(34,840)**

The above table has been restated for 2014/15 to reflect the new format followed in 2015/16

5 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in pages 25-43, 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:

<u>Service Concessions</u>

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.

6 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 2016, for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Assets are valued, in accordance with Royal Institute of Chartered Surveyors (RICS) valuation standards, involving the use of a number of estimation techniques including various property indices. These can be volatile at times and may result in valuation changes from year to year. See Note 18.
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 8.

Item	Uncertainties
Provisions	The Authority has made a number of provisions, in line with the Code, totalling £7.029m. The provisions include estimated insurance liabilities, equal pay, redundancies, and business rates. Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2015/16 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2016. The estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2016. A provision of £1.637m has been set up in recognition of this. See Note 26.
Debtors arrears	At 31 March 2016, the Authority had a balance of £47.062m. A review of significant balances suggested that an impairment of doubtful debts of £16.386m was appropriate. However, in the current economic climate there is an inherent risk that such an allowance would not be sufficient. See Note 22.

7 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 2015/16 were £3.206m (£2.508m in 2014/15).

Undischarged operating lease rentals at 31 March 2016 amounted to £88.267m (£85.607m in 2014/15), comprising the following elements:

31 March 2015 £000s		31 March 2016 £000s
2,805	Due Year 1	3,237
11,052	Due Years 2-5	12,636
71,750	Due after Year 5	73,297
85,607	**Total**	**89,170**

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 2015/16 as being operating leases and the total rental income was £2.919m (£3.047m in 2014/15). The future minimum lease payments expected to be received are:

31 March 2015 £000s		31 March 2016 £000s
2,945	Due Year 1	2,820
6,644	Due Years 2-5	6,075
26,335	Due after Year 5	21,578
35,924	**Total**	**30,473**

8 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 2015/16, the Authority paid £9.271m (£8.378m 2014/15) to Teachers' Pensions in respect of teachers' retirement benefits, representing 15.16% of pensionable pay (13.75% 2014/15). The contributions due to be paid in the next financial year are estimated to be £8.814m.

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

Participation in Pension Schemes

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

The Authority participates in two post-employment schemes:

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

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

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

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

Discretionary Post-retirement Benefits

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

Transactions relating to post-employment Benefits

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

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

Pension Revenue Summary	2014/15 £000s				2015/16 £000s			
	TWPF		TPS*	Total	TWPF		TPS*	Total
	Funded	Unfunded			Funded	Unfunded		
Comprehensive Income & Expenditure Statement								
Cost of Services								
Current Service Costs	17,320	0	0	17,320	20,170	0	0	20,170
Past Service Costs	600	0	0	600	240	0	130	370
Financing and Investment Income and Expenditure								
Net Interest Expense	12,290	1,080	1,440	14,810	10,520	820	1,570	12,910
Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	30,210	1,080	1,440	32,730	30,930	820	1,700	33,450
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)	(43,780)	0	0	(43,780)	9,400	0	0	9,400
Actuarial (gains)/losses arising on changes in demographic assumptions	0	0	240	240	0	0	0	0
Actuarial (gains)/ losses arising on changes in financial assumptions	85,760	1,670	3,830	91,260	(35,510)	(720)	(1,460)	(37,690)
Actuarial (gains)/losses due to liability experience	(5,470)	(250)	14,000	8,280	(9,120)	(460)	(890)	(10,470)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	36,510	1,420	18,070	56,000	(35,230)	(1,180)	(2,350)	(38,760)

Pension Revenue Summary	2014/15 £000s				2015/16 £000s			
	TWPF		TPS*	Total	TWPF		TPS*	Total
	Funded	Unfunded			Funded	Unfunded		
Movement in Reserves Statement								
Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits	(30,210)	(1,080)	(1,440)	(32,730)	(30,930)	(820)	(1,700)	(33,450)
Actual amount charged against the Cost of Services for pensions in the year								
Employer's contributions payable to the scheme	23,770	0	0	23,770	23,410	0	0	23,410
Retirement benefits payable to pensioners	0	1,920	2,990	4,910	0	1,840	3,840	5,680

*This is an unfunded scheme as detailed on Page 57

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:

	2014/15 £000s				2015/16 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Present value of the defined benefit obligation	(960,600)	(27,320)	(52,390)	(1,040,310)	(943,430)	(25,120)	(47,900)	(1,016,450)
Fair Value of plan assets	620,030	0	0	620,030	630,570	0	0	630,570
Sub Total	(340,570)	(27,320)	(52,390)	(420,280)	(312,860)	(25,120)	(47,900)	(385,880)
Other movements in the liability (asset) if applicable	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(340,570)	(27,320)	(52,390)	(420,280)	(312,860)	(25,120)	(47,900)	(385,880)

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

	2014/15 £000s				2015/16 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Opening fair value of scheme assets	551,220	0	0	551,220	620,030	0	0	620,030
Interest Income	23,740	0	0	23,740	19,850	0	0	19,850
Remeasurement gain/ (loss):								
• The return on plan assets, excluding the amount included in the net interest expense	43,780	0	0	43,780	(9,400)	0	0	(9,400)
Contributions from employer	23,770	1,920	2,990	28,680	23,410	1,840	3,840	29,090
Contributions from employees into the scheme	5,150	0	0	5,150	5,190	0	0	5,190
Benefits paid	(27,630)	(1,920)	(2,990)	(32,540)	(28,510)	(1,840)	(3,840)	(34,190)
Closing fair value of scheme assets	620,030	0	0	620,030	630,570	0	0	630,570

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)

	2014/15				2015/16			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded £000s	Unfunded £000s	£000s	£000s	Funded £000s	Unfunded £000s	£000s	£000s
Opening balance at 1 April	(848,840)	(26,740)	(35,870)	(911,450)	(960,600)	(27,320)	(52,390)	(1,040,310)
Current Service Cost	(17,320)	0	0	(17,320)	(20,170)	0	0	(20,170)
Interest Cost	(36,030)	(1,080)	(1,440)	(38,550)	(30,370)	(820)	(1,570)	(32,760)
Contributions by participants	(5,150)	0	0	(5,150)	(5,190)	0	0	(5,190)
Remeasurement (gains) and losses:								
• Actuarial (gains)/losses arising from changes in experience assumptions	5,470	250	(14,000)	(8,280)	9,120	460	890	10,470
• Actuarial (gains)/losses arising from changes in demographic assumptions	0	0	(240)	(240)	0	0	0	0
• Actuarial (gains)/losses arising from changes in financial assumptions	(85,760)	(1,670)	(3,830)	(91,260)	35,510	720	1,460	37,690
Past Service Cost	(600)	0	0	(600)	(240)	0	(130)	(370)
Net Benefits paid	27,630	1,920	2,990	32,540	28,510	1,840	3,840	34,190
Closing balance at 31 March	**(960,600)**	**(27,320)**	**(52,390)**	**(1,040,310)**	**(943,430)**	**(25,120)**	**(47,900)**	**(1,016,450)**

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 2015 %	Asset Split 31 March 2016 %		
	Total	Quoted	Unquoted	Total
Equities	66.4	57.5	8.6	66.1
Property	9.5	0.0	10.4	10.4
Government Bonds	3.7	3.7	0.0	3.7
Corporate Bonds	11.7	11.6	0.0	11.6
Cash	2.4	2.6	0.0	2.6
Other*	6.3	3.1	2.5	5.6
Total Assets	100.0	78.5	21.5	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	
	2014/15	2015/16	2014/15	2015/16
Mortality assumptions				
Future lifetime from age 65 (currently 65)				
• Men	23.1	23.2	23.1	23.2
• Women	24.7	24.8	24.7	24.8
Future lifetime from age 65 (currently 45)				
• Men	25.1	25.3	n/a	n/a
• Women	27.0	27.1	n/a	n/a

	TWPF Funded		TPS/TWPF Unfunded	
	2014/15	2015/16	2014/15	2015/16
Rate of Inflation (RPI)	2.9%	2.9%	2.9%	2.9%
Rate of Inflation (CPI)	1.8%	1.8%	1.8%	1.8%
Pensions accounts revaluation rate	1.8%	1.8%	n/a	n/a
Rate of increase in salaries	3.3%	3.3%	n/a	n/a
Rate of increase in pensions	1.8%	1.8%	1.8%	1.8%
Rate for discounting scheme liabilities	3.2%	3.4%	3.1%	3.4%

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

	Increase in Assumption £000s	Decrease in Assumption £000s
Longevity (increase/decrease in 1 year)	(25,130)	25,040
Rate of increase in salaries (increase/decrease by 0.1%)	4,320	(4,270)
Rate of increase in pensions (increase/decrease by 0.1%)	12,870	(12,680)
Rate for discounting scheme liabilities (increase/decrease by 0.1%)	(16,910)	17,220

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 (66.1% of scheme assets) and bonds (15.3%). 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 (10.4%). 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 £24.000m expected contributions to the scheme in respect of LGPS in 2016/17, £1.840m in respect of unfunded benefits and also £3.710m for enhanced teachers' benefits. The weighted average duration of the defined benefit obligation for the LGPS scheme members is 18.1 years 2015/16 (18.1 years 2014/15). For the unfunded benefits it is 12 years 2015/16 (12 years 2014/15).

9 Other Operating Expenditure

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

2014/15 £000s		2015/16 £000s
12,754	Levies	12,556
1,666	Payments to the Government Housing Capital Receipts Pool	1,906
14,457	Losses on the disposal of non current assets	3,015
28,877	**Total**	**17,477**

10 Financing and Investment Income and Expenditure

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

2014/15 £000s		2015/16 £000s
24,089	Interest payable and similar charges	22,235
14,810	Net Interest Expense (Pensions)	12,910
(119)	Interest receivable and similar income	(141)
275	Income & expenditure in relation to Investment Property and changes in their fair value	(156)
39,055	**Total**	**34,848**

11 Taxation and Non Specific Grant Income

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

2014/15 £000s		2015/16 £000s
(73,570)	Council Tax Income	(74,955)
(26,179)	Retained Business Rates	(27,504)
(15,252)	Business Rates Top Up	(15,544)
(54,072)	Non Ring fenced Government Grants	(40,800)
(24,496)	Capital Grants, Contributions & Donated Assets	(23,630)
(193,569)	**Total**	**(182,433)**

12 Grants and Contributions Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

2014/15 £000s		2015/16 £000s
	Non-Ring fenced Government Grants	
(53,094)	Revenue Support Grant	(39,832)
(978)	Other Non-Ring fenced Government Grants (individually under £1.000m)	(968)
(54,072)		(40,800)
	Capital Grants, Contributions and Donations	
(2,604)	European Regional Development Fund (ERDF)	(5,967)
(4,018)	Department for Education	(4,210)
(2,263)	Growing Places Fund	(3,599)
(4,509)	Local Transport Plan	(3,203)
0	North East Local Enterprise Partnership (NELEP) – Local Growth Fund	(2,225)
(249)	Environment Agency	(1,292)
(1,622)	Heritage Lottery	(101)
(2,460)	Department for Transport	(61)
(1,125)	Coastal Communities Fund Grant	0
(1,888)	Homes and Communities Agency	0
(3,758)	Other Grants and Contributions (individually under £1.000m)	(2,972)
(24,496)		(23,630)

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 2015 £000s		31 March 2016 £000s
	Capital Grants, Contributions and Donations in advance	
(2,087)	Section 106 Agreements	(4,983)
(118)	Other Grants & Contributions (individually under £1.000m)	(118)
(2,205)	**Total**	**(5,101)**

31 March 2015 £000s		31 March 2016 £000s
	Revenue Grants & Contributions Receipt In Advance	
(344)	Other Grants & Contributions (individually under £1.000m)	(887)
(344)	**Total**	**(887)**

The following grants were credited to the Comprehensive Income and Expenditure Statement within the Cost of Services in 2015/16.

2014/15 £000s		2015/16 £000s
	Credited to Services	
(128,207)	Dedicated Schools Grant	(127,689)
(40,286)	Mandatory Rent Allowances Benefit	(40,343)
(34,612)	Rent Rebates Benefit	(34,253)
(13,547)	Private Finance Initiative	(13,372)
(10,807)	Public Health	(11,737)
(8,952)	Pupil Premium Grant	(8,961)
(10,047)	Post 16 Education Grant	(8,951)
(3,614)	Education Services Grant	(2,888)
(2,085)	New Homes Bonus	(2,645)
(2,063)	Department for Education	(2,587)
(1,641)	Small Business Rate Relief Grant	(2,117)
0	Transformation Challenge Grant	(1,300)
0	Care Act	(1,132)
(1,188)	Housing Benefit Administration Grant	(1,010)
(2,262)	Weekly Waste Collection Grant	0
(8,877)	Other Grants and Contributions (individually under £1.000m)	(7,444)
(268,188)	**Total**	**(266,429)**

13 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

2014/15						2015/16				
APT&C	**LEA Teachers**	**VA Teachers**	**Trust Employees**	**Total**	**Remuneration Band**	**APT&C**	**LEA Teachers**	**VA Teachers**	**Trust Employees**	**Total**
34	6	5	41	**86**	£50,000 - £54,999	32	8	5	33	**78**
5	2	3	39	**49**	£55,000 - £59,999	18	4	5	34	**61**
5	9	0	16	**30**	£60,000 - £64,999	5	8	0	18	**31**
4	2	3	9	**18**	£65,000 - £69,999	5	2	2	7	**16**
3	2	0	6	**11**	£70,000 - £74,999	3	2	0	2	**7**
1	1	0	6	**8**	£75,000 - £79,999	2	1	0	6	**9**
1	0	1	4	**6**	£80,000 - £84,999	0	0	1	4	**5**
0	0	0	5	**5**	£85,000 - £89,999	0	1	0	2	**3**
0	0	0	0	**0**	£90,000 - £94,999	0	0	0	1	**1**
0	0	0	2	**2**	£95,000 - £99,999	0	0	0	2	**2**
0	0	0	0	**0**	£100,000 - £104,999	0	0	0	1	**1**
0	0	0	0	**0**	£105,000 - £109,999	0	0	0	1	**1**
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	0	**0**	£120,000 - £124,999	0	0	0	0	**0**
0	0	0	0	**0**	£125,000 - £129,999	0	0	0	0	**0**
0	0	0	0	**0**	£130,000 - £134,999	0	0	0	0	**0**
0	0	0	1	**1**	£135,000 - £139,999	0	0	0	0	**0**
53	**22**	**12**	**129**	**216**	**Total**	**65**	**26**	**13**	**111**	**215**

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

<u>Key</u>
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.

2015/16

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

Post Holder Information (2015/16)	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Head of Human Resources & Organisational Development[5]	68,798	0	0	0	68,798	10,450	**79,248**
Head of Finance (S151 Officer)[4]	45,341	0	0	0	45,341	7,360	**52,701**
Head of Children, Young People & Learning[3]	44,325	0	0	0	44,325	7,166	**51,491**
Strategic Manager (Finance) – Deputy S151 Officer[3]	29,614	0	0	0	29,614	4,807	**34,421**
Total	**1,147,917**	**0**	**0**	**0**	**1,147,917**	**182,626**	**1,330,543**

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

Post Holder Information (2014/15)	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive	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 (e.g. 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

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	
£	2014/15*	2015/16	2014/15*	2015/16	2014/15*	2015/16	2014/15*	2015/16
£0 - £20,000	64	37	105	69	169	106	1,294	1,038
£20,001 - £40,000	12	6	25	27	37	33	960	919
£40,001 - £60,000	0	0	1	7	1	7	54	345
£60,001 - £80,000	0	0	0	2	0	2	0	132
£80,001 - £100,000	1	0	0	0	1	0	90	0
Total	**77**	**43**	**131**	**105**	**208**	**148**	**2,398**	**2,434**

There is a provision for redundancy payments (see Note 26) included within the Comprehensive Income and Expenditure Statement of £0.194m (£0.546m 2014/15). These figures have been included in the table above. There is also a reserve for redundancy payments of £1.980m (£1.676m 2014/15) (see Note 30) which is not included in the table above.

*The figures for 2014/15 have been restated so that the provision for redundancies included within the 2014/15 Comprehensive Income and Expenditure Statement is reflected in the above table.

14 Members' Allowances and Expenses

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

2014/15 £000s		2015/16 £000s
486	Basic Allowances	577
166	Special Responsibility Allowances	164
9	Expenses	9
661	**Total**	**750**

15 Related Party Transactions

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

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in Note 4 – Amounts Reported for Resource Allocation Decisions. Note 12 – 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 2015/16 is shown in Note 14. During 2015/16, 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 £2.261m to voluntary and other statutory bodies in which 27 members had declared an interest, of this amount 50%was paid to one organisation – The Percy Hedley Foundation. 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 2015/16 an officer declared a pecuniary interest regarding a payment of £0.189m made by the Authority to a regional body with an interest in learning and education.

Other public bodies – The Authority has a pooled budget arrangement with North Tyneside Clinical Commissioning Group. Details are outlined in Note 35.

Entities controlled or significantly influenced by the Authority – Details of where the Authority has an interest in active companies are shown in Note 21.

North East Combined Authority (NECA) – 9 members of the Authority serve as members of NECA boards. During 2015/16 the Authority paid grants and other sums totalling £0.055m to the organisation, together with a transport levy of £12.199m (see Note 9).

16 Audit Costs

In 2015/16 the Authority incurred the following fees relating to external audit.

2014/15 £000s		2015/16 £000s
180	Fees payable to the appointed auditor with regard to external audit services	136
(19)	Rebate of Audit Fees in prior years	0
16	Fees payable to the appointed auditor in respect of grant claims and returns	17
6	Other fees payable in respect of other assurance work (grant claims and returns)	9
183	Total fees payable	162

17 Long Term Contracts – Service Concessions

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

Schools PFI Scheme

2015/16 was the thirteenth 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

2015/16 was the twelfth 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
2015/16 was the third year of a twenty eight year PFI contract for the construction/ refurbishment, maintenance and operation of twenty six sheltered accommodation schemes in the borough. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Solutions for North Tyneside, took on the obligation to construct and maintain the building, plant and equipment required to operate the schemes. The assets will transfer back to the Authority for nil consideration at the end of the contract.

Dudley Joint Service Centre (LIFT)
2015/16 was the ninth 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)
2015/16 was the fourth 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 18.

<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 2016 (excluding any estimation of inflation and availability/performance deductions) are as detailed below:

2014/15 Total £000s		Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	2015/16 Total £000s
13,766	Payable in one year	4,323	3,494	7,633	15,450
66,598	Payable within 2-5 yrs	18,940	16,805	32,144	67,889
87,885	Payable within 6-10 yrs	25,993	26,879	34,649	87,521
89,007	Payable within 11-15 yrs	25,663	32,104	26,274	84,041
71,863	Payable within 16-20 yrs	17,469	30,805	16,269	64,543
53,146	Payable within 21-25 yrs	13,097	27,949	7,339	48,385
20,850	Payable within 26-30 yrs	2,455	6,461	397	9,313
403,115	**Total**	**107,940**	**144,497**	**124,705**	**377,142**

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:

2014/15 £000s		2015/16 £000s
57,026	Balance outstanding at start of year	77,824
(3,252)	Payments made during the year	(2,217)
24,050	Capital expenditure incurred in the year	31,771
77,824	**Balance outstanding at year-end**	**107,378**

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 £30.636m value of construction and £0.909m design works undertaken in 2015/16 has been added to the Authority's Balance Sheet.

An additional £0.226m has been recognised on the Authority's Balance Sheet for the Street Lighting PFI scheme in relation to the purchase of new equipment.

Other than this, there have been no renewals or terminations of the above schemes during 2015/16 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.

18 Property, Plant and Equipment

2015/16	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Cost or Valuation									
1 April 2015	500,810	438,820	17,773	149,799	8,062	10,888	42,236	1,168,388	83,847
Additions	32,198	11,749	4,392	15,179	94	274	31,345	95,231	32,178
Revaluations increases/(decreases) recognised in the Revaluation Reserve	374	(2,428)	0	0	0	(669)	0	(2,723)	334
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(19,018)	(11,079)	0	0	0	(5,984)	0	(36,081)	(13,678)
Derecognition - Disposals	(4,868)	(10)	0	0	0	(1,349)	0	(6,227)	0
Derecognition - Other	(5,724)	(1)	(2,037)	(355)	0	(554)	0	(8,671)	0
Assets reclassified (to)/from Held for Sale	0	(720)	0	0	0	(275)	0	(995)	0
Other movements in Cost or Valuation	18,407	1,865	0	4,334	0	169	(24,775)	0	8,176
At 31 March 2016	**522,179**	**438,196**	**20,128**	**168,957**	**8,156**	**2,500**	**48,806**	**1,208,922**	**110,857**

2015/16	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Accumulated Depreciation & Impairments									
1 April 2015	(805)	(22,454)	(6,872)	(37,408)	(651)	(909)	0	(69,099)	(8,190)
Depreciation charge	(14,707)	(19,531)	(4,104)	(4,972)	(11)	(241)	0	(43,566)	(1,982)
Depreciation written out to the Revaluation Reserve	18	4,633	0	0	0	41	0	4,692	403
Depreciation written out to the Surplus/Deficit on the Provision of Services	403	4,287	0	0	0	618	0	5,308	0
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	49	0	0	0	1	0	50	0
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	(2,474)	(1,710)	0	0	0	0	0	(4,184)	0
Derecognition – Disposals	0	1	0	0	0	133	0	134	0
Derecognition - Other	277	0	2,037	355	0	247	0	2,916	0
Other movements in Depreciation & Impairment	0	1	0	0	0	(1)	0	0	(204)
At 31 March 2016	**(17,288)**	**(34,724)**	**(8,939)**	**(42,025)**	**(662)**	**(111)**	**0**	**(103,749)**	**(9,973)**
Net Book Value									
At 31 March 2016	504,891	403,472	11,189	126,932	7,494	2,389	48,806	1,105,173	100,884
At 31 March 2015	500,005	416,366	10,901	112,391	7,411	9,979	42,236	1,099,289	75,657

2014/15	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	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

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 25).

	Council Dwellings £000s	**Other Land & Buildings £000s**	**Vehicles, Plant, Furniture & Equipment £000s**	**Surplus Assets £000s**	**Total £000s**
Valued at historical cost		1,910	20,128		22,038
Valued at fair value as at:					
2012/13		13,901			13,901
2013/14		19,338			19,338
2014/15	17,697	276,169			293,866
2015/16	504,482	126,878		2,500	633,860
Gross Book Value	**522,179**	**438,196**	**20,128**	**2,500**	**983,003**

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

	£000s
Net Book Value at 31 March 2016	1,364,570
Social Housing Adjustment	(859,679)
Net Book Value after Adjustment for Social Housing	**504,891**

Note 40 provides more details of the housing stock.

19 Summary of Capital Expenditure and Sources of Finance

2014/15 £000s		2015/16 £000s
574,332	**Opening Capital Financing Requirement**	**601,324**
	Capital Investment	
84,895	Property, Plant & Equipment	95,231
0	Share Capital	43
112	Intangible Assets	40
416	Heritage Assets	388
3,136	Revenue Expenditure Funded from Capital Under Statute	2,569
88,559		**98,271**
	Sources of Finance	
(1,665)	Capital Receipts	(7,489)
(1,602)	Capital Receipts Set Aside - HRA	(2,616)
(22,969)	Government Grants and Other Contributions	(26,588)
0	Government Grants and Other Contributions Donated	(388)
(12,679)	Major Repairs Reserve	(14,344)
(7,171)	Direct Revenue Contributions	(8,641)
(15,481)	Minimum Revenue Provision	(17,951)
(61,567)		**(78,017)**
601,324	**Closing Capital Financing Requirement**	**621,578**
	Explanation of Movements in Year	
(4,892)	Decrease in underlying need to borrow (supported by Government financial assistance)	(4,696)
11,734	Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	(4,480)
(471)	Movement in Assets acquired under Finance Leases	(154)
20,621	Movement in Assets acquired under PFI or similar Contracts	29,584
26,992	**Increase in Capital Financing Requirement**	**20,254**

20 Capital Commitments

Council approved the General Fund Investment Plan and the Housing Investment Plan for 2016-2019 on 18 February 2016. The current contractually committed schemes contained within the approved plan comprise of:

31 March 2015 £000s		31 March 2016 £000s
932	Central Services	1,921
1,078	Cultural & Related Services	1,049
8,935	Environment & Regulatory Services	9,371
5,650	Planning	2,029
1,400	Children's & Education Services	522
71,249	Housing Services	34,616
2,576	Highways & Transport	4,793
91,820		**54,301**

Major schemes within the above totals include:

	£000s
North Tyneside Living PFI	28,812
HRA Housing Services	5,682
Street Lighting PFI	8,306
Local Transport Plan & Highways	4,793
Swan Hunters Redevelopment	2,029
Surface Water Management	762

21 Long Term Investments

31 March 2015 £000s		31 March 2016 £000s
10,784	£1 Ordinary shares in Newcastle Airport Local Authority Holding Company Ltd	10,784
0	£1 Ordinary shares in North Tyneside Trading Company	43
0	Kier North Tyneside Limited – 200 £1 "A" ordinary shares	0
10,784		**10,827**

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 2015/16 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 2015 were nil. The total dividend payable for year ended 31 December 2014 was nil.

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 £2.300m and a profit after tax of £ 4.556m for the year ended 31 December 2015. In the previous year, the Group made a profit before tax of £0.496m and a profit after tax of £0.277m.

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 2015 and 31 March 2016, Kier North Tyneside Limited invoiced the Authority £43.751m (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 £13.058m in respect of service streams from April 2015 through to March 2016. At 31 March 2016 the Authority owed Kier North Tyneside Limited £0.461m 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 2016 was £0.775m net of VAT.

During the year the Joint Venture paid out a dividend of £0.500m as allowed for by the contract, which states that dividends can only be paid once the reserves balance is above £3.000m and where cash flow allows. This resulted in payments of £0.100m to the Authority during 2015/16 (£0 in 2014/15).

A full set of audited accounts for Kier North Tyneside Limited is available for their accounting period ended 30 June 2016. These can be obtained from Head of Finance, Kier North Tyneside Limited, Block C, Harvey Combe, Killingworth, Newcastle Upon Tyne NE12 6UB.

North Tyneside Trading Company

North Tyneside Trading Company Limited along with a subsidiary, North Tyneside Trading Company (Consulting) Limited were incorporated as wholly owned companies of North Tyneside Council on 11 December 2012 with the objective to provide services to other public bodies, and any other customers (whether public bodies or not) as considered appropriate. They remained dormant companies up to and including the financial year ending 31 March 2015. In order to deliver part of the Authority's affordable homes programme, North Tyneside Trading Company (Development) Limited was incorporated on 22 June 2015.

The intention was that North Tyneside Trading Company (Development) Limited commenced housing operations by developing sites across the borough within the first 3 years of trading with the capacity to provide up to 107 homes.

The first project for the Development Company is on site and involves the construction of 13 new homes on the Reed Avenue site in Camperdown. These will be a mix of 2 storey houses and apartments. The budgeted cost of this work is £1.400m.

Funding for the construction of the homes is provided to the Development Company by the Parent Company and ultimately the Authority in the form of equity funding. For the 2015/16 financial year, 43,000 £1 Ordinary shares were purchased in North Tyneside Trading Company by the Authority which in turn purchased the same amount of equity in North Tyneside Trading Company (Development) Limited. This funding was used to purchase the land at Reed Avenue and as payment for the initial works on site. In addition, £0.100m grant funding was provided to the North Tyneside Trading Company (Development) Limited by the Authority in order to fund initial set up and company running costs.

A full set of audited accounts for the North Tyneside Trading Company and subsidiaries for their accounting period ending 31 March 2016 will be available from the Company Directors at North Tyneside Trading Company, Quadrant, Silverlink North, Cobalt Business Park, Newcastle Upon Tyne, NE27 0BY.

22 Short Term Debtors

This table shows the amounts owed to the Authority for which payments have not been received by 31 March 2016, but which should be repaid within one year.

31 March 2015 £000s		31 March 2016 £000s
8,810	Central Government Bodies	6,867
973	Other Local Authorities	871
12,918	NHS Bodies	2,476
364	Public Corporations and Trading Funds	182
32,922	Other Entities and Individuals	36,666
55,987	**Total**	**47,062**

This year the Authority set aside a sum of £16.386m (£14.464m 2014/15) to cover bad and doubtful debts. Of this £8.281m (£6.965m 2014/15) relates to the General Fund, £2.459m (£2.063m 2014/15) relates to the Housing Revenue Account and £5.646m (£5.436m 2014/15) relates to the Collection Fund.

23 Cash and Cash Equivalents

31 March 2015 £000s		31 March 2016 £000s
124	Cash held by the Authority	118
9,136	Schools Cash at Bank	9,948
(10,560)	Bank Current Accounts	(11,678)
13,900	Short term deposits	14,200
12,600	**Total**	**12,588**

24 Short Term Borrowing

31 March 2015 £000s		31 March 2016 £000s
(34,437)	Public Works Loans Board (PWLB)	(28,511)
(65,997)	Market Loans (including other local authorities)	(77,846)
0	Lender’s Option Borrower’s Option (LOBO)	(10,162)
(100,434)	**Total**	**(116,519)**

25 Short Term Creditors

The table below shows an analysis of the Authority’s creditors as at the 31 March 2016.

31 March 2015 £000s		31 March 2016 £000s
(14,836)	Central Government Bodies	(7,022)
(2,128)	Other Local Authorities	(832)
(518)	NHS Bodies	(468)
(32,292)	Other Entities and Individuals	(25,421)
(49,774)	**Total**	**(33,743)**

26 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 2014	(5,033)	(6,220)	(11,253)
Additional provisions	0	(1,381)	(1,381)
Amounts used	117	4,842	4,959
Balance at 31 March 2015	(4,916)	(2,759)	(7,675)

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

(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 £0.477m (£0.509m 2014/15), Redundancy Costs of £0.194m (£0.546m 2014/15), Equal Pay of £0.263m (£0.441m in 2014/15) and Business Rates Appeals of £1.637m (see Note 32 for details of a Contingent Liability in respect of Business Rates).

The Care Fee Payments provision has been set aside to cover the Valuing People Now transfer involving NHS England.

The redundancy costs provision has been set aside to cover costs associated with anticipated redundancies.

Under the Equal Pay Act 1970 as modified by the Equal Pay Act (Amendment) Regulations 2003 employees have a right to claim compensation from their employer for failing to give equal pay for work of equal value. There remains the potential for some claims and a provision has been set aside to cover this eventuality.

The provision in relation Business Rates arises from the localisation of Business Rates which became effective from the 1st April 2013. The Authority has set aside a provision for any potential liabilities as a result of business rate payers' appeals against rateable valuations.

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

27 Long Term Borrowing

The Authority's total outstanding debt repayable over 12 months as at 31 March 2016 is a principal of £322.043m. The following table analyses the debt by lender and maturity:

31 March 2015 £000s		31 March 2016 £000s
	(a) by lender category	
(324,843)	Public Works Loan Board (PWLB)	(312,043)
(20,000)	Lender's Option Borrower's Option (LOBO) – Europaise Hypothekenbank	(10,000)
(344,843)		(322,043)
	(b) by maturity	
(35,000)	Maturing between 1 and 2 years	(15,750)
(46,750)	Maturing between 2 and 5 years	(32,000)
(15,000)	Maturing between 5 and 10 years	(14,000)
(248,093)	Maturing more than 10 years	(260,293)
(344,843)		**(322,043)**

28 Long Term Creditors

The table below shows an analysis of the Authority's creditors as at 31 March 2016.

31 March 2015 £000s		31 March 2016 £000s
(25)	Central Government Bodies	(25)
(4,814)	Other Entities and Individuals	(3,858)
(4,839)	**Total**	**(3,883)**

29 Useable Reserves

31 March 2015 £000s		31 March 2016 £000s
14,241	General Fund Balances (See Note 30)	13,587
53,423	Earmarked Balances (See Note 30)	59,584
3,732	Housing Revenue Account	4,388
7,440	Capital Receipts Reserve	4,475
1,685	Major Repairs Reserve	1,685
7,322	Capital Grants Unapplied	5,227
87,843	**Total Useable Reserves**	**88,946**

29 (a) General Fund Balances including Earmarked Balances

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 30 provides more details on the Authority's reserves and balances position.

29 (b) Housing Revenue Account Balance

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 114-123.

29 (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.

29 (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 118 for details of the reserve.

29 (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.

30 Reserves & Balances

	Balance 1 April 2015 £000s	Transfers out 2015/16 £000s	Transfers in 2015/16 £000s	Balance 31 March 2016 £000s
General Fund Balances				
School Balances	7,637	(654)	0	6,983
General Fund	6,604	0	0	6,604
Total General Fund Balances	**14,241**	**(654)**	**0**	**13,587**
General Reserves (including HRA)				
Strategic Reserve	13,634	0	1,576	15,210
North Tyneside Living PFI Reserve*	5,689	0	4,561	10,250
Insurance Reserve	3,545	(445)	2,082	5,182
Support Change Fund Programme	4,194	0	0	4,194
New Build Council Housing*	2,788	0	1,071	3,859
Schools PFI Lifecycle costs (capital)	2,332	(151)	262	2,443
Dudley & Shiremoor Joint Service Centres	1,756	0	238	1,994
Redundancy Reserve	1,676	(1,510)	1,814	1,980
Education PFI Reserve	1,727	0	50	1,777
Housing PFI Lifecycle Costs*	736	0	743	1,479
Whitley Bay Customer First Centre PFI	798	0	379	1,177
Non Domestic Rates Appeals	1,766	(1,766)	0	0
General Fund Reserves (individually under £1.000m)	4,584	(1,434)	704	3,854
HRA Reserves (individually under £1.000m)*	772	(51)	195	916
Total General Reserves	45,997	(5,357)	13,675	54,315
Grant Reserves				
Dedicated Schools Grant	2,424	(2,424)	643	643
Weekly Waste Collection Grant	1,757	(496)	0	1,261
Transformation Challenge Grant	0	0	1,000	1,000
Other Grants (individually under £1.000m)	3,245	(2,016)	1,136	2,365
Total Grant Reserves	7,426	(4,936)	2,779	5,269
Total Reserves	**53,423**	**(10,293)**	**16,454**	**59,584**

*This is a Housing Revenue Account Reserve

	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 Reserve	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 Reserve	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

Purpose of main General Reserves

Reserve	Purpose
Dudley & Shiremoor Joint Service Centres	Established to provide a mechanism which takes account of project cash-flows over a 25-year period to enable the yearly equalisation of the additional costs of the Joint Service Centre.
Education PFI	Established to provide a mechanism which takes account of project cash-flows over a 30-year period to enable the yearly equalisation of the additional costs of the PFI schools.
Housing PFI	Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the PFI contract.
Insurance Reserve	Risks covered by the reserve are fire, employer and third party liability, contract guarantee bonds, motor cars, personal accident.
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.
Whitley Bay Customer First Centre PFI Reserve	Established to provide a mechanism which takes account of project cashflows over a 25-year period to enable the yearly equalisation of the additional costs of the Customer First Centre.

Purpose of main Grant Reserves

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

31 Unuseable Reserves

31 March 2015 £000s		31 March 2016 £000s
111,767	Revaluation Reserve	105,631
10,549	Available for Sale Reserve	10,549
390,323	Capital Adjustment Account	383,289
(822)	Financial Instruments Adjustment Account	(1,050)
(420,280)	Pensions Reserve	(385,880)
1,427	Deferred Capital Receipts Reserve	1,175
(2,668)	Collection Fund Adjustment Account	(1,561)
(4,209)	Accumulated Absences Account	(3,015)
86,087	**Total Unuseable Reserves**	**109,138**

31(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.

2014/15 £000s		2015/16 £000s	
55,041	**Balance at 1 April**		111,767
77,087	Upward revaluation of assets	8,946	
(12,909)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,927)	
64,178	Surplus on revaluation of non-current assets not posted to the Surplus/ Deficit on the Provision of Services		2,019
(6,912)	Difference between fair value depreciation and historical cost depreciation	(7,364)	
(540)	Accumulated gains on assets sold or scrapped	(791)	
(7,452)	Amount written off to the Capital Adjustment Account		(8,155)
111,767	**Balance at 31 March**		**105,631**

31(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.

2014/15 £000s		2015/16 £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**

31(c) Capital Adjustment Account

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

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The Adjustments between Accounting Basis and Funding Basis under Regulations Statement (Note 3) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £000s		2015/16 £000s	
	Capital Adjustment Account		
368,095	**Balance at 1 April**		390,323
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
(40,125)	Charges for depreciation & impairment of non current assets	(47,876)	
17,376	Revaluation gains/(losses) on Property, Plant & Equipment	(30,650)	
(172)	Amortisation of intangible assets	(79)	
(3,136)	Revenue expenditure funded from capital under statute	(2,569)	
1,946	Revenue expenditure funded from capital under statute (Grant Funded)	1,239	
(20,330)	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	(12,061)	
(44,441)			(91,996)
7,452	Adjusting amounts written out of the Revaluation Reserve		8,156
(36,989)	**Net written out amount of the cost of non current assets consumed in the year**		**(83,840)**
	Capital financing applied in the year:		
1,665	Use of the Capital Receipts Reserve to finance new capital expenditure	7,489	
12,679	Use of the Major Repairs Reserve to finance new capital expenditure	14,344	
19,021	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	20,628	
2,002	Application of grants to capital financing from the Capital Grants Unapplied Account	5,109	
17,082	Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	20,567	
7,171	Capital expenditure charged against the General Fund & HRA balances	8,641	76,778
(403)	Movements in the market value of investment Property debited or credited to the Comprehensive Income & Expenditure Statement		28
390,323	**Balance at 31 March**		**383,289**

31(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.

2014/15 £000s		**2015/16 £000s**	**2015/16 £000s**
(602)	**Balance at 1 April**		(822)
41	Proportion of premiums incurred in previous financial years to be charged in accordance with statutory requirements	33	
(261)	Proportion of discounts received in previous financial years to be credited in accordance with statutory requirements	(261)	
(220)	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		(228)
(822)	**Balance at 31 March**		**(1,050)**

31(e) Pensions Reserve

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

2014/15 £000s		2015/16 £000s
(360,230)	**Balance at 1 April**	(420,280)
(56,000)	Remeasurement of the net defined benefit liability	38,760
(32,730)	Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits	(33,450)
28,680	Employer's pensions contributions and direct payments to pensioners payable in the year	29,090
(420,280)	**Balance at 31 March**	**(385,880)**

31(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.

2014/15 £000s		2015/16 £000s
1,429	**Balance at 1 April**	1,427
(2)	Transfer to the Capital Receipts Reserve upon receipt of cash	(252)
1,427	**Balance at 31 March**	**1,175**

31(g) Collection Fund Adjustment Account

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

2014/15 £000s		2015/16 £000s
(2,368)	**Balance at 1 April**	(2,668)
(300)	Amount by which council tax income and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non domestic rates income calculated for the year in accordance with statutory requirements	1,107
(2,668)	**Balance at 31 March**	**(1,561)**

31(h) Accumulated Absences Account

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

2014/15 £000s		2015/16 £000s	2015/16 £000s
(4,422)	**Balance at 1 April**		(4,209)
246	Adjustment to the accrual required	1,131	
(33)	Adjustment to the debtor in respect of leave & flexi taken in advance	63	
213	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1,194
(4,209)	**Balance at 31 March**		**(3,015)**

32 Contingent Liabilities

Kier North Tyneside Limited

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

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

ENGIE

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

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

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

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

Capita Property & Infrastructure

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

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

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

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

Business Rate Retention Scheme

1 April 2013 saw a number of significant changes to the current system of Local Government Finance. One of those changes was the introduction of the Business Rate Retention Scheme. The aim of this scheme is to provide an incentive effect by allowing local authorities to retain an element of income generated by Business Rate Growth, however this also means the Authority is subject to the risk of income reducing following the outcome of any rating appeals. As at 31 March 2016, a number of appeals remained outstanding, the outcome of which could create a further liability for the Authority. Note 26 provides details of a provision in respect of Business Rates Appeals.

General

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

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

33 School Balances

	Schools with Surpluses £000s	Schools with Deficits £000s	Net Surplus £000s
Balance at 1 April 2015	8,217	(580)	7,637
Net (underspend)/overspend during year	620	(1,274)	(654)
Balance at 31 March 2016	**8,837**	**(1,854)**	**6,983**

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

34 Deployment of Dedicated Schools Grant

The Authority’s expenditure on schools is funded by grant monies (the Dedicated Schools Grant (DSG)) which is provided by the Department for Education (DfE). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2014. The Schools Budget includes elements for a restricted range of educational services provided on an Authority wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school.

Details of the deployment of DSG receivable for 2015/16 are as follows:

	Central Expenditure £000s	Individual Schools budget £000s	Total £000s
Final DSG for 2015/16 before Academy recoupment			138,879
Academy figure recouped for 2015/16			(11,190)
Total DSG after Academy recoupment for 2015/16			127,689
Brought forward from 2014/15 as agreed with the Department for Education			2,493
Agreed initial budgeted distribution in 2015/16	5,923	124,259	130,182
Final budgeted distribution for 2015/16	5,923	124,259	130,182
Less actual central expenditure	(4,852)		(4,852)
Less actual ISB deployed to schools		(124,687)	(124,687)
Carry forward to 2016/17	**1,071**	**(428)**	**643**

35 Health Services Act 2006 Pooled Funds and similar arrangements

Until 2014/15, the Authority had two separate pooled budget arrangements under section 75 of the Health Service Act 2006. They were both joint working relationships between health and social care and covered Intermediate Care and the Joint Loan Store. In 2015/16 these arrangements were subsumed into the Better Care Fund.

The Better Care Fund has been established by the Government to provide funds to local areas to support the integration of health and social care and to seek the achievement of national conditions and local objectives. It is a requirement of the Better Care Fund that North Tyneside Clinical Commissioning Group and North Tyneside Council establish a pooled fund for this purpose.

The partners to this pooled fund arrangement are North Tyneside Council and North Tyneside Clinical Commissioning Group (the Authority is the host partner). The pooled fund is subject to an agreement under Section 75 of the Health Service Act 2006.

The aims and benefits of the partners in entering into this agreement are to:

- Improve the quality and efficiency of health and social care services in North Tyneside;
- Meet the national conditions and local objectives; and
- Make more effective use of resources through the establishment and maintenance of a pooled fund for revenue expenditure on the services.

The capital elements of the Better Care Fund are non pooled as they are financed by grant and all spend against them must comply with the grant conditions that make pooling impossible. For accounting purposes the Clinical Commissioning Group and the Authority have agreed that joint control does not exist and the Authority has only accounted for its share within the Comprehensive Income and Expenditure Statement.

	£000s	£000s
Contributions		
North Tyneside Council (Non Pooled)	1,364	
North Tyneside Clinical Commissioning Group (Pooled)	12,233	
Total Contributions		**13,597**
Spend		
North Tyneside Council spend in year (Non Pooled)	818	
North Tyneside Council – grant carry forward (Non Pooled)	546	1,364
North Tyneside Council spend in year (Pooled)	10,592	
North Tyneside Council carry forward (Pooled)	68	
North Tyneside Clinical Commissioning Group spend in year (Pooled)	1,573	12,233
Total Spend		**13,597**

36 Financial Instruments

Categories of Financial Instrument

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

	Long-term		Current	
	31 March 2015* £000s	31 March 2016 £000s	31 March 2015* £000s	31 March 2016 £000s
Investments				
Loans and receivables	863	848	302	484
Available-for-sale financial assets	10,784	10,827	0	0
	11,647	11,675	302	484
Debtors	80	80	31,001	20,609
Total Financial Assets	**11,727**	**11,755**	**31,303**	**21,093**
Borrowings				
Financial Liabilities at amortised cost – loans principal	344,843	322,043	95,696	112,709
Financial Liabilities at amortised cost – loans accrued interest	n/a	n/a	4,738	3,810
	344,843	322,043	100,434	116,519
Other Long Term Liabilities				
PFI Schemes	74,919	103,884	2,905	3,494
Finance Leases	0	0	154	0
	74,919	103,884	3,059	3,494
Creditors	312	187	37,025	24,986
Total Financial Liabilities	**420,074**	**426,114**	**140,518**	**144,999**

*Revised to clarify the basis of calculation

Financial instruments gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2015/16			
	Financial Liabilities	**Financial assets**		**Total**
	Liabilities measured at amortised cost £000s	**Loans and receivables £000s**	**Available-for-sale financial assets £000s**	**£000s**
Interest on loans	(16,231)	0	0	(16,231)
Interest on PFI Schemes	(5,901)	0	0	(5,901)
Interest on Finance Leases	(3)	0	0	(3)
Total Interest Payable	(22,135)	0	0	(22,135)
Interest Income	0	78	0	78
Dividend Received	0	0	100	100
Net gain/(loss) for the year	**(22,135)**	**78**	**100**	**(21,957)**

	2014/15			
	Financial Liabilities	**Financial assets**		**Total**
	Liabilities measured at amortised cost £000s	**Loans and receivables £000s**	**Available-for-sale financial assets £000s**	**£000s**
Interest on loans	(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)**

Fair value of Financial Assets

Some of the Authority’s assets are measured on the Balance Sheet at fair value on a recurring basis and are described in the following table, including valuation techniques used to measure them:

Financial Asset	Input Level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31 March 2015 Fair Value £000s	31 March 2016 Fair Value £000s
Available for Sale – Newcastle Airport	Level 2	Observable based on past transactions	10,784	10,784

The Authority holds a 6.33% share in Newcastle International Airport Limited. These shares are not traded in an active market. The fair value shown above has been based on valuation techniques that are observable for the asset based on past transactions. All other available for sale investments are carried at historic cost, as a fair value cannot be established. The total value of these available for sale investments at 31 March 2016 is £0.043m.

Fair Value of Financial Assets and Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial assets carried at fair value (shown in the table above), all other financial assets and liabilities are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2), using the following assumptions:

- The fair value of trade and other receivables and payables is taken to be the invoiced or billed amount. Cash at bank is held at the nominal value, as disclosed on the face of the Balance Sheet and is not included in the financial instruments information;

- For loans from the Public Works Loans Board (PWLB), replacement rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;

- For market debt estimated interest rates at 31 March 2016 for loans based on the market rate for an instrument with the same duration and no early repayment or impairment is recognised; and

- The fair value of the PFI liabilities is taken to be the same as the carrying value as the loans that make up the PFI contract liabilities are held by and are under the control of the PFI provider. The Authority does not have the option to refinance the debt.

The fair values are calculated as follows:

	Carrying Amount		**Fair Value**	
	31 March 2015 £000s	**31 March 2016 £000s**	**31 March 2015 £000s**	**31 March 2016 £000s**
PWLB loans	359,279	340,554	479,109	400,219
Lender option borrower option loan	20,160	20,162	26,800	27,903
Market loans (including other local authorities)	65,838	77,846	65,977	77,880
PFI Contracts	77,724	107,379	77,824	107,379
Total Financial liabilities	**523,001**	**545,941**	**649,710**	**613,381**

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.

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. The balance of loans outstanding is not material (£0.122m).

Nature and extent of risks arising from financial instruments

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

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

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they meet the Authority's minimum credit requirements. This is assessed using information on these institutions provided by our external Treasury Management advisors. The Authority's lending policy is set out in the Annual Investment Strategy.

The following analysis shows the Authority's estimated credit risk for its financial assets. It is based on experience of default and uncollectability of trade debtors, adjusted for current market conditions. The deposits with financial institutions relates to short-term investments placed at the year-end.

	31 March 2016 £000s	Estimated maximum exposure to default and uncollectability £000s
Customers (gross)*	31,349	10,740

*The amount shown as being due from customers is the gross debtors figure. Based on our experience of debt management, it is prudent to make a bad debt provision for debt that may not be collectable. The calculation of the provision takes into account the age of the debt for the General Fund and the value of the debt for the Housing Revenue Account.

At 31 March 2016 this provision is £10.740m and the debtor figure included within the Balance Sheet is net of this provision.

The Authority does not generally allow credit for its debtors. Trade debtors account for £9.543m of the gross debtors balance disclosed above. £6.089m of the trade debtors balance is more than one month, i.e. past its due date, and can be analysed as follows:

31 March 2015 £000s		31 March 2016 £000s
5,071	1-3 months	612
2,612	3-6 months	454
654	6-12 months	3,340
1,019	Over 1 year	1,683
9,356	**Total**	**6,089**

No credit limits were exceeded during the financial year ended 31 March 2016 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 2015 £000s		31 March 2016 £000s
100,434	Less than 1 year	116,519
35,000	Between 1 and 2 years	15,750
46,750	Between 2 and 5 years	32,000
15,000	Between 5 and 10 years	14,000
248,093	More than 10 years	260,293
445,277		**438,562**

Market risk

Interest rate risk

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

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

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

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

The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting and monitoring of the annual budget. The budget is monitored bi-monthly during the year which allows any adverse changes to be accommodated. The analysis will also advise on whether new borrowing taken out is fixed or variable. Authorities are required to disclose the impact of interest rate changes on their financial assets and liabilities. Whilst there is provision in the Treasury Management Strategy for variable loans, no such loans were in place during 2015/16.

According to this investment strategy, as at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2016 £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)	59,303

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

Price risk

The Authority does not generally invest in equity shares; consequently it is not exposed to losses arising from movements in the prices of shares. However, the Authority has invested in North Tyneside Trading Company as outlined in Note 21. The value of this investment is £0.043m and as such is not deemed material.

The Authority also holds an investment in Newcastle Airport Local Authority Holding Company Ltd. The shares held by LA7 are not held for trading outside of the local authorities as outlined in Note 21.

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.

37 Notes to the Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

2014/15 £000s		2015/16 £000s
119	Interest Received	141
(24,734)	Interest Paid	(23,163)

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

2014/15 £000s		2015/16 £000s
40,125	Depreciation & Impairment	47,875
(17,376)	Revaluations	30,650
172	Amortisation of intangible assets	79
12,547	(Decrease)/Increase in Creditors	(16,603)
(14,167)	Decrease/(Increase) in Debtors	8,669
(47)	(Increase) in Inventories	(18)
4,050	Pension Liability	4,360
20,330	Carrying amount of non-current assets sold	12,061
(3,176)	Other non-cash items charged to the surplus/deficit on the provision of services	521
42,458		87,594

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

2014/15 £000s		2015/16 £000s
(5,871)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,794)
(26,306)	Any other items for which the cash effects are investing or financing cash flows	(24,869)
(32,177)		(33,663)

38 Notes to the Cash Flow – Investing Activities

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

2014/15 £000s		2015/16 £000s
(60,161)	Purchase of Property, Plant & Equipment, investment property and intangible assets	(65,518)
0	Purchase of short and long term investments	(225)
5,871	Proceeds from the sale of Property, Plant & Equipment, investment property and intangible assets	8,794
2	Deferred Capital Receipts received	252
18,705	Other receipts from Investing Activities	27,877
(35,583)	**Net Cash Flows from Investing Activities**	**(28,820)**

39 Notes to the Cash Flow – Financing Activities

2014/15 £000s		2015/16 £000s
74,010	Cash receipts of short and long term borrowing	123,701
(80,537)	Repayment of short and long term borrowing	(129,600)
(3,723)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2,371)
(50)	Other payments for financing activities	(228)
(10,300)	**Net Cash Flows from Financing Activities**	**(8,498)**

Housing Revenue Account – Income & Expenditure Statement for year ended 31 March 2016

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.

2014/15 £000s		Note	2015/16 £000s	2015/16 £000s
	Expenditure			
11,546	Repairs & Maintenance		11,702	
9,127	Supervision and Management		9,550	
1,840	PFI Unitary Charge Payments		1,576	
451	Rents, Rates, Taxes and other charges		562	
640	Movement in the allowance for bad debts	43	548	
(10,574)	Capital Charges – including Depreciation, Revaluation and Impairment of non current assets	46 & 51	37,264	
13,030	Total Expenditure			61,202
	Income			
(57,038)	Dwelling rents (Gross)		(58,037)	
(635)	Non-dwelling rents (Gross)		(641)	
(2,322)	Charges for services and facilities		(2,341)	
(2,382)	Contributions towards expenditure		(2,397)	
(7,868)	PFI Credits		(7,693)	
(70,245)	Total Income			(71,109)
(57,215)	**Net cost of HRA services as included in the Comprehensive Income & Expenditure Statement**			**(9,907)**
317	HRA service's share of Corporate & Democratic Core			317
2,393	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services			2,366
(54,505)	**Net Income for HRA Services**			**(7,224)**
	HRA Share of the operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
6,339	Loss on disposal of HRA non-current assets			5,393
13,461	Interest payable and similar charges			13,258
(40)	Interest and investment income			(47)
615	Pensions interest cost and expected return on pensions assets	47		544
(10)	Capital Grants and Contributions			(861)
(34,140)	**Deficit/(Surplus) for the year on HRA Services**			**11,063**

Movement in Reserves Statement

2014/15 £000s		2015/16 £000s
2,854	Balance on the HRA at the end of the previous year	3,732
34,140	(Deficit)/Surplus for the year on the HRA Services	(11,063)
(26,373)	Adjustments between accounting basis and funding basis under statute	18,238
7,767	Net increase before transfers to or from Reserves	7,175
(6,889)	Transfers to Reserves	(6,519)
878	Increase in year on the HRA	656
3,732	**Balance on the HRA at the end of the year**	**4,388**

Notes to the Housing Revenue Account

40 Housing Stock

The Authority was responsible for managing 14,945 dwellings at 31 March 2016 compared with 15,058 at 31 March 2015. The net reduction of 113 includes 136 properties sold, with the addition of 92 new build and 5 additional properties subject to a change in use. Also a total of 531 PFI properties came off the system due to closure or refurbishment and replaced by 457 properties which were new build or newly refurbished.

The number of voids included in the above figures as at 31 March 2016 stands at 497 compared with 500 at 31 March 2015.

The stock is made up as follows:

1 April 2015		31 March 2016
	Low Rise Flats	
1,692	- 1 Bed	1,555
1,004	- 2 Bed	1,029
119	- 3+ Bed	115
	Medium Rise Flats	
449	- 1 Bed	489
1,113	- 2 Bed	1,132
61	- 3+ Bed	61
	Houses and Bungalows	
1,563	- 1 Bed	1,566
3,075	- 2 Bed	3,088
5,626	- 3 Bed	5,557
356	- 4+ Bed	353
15,058	**Total**	**14,945**

41 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 2015 £000s		31 March 2016 £000s
500,005	Houses	504,891
2,205	Land & Buildings	2,113
1,172	Vehicles, Plant & Equipment	1,312
725	Surplus Assets	0
10	Infrastructure	10
30,879	Assets Under Construction	37,715
534,996		**546,041**

42 Vacant Possession

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

1 April 2015 £ms		31 March 2016 £ms
1,351	Vacant Possession Value of HRA Dwellings	1,365

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 2015/16 (37% 2014/15).

As a consequence the Authority recognises council dwellings at a value of £504.891m on the Balance Sheet. The value of these properties if vacant would be £1,364.570m, therefore recognising an economic cost to the government of providing council housing at less than open market rents of £859.679m.

43 Rent Arrears and Bad Debt Allowance

Overall rent arrears have increased by £0.404m during 2015/16, from £2.891m at 31 March 2015 to £3.295m at 31 March 2016. These figures include rent, service charge and water rate arrears.

	£000s	£000s
Opening Rent Arrears at 1 April 2015 - consisting of:		
Current Tenant Arrears at 1 April 2015	1,682	
Former Tenant Arrears at 1 April 2015	1,209	2,891
Closing Rent Arrears at 31 March 2016 - consisting of:		
Current Tenant Arrears at 31 March 2016	1,949	
Former Tenant Arrears at 31 March 2016	1,346	3,295

The provision for bad debt required at 31 March 2016 is £2.459m compared with £2.063m at 31 March 2015, an increase of £0.396m. Bad debts of £0.152m were written off during the year, and a contribution of £0.548m was made:

£000s 2014/15		£000s 2015/16
1,663	Opening Provision for Bad Debt at 1 April	2,063
(240)	Bad debts written off during year	(152)
640	Additional contributions to bad debt provision during year	548
2,063	**Provision for Bad Debts at 31 March**	**2,459**

44 Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets. Statute allows any difference between the depreciation credit on the reserve and a specified amount deemed necessary for carrying out major repairs for the year to be transferred back to the HRA. Authorities are able to charge capital expenditure directly to the reserve, and can also use it to make voluntary set aside payments to repay debt.

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

2014/15 £000s		2015/16 £000s
562	Balance as at 1 April	1,685
14,602	Depreciation transferred into MRR	15,144
(12,679)	Financing of HRA capital expenditure: Houses	(14,344)
(800)	Set aside for debt repayment	(800)
1,685	**Balance as at 31 March**	**1,685**

45 Housing Capital Expenditure and Financing

Capital expenditure of £27.119m was incurred in the HRA during 2015/16.

2014/15 £000s		2015/16 £000s
19,832	Houses	26,436
24	Revenue Expenditure Funded from Capital under Statute	683
19,856		**27,119**

This was financed as follows:

2014/15 £000s		2015/16 £000s
12,679	Major Repairs Reserve	14,344
6,566	Revenue Contribution	7,799
9	Other contributions	0
602	Usable Capital Receipts – RTB Retained	423
0	Usable Capital Receipts - other	3,315
0	Grants	1,238
19,856		**27,119**

Total Gross Capital Receipts:

2014/15 £000s		2015/16 £000s
3,938	Houses	5,553
68	Land	765
4,006		**6,318**

46 Depreciation for HRA Assets

The charges for depreciation within the HRA for 2015/16 were as follows:

2014/15 £000s		2015/16 £000s
14,255	Houses	14,707
278	Vehicles, Plant & Equipment	398
69	Land & Buildings	38
0	Other	1
14,602		**15,144**

47 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 8 provides further details on Pension Costs.

The amounts charged to the HRA for 2015/16 in accordance with IAS19 were as follows:

2014/15 £000s		2015/16 £000s
232	Allocated to Services	362
615	Interest on Net Defined Benefit Liability	544
(847)	Movement on Pension Reserve	(906)

48 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.

2014/15 £000s		2015/16 £000s
200	Balance as at 1 April	184
(16)	Drawdown to fund spend	(30)
0	Additional contributions to fund	0
184	**Balance as at 31 March**	**154**

49 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 2015/16, but £0.210m of work on voltage optimisers was undertaken in 2013/14 as a pilot scheme.

EON were invoiced for a further £0.074m of roof rental payments in 2015/16 and the Authority also received a gain-share payment of £0.044m for the excess electricity generated and exported back to the National Grid. Hence, the Green Fund contained a balance of £0.364m at the end of 2015/16.

Work is ongoing to look at furthering the works undertaken under the sustainability banner to increase the benefits to tenants and potentially other residents within the Borough. Depending on the opportunities identified some of the funds available within this reserve may be utilised to enable identified opportunities to be pursued, subject to approval by the Mayor and Cabinet.

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 2015/16 there were 4 compensation events resulting in the removal of solar PV systems, which resulted in total compensation payments of £0.022m from the risk pot.

2014/15 £000s		2015/16 £000s
	Solar PV – Risk Pot	
151	Balance as at 1 April	123
(28)	Drawdown to fund compensation events	(22)
0	Gain Share payments for maintenance on New Build properties	1
123	**Balance as at 31 March**	**102**

2014/15 £000s		2015/16 £000s
	Solar PV – Green Fund	
140	Balance as at 1 April	246
34	In year Gain-Share Payments from EON	44
72	In year Roof Rental Payments from EON	74
246	**Balance as at 31 March**	**364**

50 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 2015 the balance on the account was £2.788m of which £2.550m had been allocated to finance the 2015/16 HRA Investment Plan new build programme and re-programming from 2014/15, 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 2016/17.

	2015/16 £000s
House-building Fund	
Balance as at 1 April 2015	2,788
Budget Contribution 2015/16	1,071
Balance as at 31 March 2016	**3,859**

Of these sums identified in 2015/16, £3.621m has already been allocated to the New Build Programme for 2016/17, which is a combination of re-programming as above i.e. £2.550m, and £1.071m for new build works planned for 2016/17. The balance of funding i.e. £0.238m will be available to fund future HRA capital spend.

51 Capital Charges

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

2014/15 £000s		2015/16 £000s
14,602	Depreciation	15,144
1,279	Downwards Revaluations	18,968
0	Impairments	2,475
(26,479)	Revaluation Increases	(5)
24	Revenue Expenditure Funded from Capital Under Statute	683
(10,574)		**37,265**

52 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 Galliford Try (taking over Miller Construction) who will carry out the construction and refurbishment works, Morgan Sindall (formerly 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 2015/16 total contributions of £4.561m were made to the reserve as follows:

	2015/16 £000s
Balance as at 1 April 2015	5,689
Contributions to reserve in year as per Financial Model	4,429
Additional contributions to reserve	50
Interest earned on the reserve	82
Balance as at 31 March 2016	**10,250**

53 Revenue Expenditure funded from Capital under Statute

The amount of revenue expenditure funded from capital under statute in 2015/16 is £0.683m. 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.

54 Interest

From 2012/13 under the requirements of the new self-financing regime for HRA, the Authority's long-term loans have been individually split between the General Fund and the HRA. The HRA is therefore charged with the actual interest costs of its long-term borrowing, plus the costs of any short-term borrowing which the HRA may undertake. The method of apportioning the HRA's share of the total interest costs incurred on its share of the debt portfolio complies with general accounting practice, and thus the amount charged to the HRA Income & Expenditure Account represents the statutory charge, totalling £10.652m for 2015/16 (£12.451m 2014/15).

55 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 2015/16. 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.

56 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 18 of the main accounts) together with debt management expenses (£0.047m in 2015/16 and £0.030m in 2014/15) are included in the Net Cost of Services to reflect the true cost of the use of assets.

Interest payable and similar charges (£13.258m in 2015/16 and £13.461m in 2014/15) are charged after the Net Cost of Services.

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

Collection Fund Statement for year ended 31 March 2016

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.

2014/15 £000s		Note	2015/16 £000s	2015/16 £000s	2015/16 £000s
			Business Rates	Council Tax	Total
	Income				
(82,812)	Council Tax	57	0	(84,786)	(84,786)
110	Council Tax Benefits		0	79	79
(55,147)	Business Rates Receivable	58	(57,987)	0	(57,987)
(137,849)	**Total Income**		(57,987)	(84,707)	(142,694)
	Expenditure				
	Precepts, Demands & Shares:	59			
26,753	Central Government		26,653	0	26,653
99,791	North Tyneside Council Demand		26,120	74,933	101,053
4,798	Police and Crime Commissioner for Northumbria		0	4,984	4,984
4,588	Tyne & Wear Fire & Rescue Authority		533	4,211	4,744
135,930			53,306	84,128	137,434
	Distribution of Collection Fund Surplus:	60			
8	North Tyneside Council		0	37	37
1	Police and Crime Commissioner for Northumbria		0	2	2
1	Tyne & Wear Fire & Rescue Authority		0	2	2
10			0	41	41
	Charges to the Collection Fund:	61			
1,922	Write offs of Uncollectable Amounts		0	155	155
(1,173)	Bad Debt Provision		(240)	365	125
(1,399)	Provision for Appeals		1,887	0	1,887
230	Cost of Collection		229	0	229
55	Disregarded Amounts		25	0	25
3,321	Transitional Protection Payment		257	0	257
2,956			2,158	520	2,678
138,896	**Total Expenditure**		55,464	84,689	140,153
1,047	(Surplus)/Deficit for the year		(2,523)	(18)	(2,541)
4,769	(Surplus)/Deficit as at 1 April		5,828	(12)	5,816
5,816	**(Surplus)/Deficit as at 31 March**	62	**3,305**	**(30)**	**3,275**

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.

57 Council Tax

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

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Police and Crime Commissioner for Northumbria, the Tyne & Wear Fire & Rescue Authority and the Council, for the forthcoming year, and dividing this by the Council Tax base, (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: (56,424 in 2015/16).

This basic amount of Council Tax for Band D property (£1,328.04 in 2015/16) 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*	115	(17)	98	5/9	55
A	37,010	(5,817)	31,193	6/9	20,795
B	13,674	(1,325)	12,349	7/9	9,604
C	17,277	(1,205)	16,072	8/9	14,287
D	7,097	(364)	6,733	9/9	6,733
E	3,167	(121)	3,046	11/9	3,723
F	1,065	(41)	1,024	13/9	1,479
G	343	(22)	321	15/9	534
H	13	(2)	11	18/9	22
	79,761	**(8,914)**	**70,847**		**57,232**

*Band A - Entitled to Disabled Relief Reduction.

	Band D Equivalents	Collection Rate	Council Tax Base
Tax Base Calculation	57,232	98.50%	56,374
Add Payments in Lieu			50
2015/16 Council Tax Base			56,424

58 Non Domestic Rates (NDR) (Business Rates)

The NDR multipliers (the rate in the £) are set annually by Central Government. For 2015/16, the standard rates multiplier was set at 49.3 pence in the £ and the small business multiplier was set at 48.0 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 2015/16 is £15.544m. 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 2016 was £147,145,196 (£146,521,630 at 31 March 2015).

59 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 2015/16 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:

2014/15 £000s		2015/16 £000s
73,573	North Tyneside Council Demand	74,933
4,798	Police and Crime Commissioner for Northumbria Precept	4,984
4,053	Tyne & Wear Fire & Rescue Authority Precept	4,211
82,424		**84,128**

60 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 2015/16, these amounts were as follows:

2014/15 £000s		2015/16 £000s
8	North Tyneside Council	37
1	Police and Crime Commissioner for Northumbria Precept	2
1	Tyne & Wear Fire & Rescue Authority Precept	2
10		41

61 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 2015/16 are £0.155m for Council Tax.

Bad Debt provisions are re-calculated on an annual basis, and for 2015/16 the Council Tax bad debt provision has been increased by £0.366m and the NDR bad debt provision reduced by £0.240m.

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

62 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	1,619	(26)
Central Government	1,653	n/a
Police and Crime Commissioner for Northumbria Precept	n/a	(2)
Tyne & Wear Fire & Rescue Authority Precept	33	(2)
	3,305	(30)

2015/16 Annual Governance Statement

1.0 Scope of Responsibility

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

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

North Tyneside Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE "Framework Delivering Good Governance in Local Government". A copy of the Code can be found on our website or can be obtained from Legal Services. This Statement explains how North Tyneside Council has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 in relation to the publication the Annual Governance Statement (AGS).

2.0 The purpose of the governance framework

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

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

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

The governance framework has been in place at North Tyneside Council for the year ended 31 March 2016 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.

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 2016-2019'

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

Cabinet

Senior Leadership Team

Change Programme Board

Budget monitoring to Cabinet & Finance Sub-Committee

Audit Committee

External audit review

Strategic Property Group & Investment Programme Board

SUPPORTING PRINCIPLE

High Quality of Service

EXAMPLES OF HOW THIS IS ACHIEVED

Joint Strategic Needs Assessment

Corporate Performance Management

Internal Audits

Review of Partnerships

Regular budget monitoring

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

Members

Regular meetings between Cabinet Members and Senior Officers

The Constitution Overview Scrutiny & Policy Development Committee

Leaders for the 21st Century Programme

Leadership Forum

Releasing the Potential of the Workforce Programme

SUPPORTING PRINCIPLE

Clear relationships with partners and public

EXAMPLES OF HOW THIS IS ACHIEVED

Strategic and Operational Partnership Boards

Health and Wellbeing Board

Mayor's Welfare Reform Task Group, Project Board

Shared Services Management Board

Service & Corporate Performance Reports

Employee Code of Conduct

Individual Performance Reviews

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

The Constitution

Governance arrangements in place across the Authority

Standards Committee

Member Development Programme

Leadership Forum

Code of Conduct for Members & 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

Organisation value statement is in place

Service Plans

Workforce Strategy

Job descriptions

Individual Performance Reviews

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

SUPPORTING PRINCIPLE	SUPPORTING PRINCIPLE	SUPPORTING PRINCIPLE	SUPPORTING PRINCIPLE
Rigorous and transparent decision making	Quality Information	Effective Risk Management	Legal Powers
EXAMPLES OF HOW THIS IS ACHIEVED	**EXAMPLES OF HOW THIS IS ACHIEVED**	**EXAMPLES OF HOW THIS IS ACHIEVED**	**EXAMPLES OF HOW THIS IS ACHIEVED**
Officer attendance, support and advice for the various Committees and Sub-Committees of the Authority Customer complaints system Scheme of delegation is in place	Governance Policies in place, e.g. to cover the role of Council Committees Rigorous clearance process for Cabinet and Council reports Information Governance procedures in place	Risk management is undertaken at strategic, corporate and operational level Risks jointly owned by Senior Leadership Team and Cabinet. Progress on risk management is reported to Cabinet on a regular basis Corporate whistle blowing policy in place All Council and Committee reports include a risk management section	Scheme of delegation 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

Learning & Development Framework

Member Development Programme

Individual Performance Reviews

Staff Surveys

EXAMPLES OF HOW THIS IS ACHIEVED

Governance arrangements

Scheme of Delegation

Working with Members training

Individual Performance Reviews

Appropriate training

EXAMPLES OF HOW THIS IS ACHIEVED

Leadership Forum

Recruitment Policy and Procedures

Managers Development Programme

Releasing the Potential of the Workforce Programme

Individual Performance Reviews

6. CORE PRINCIPLE
Engaging with local people and other stakeholders to ensure robust public accountability

SUPPORTING PRINCIPLE

Dialogue with, and accountability, to the public

EXAMPLES OF HOW THIS IS ACHIEVED

Engagement Strategy

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

SUPPORTING PRINCIPLE

Meeting responsibility to staff

EXAMPLES OF HOW THIS IS ACHIEVED

Gold Award for 'Better Health at Work Award'

Health & Safety Continuing Excellence award

Staff Panel

Staff surveys & associated Action Plan

Engagement with Trade Unions

Health Safety & Wellbeing Framework & Policies.
Industrial relations framework

SUPPORTING PRINCIPLE

Robust scrutiny function which engages local people and partnerships

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 & use of social media

4.0 Review of effectiveness

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

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

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

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

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

- **Head of Finance** – The Head of Finance 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 Head of Finance has completed a governance statement which outlines the arrangements that are required to ensure that the Head of Finance duties can be carried out effectively. The statement is based on "The Role of the Chief Finance Officer" published by CIPFA;

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

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

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

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

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

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

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

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

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

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

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

- **Partnerships** - a monthly Operational Partnership Board (OPB) is attended by key officers within the Council and the Partner. The Cabinet Member for Finance and Resources (for ENGIE) and the Cabinet Member for Housing and Transport (for Capita and Kier) also attends the relevant meeting. The OPB is the main interface between North Tyneside Council and ENGIE/Capita/Kier. It provides a forum for the day-to-day management of the Partnership and is responsible for ensuring that performance targets are met, that the payment and performance mechanism operates correctly, that a high-performance relationship and culture is developed and that problems or issues and contract variations are resolved. The OPB reviews performance and budget reports from the relevant Partner and any risks or issues escalated to it by ENGIE/Capita/Kier or the Commercial Services Team. The OPB escalates risks and issues to full Council, Cabinet or ENGIE/Capita/Kier as appropriate.

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

5.0 Overall assessment of Governance Arrangements in place

Any system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the Authority's objectives have been mitigated.

The annual report produced by the Chief Internal Auditor has been reviewed and there are no significant governance issues that were identified. See section 9 "Annual Governance Statement 2015/16" of the Internal Audit Service report "2015/16 Opinion on the Framework of Governance, Risk Management and Control".

As a result of reviewing the evidence outlined in sections 3 and 4, the Senior Leadership Team has taken the view that as a whole, the governance arrangements in operation during 2015/16 within the Authority were adequate.

5.1 <u>Outlook</u>

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 2016/17. These issues relate to the changing nature of the Authority and local government as a whole. If the Authority failed to address these challenges properly it may result in future governance issues. Outlined below is a summary of these key challenges:

Potential Governance Issue	Current Controls
Housing Revenue Account (HRA) - there is a risk that the Authority will be unable to protect its housing asset and services to tenants as a consequence of reduced income to the HRA. Government policy on Welfare Reform is resulting in a number of direct challenges to rent collection; the Spare Room Subsidy and the Benefit Cap have already had an impact. Further Welfare Reform changes, including the implementation of Universal Credit and its revised payment period, and changes proposed in the Housing & Planning Bill, reducing social housing rents by 1% each year for the next 4 years, mean there will be less income and that income will be harder to collect.	• Budget Setting Process - this will incorporate the review of the existing HRA business plan to reflect the changes. • Redesign of Housing Management Structure - reduce the resource requirement for managing the service. • Kier NT Review - working with Kier NT to identify where savings can be made. • Revised 30 year Capital Investment Plan - the cost and quantity of work within the 30 year Investment Plan has been revised to help mitigate the impact of changes. It takes into consideration the 1% reduction and was approved by Cabinet on 14 January 2016.

Potential Governance Issue	Current Controls
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. There is a risk that if the CBF programme is not successfully implemented the Authority may be unable to deliver improved services and meet the increased demand on Council services within reducing resources.	• Governance Framework - there are monthly Programme Board meetings via Senior Leadership Team (SLT). This helps to ensure that there is visibility and accountability. It also enables reporting of progress against the plans. Additionally the Enabling Project Board has been established, this and meetings for the Redesign Board are being programmed and will oversee the delivery of CBF and TOM (Target Operating Model). • Regular updates reported to Lead Member Briefings. This ensures that Cabinet Members are kept informed of progress and of any issues. • CBF Programme risk register. Highlights and reports key risks attached to the strategic aims of the CBF programme to the CBF Board enabling informed decisions to be made.
Section 75 Agreement - the Authority has a s75 Agreement in place with North Tyneside Clinical Commissioning Group (CCG) which sets out a comprehensive set of financial and performance metrics which the Better Care Fund (BCF) Partnership Board uses to monitor the implementation of BCF schemes, including the risk of overspends. The NHS in totality is under financial pressure and the CCG has a forecast deficit of £19.0m in 2015/16 which could have financial implications for the Authority's revenue budget in the current and future years. The CCG has a financial recovery plan in place based on the delivery of QIPP (Quality, Innovation, Productivity and Prevention) programmes, managing demand, whole system change and commissioning external support to challenge and test the plans in place and the ability to deliver those plans.	• Established governance arrangements for the Better Care Fund. Financial and performance information will be monitored and any variation will be easily identified. • Progress updates reported to Lead Member Briefings. This will ensure that Cabinet Members are informed of progress and any issues. • Section 75 Agreement has been established. This establishes the legal framework to manage the progress.

Potential Governance Issue	**Current Controls**
The delivery of this plan could have implications for both Adults and Children's Social Care services and could impact on the assumptions included in the Authority's current and future year's budget and financial plans with regard to financial transactions with the CCG.	• Turnaround Board. The Turnaround Board consists of the Chief Executive and representatives from CCG, it has been established to manage the CCG deficit and look at finances across Health and Social Care.
Business Rates - the Chancellor of the Exchequer recently announced that local authorities will be able to keep all the business rates that they collect from local businesses. The original business rate retention scheme gave local authorities the potential to retain 50% of business rate income and up to half of any growth in business rates revenue from new assessments added to the rating list. The remainder was returned to central government and redistributed. Full retention will potentially give local authorities greater ability to plan for the long term, more financial independence and an increased incentive to generate growth as 100% of business rates will be retained. There are a number of risks with the new proposals which the Authority will need to address. For example, a lack of business growth or the shutting of a business will impact on the Authority's revenues. The Authority will also have to bear 100% of business rates appeals, this was previously 50%. The current business rates system has a safety net in place for those local authorities that see a reduction in business rate income by more than 7.5%. It is anticipated that this will stay in place, but this hasn't been confirmed. The Authority will need to assess and plan for this potential risk. In addition resource implications will need to be taken into account to manage the change in the administration of business rates.	• Highly effective engagement with businesses. Ensures effective high level relationship between Council, key strategic companies and developers; facilitating timely support and the opportunity to mitigate threats. • National working groups established – Systems Design Working Group and Responsibilities Working Group. The Systems Design Working Group is a forum through which local government representatives and other interested bodies will provide information and expert advice to support the Local Government Association and Department of Communities and Local Government in advising Ministers on setting up the most appropriate system to deliver 100% business rates retention. The Responsibilities Working Group will develop options for the devolution of responsibilities and funding. • Regional (former Association of North East Council's area) Task & Finish Group, Business Rates Retention, set-up to influence central government direction on the proposed Business Rates Retention system.

<table>
<tr><th>Potential Governance Issue</th><th>Current Controls</th></tr>
<tr><td>Information Governance - there is a risk in relation to information governance that unless there are robust policies and systems in place and implemented there is a possibility that sensitive data may be lost. Some information held by the Authority is extremely sensitive in nature which requires robust policies and systems to be in place to ensure that it is as secure as possible, and that staff are fully aware of the procedures that they need to follow when dealing with such information. If the Authority fails to have robust policies in place there is a risk that the Data Protection Act could be breached leading to fines and compensation claims.</td><td>Senior Information Risk Officer (SIRO). This ensures that there is someone within the Council that has ultimate responsibility for ensuring that information and attached risks are managed effectively.
Information Security Group. The membership of the group is from services across the Council. Its remit is to support the SIRO and inform policy and procedures to manage information.
Information Governance Improvement Plan. This helps ensure that policies and procedures are adequate, up to date and implemented by staff. This is an ongoing process which will be supported by the implementation of the Electronic Document Record Management System (EDRMS). The end result will be improved practices across the Council. The plan is currently in the process of being reviewed and strengthened. This will also include reference to new ICT collaboration tooling and how it will work with EDRMS.
Strategic Information Governance Officer. Providing a corporate approach working with day to day managers of the information governance processes and procedures, ensuring a training plan is in place and implemented.</td></tr>
</table>

Potential Governance Issue	Current Controls
Partnerships - the Authority needs to continue to embed and review governance arrangements that are in place in respect of all partnerships to ensure required services are delivered satisfactorily, whilst also achieving and sustaining value for money. In addition the Authority needs to ensure that boundaries and responsibilities remain clear and are robustly managed, recognising that operations and staffing in both partner organisations and the Authority change over time.	• The Governance Structure. The governance structure has been operating since 1 November 2012. It helps ensure that the governance to manage the partnerships is in place i.e. Strategic Partnering Boards, Operational Partnering Boards, Senior Client Groups and a Commercial Group. • Delivery of Key Performance Indicators (KPIs) has been agreed. KPIs are reviewed, updated and agreed on an annual basis. They form the basis of performance management against the contract, ensuring that the Council's ambitions and objectives are being delivered.
The White Paper '**Education Excellence Everywhere**' published in March 2016 signalled a fundamental change in local authority relationship with schools, requiring most schools to form or join multi-academy trusts by 2022. However, Government has now abandoned plans for new laws to make all schools convert into an academy. It will be replaced by legislation enabling the Government to force schools to convert when local authorities have consistently poor results across their schools. The Government will also step in when there are so few schools under local authority control that a council can "no longer support its remaining schools".	• Despite this change the Authority will continue to keep a watching brief on how Government deal with the question of academies.

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 25 May 2016) was satisfied on the basis of the information available to it, that the Annual Governance Statement 2015/16, which is required, under the Regulations governing the audit of local government accounts, has been prepared and approved after due and careful enquiry.

………………………………………….

Chair of the Audit Committee

Date:

Glossary of Terms

A

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

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

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

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

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

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

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

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

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

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

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

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

B

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

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

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

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

Business Rates: 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 North East Combined Authority (transport levy), the Environment Agency and the Tyne Port Health Authority and Northumberland Inshore Fisheries and Conservation Authority.

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

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

M

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

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

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

N

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

Non-Domestic Rates (NDR) (also known as Business Rates): a tax levied on business properties and is a means by which local businesses or organisations contribute to the cost of local authority services. 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 e.g. 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.

Property, Plant and Equipment (PPE): Property, Plant and Equipment covers all assets with physical substance (tangible assets) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

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

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

R

Remeasurement of the net defined benefit liability: comprises of

a) actuarial gains and losses,
b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and
c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

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

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

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

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

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

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

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

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

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

S

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

Service 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.

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).