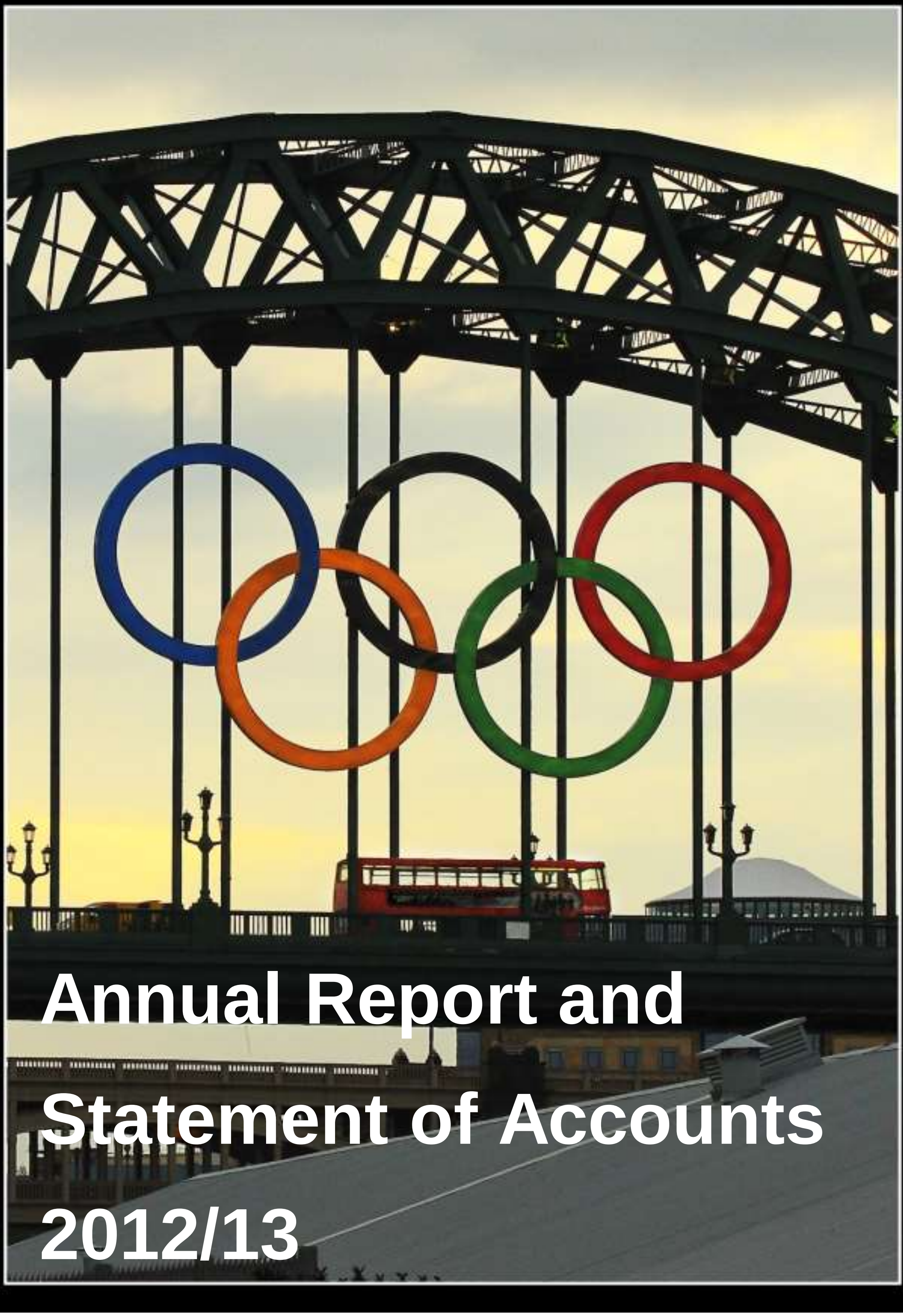

Annual Report and Statement of Accounts 2012/13

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Newcastle City Council

Newcastle City Council
Annual Report & Statement of Accounts 2012/13

Contents

Part 1: Explanatory Foreword and Statement of Responsibilities

Comprising:

- Explanatory Foreword by the Director of Resources
- Statement of Responsibilities for the Statement of Accounts

Explanatory Foreword by the Director of Resources

Introduction

This foreword provides readers with:

- A summary of the Council's financial performance during the year ended 31 March 2013 and its financial position at that date.
- An overview of the activities and significant matters which occurred during the year.
- A guide to the different accounting statements.

The accounts set out the financial performance of the Council for the year ended 31 March 2013 and its financial position at that date, and have been prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code requires that the accounts give a true and fair view of the financial position of the Council. In line with the Code, suitable accounting policies have been applied and where necessary prudent judgements and estimates have been made.

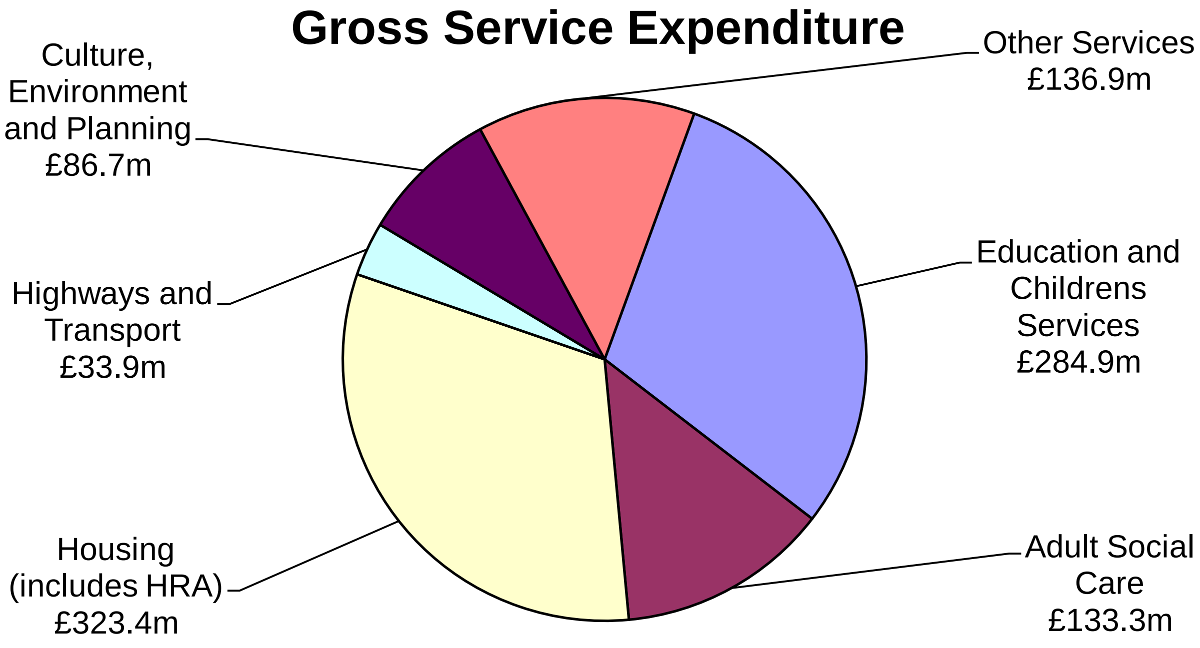
The key points to note are as follows:

- The Council's underlying financial position is sound and generally better than forecast in the revised budget. The Council achieved most of the £30.2m identified savings in 2012/13 which helped to meet spending pressures and reductions in grant funding.
- The Council maintained overall spend within the net revenue budget.
- The General Fund unearmarked reserve was maintained at £10.1m.
- Net assets/total reserves decreased during the year from £560.8m to £393.3m due mainly to fixed asset revaluations and increasing pension liabilities. Within this, General Fund earmarked reserves (excluding school balances, revenue grants unapplied and PFI lifecycle replacement costs) decreased from (£35.6m) to (£32.7m). The (£32.7m) consists of the Collection Fund Reserve (£2.8m), Corporate Contingency (£4.0m), Private Finance Initiative Reserve (£7.7m), Risk Management & Insurance Reserve (£0.4m), Strategic Reserve (£13.3m), Pension Reserve (£3.4m) and Other Reserves of (£1.1m).
- Total capital investment during the year was £111.1m.

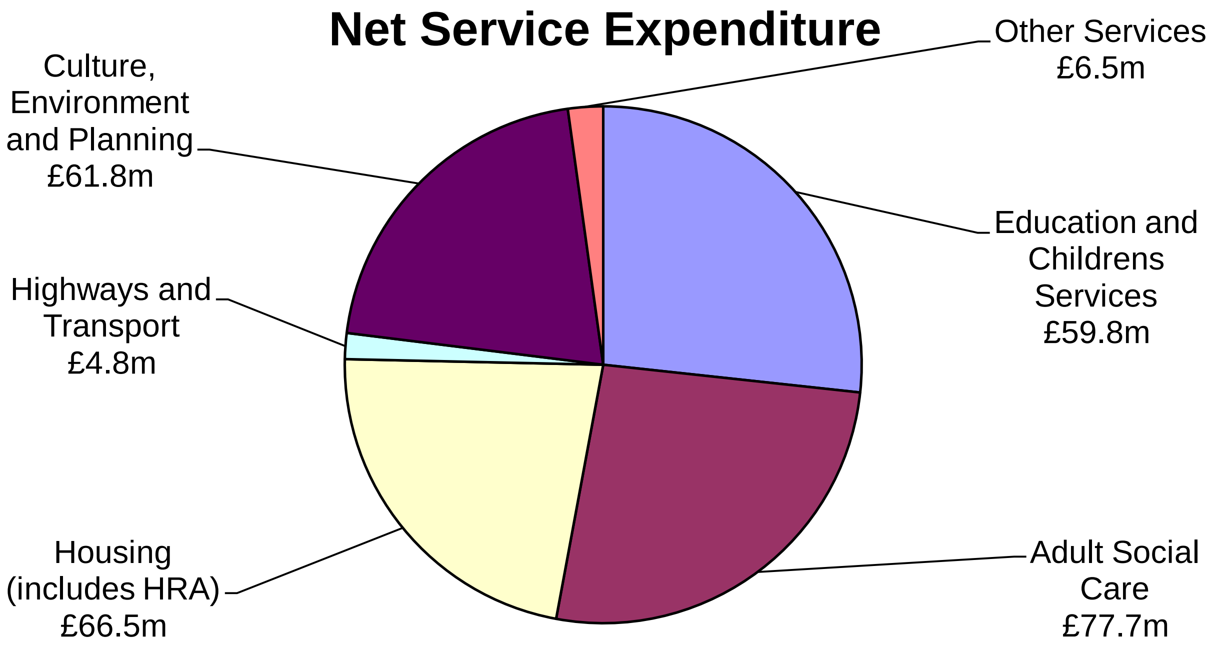
Revenue Spending

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

The gross cost of services during the year was £999.1m. This includes both General Fund services and the HRA. After deducting specific grants and income from fees and charges the net cost of services was £277.1m. The breakdown of gross and net cost of services between different service areas is shown in the following charts:



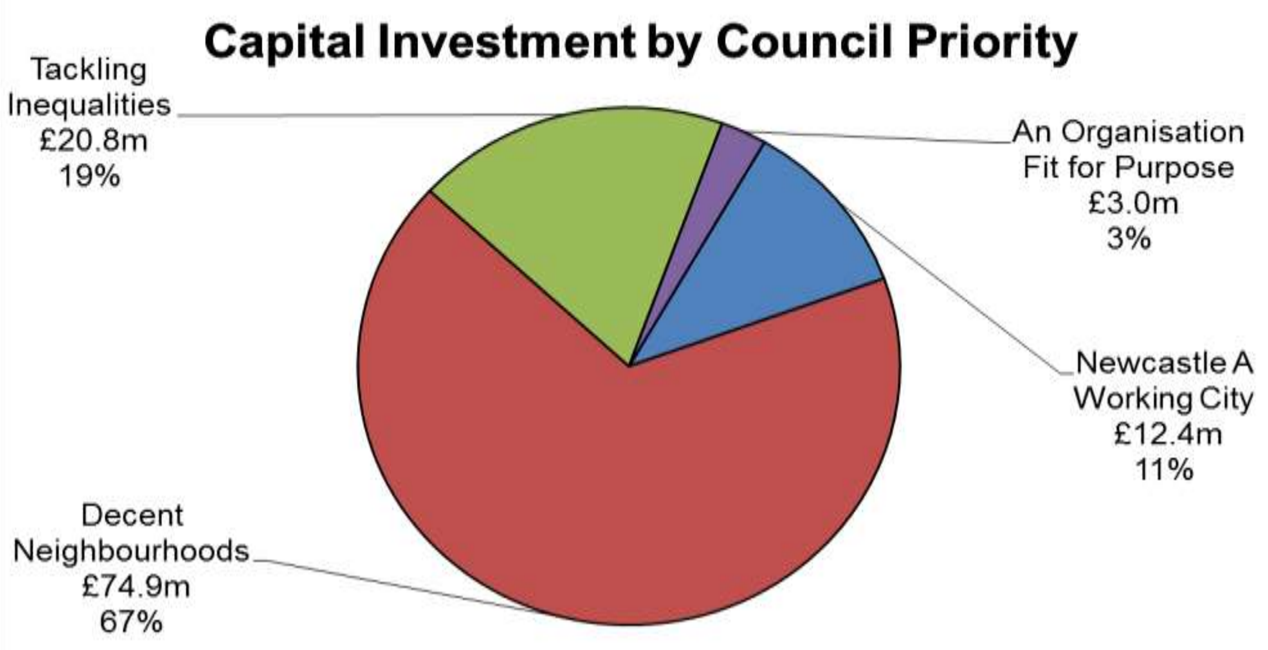
The net cost of services of £277.1m was funded from a range of sources including Formula Grant and Council Tax. The Band D Council Tax for 2012/13 was £1,511.26 including police and fire precepts, which was unchanged from the previous year. As a result Council Tax Freeze Grant totalling £2.6m was received from DCLG.



The CI&ES shows a net deficit for the year of £167.5m. This largely reflects charges for depreciation, impairment and the impact of accounting for pensions under International Accounting Standard (IAS) 19. These charges are reversed out through the Movement in Reserves Statement (MIRS) so they do not have any impact on the underlying level of resources available to the Council.

Capital Investment

Capital investment during the year totalled £111.1m. This consisted of £106.9m direct capital expenditure incurred by the Council and £4.2m capital expenditure via long-term capital loans. An analysis of capital investment by priority and funding source are shown in the following charts:

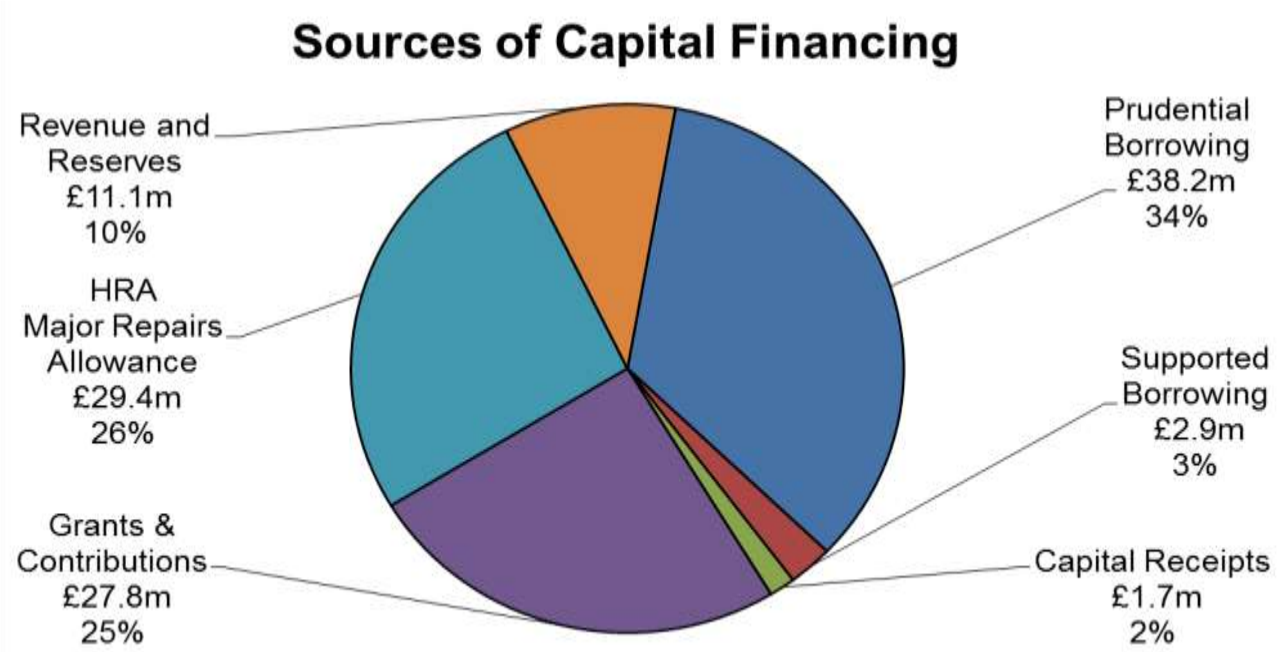


The main programmes/schemes included in these figures are listed below:

- **Capital contributions to PFI secondary schools £5.4m**
  Capital contributions towards new school builds for Sir Charles Parsons Special School, St Mary's Catholic School and Gosforth Junior High.
- **Capital maintenance for schools £2.4m**
  Expenditure on various schools to ensure that buildings are windproof, watertight and adequately heated.
- **Wentworth Court £2.3m**
  New build to provide temporary accommodation for the homeless.
- **Hansteen acquisition £3.8m**
  Acquisition of the long leasehold interest of Walker Riverside Industrial Estate from Hansteen Investments.
- **Scotswood site assembly £5.1m**
  Preparation of the Scotswood Masterplan area for housing development. This involves significant groundworks to improve the gradients and the installation of some primary infrastructure.
- **Highways & footpath improvements £3.2m**
  Improvements to highways and footpaths within Newcastle.
- **Local Transport (excluding element of highways & footpaths above) £3.1m**
  Improvements to highways, traffic management and sustainable transport initiatives.

- **Byker District & Group Heating boiler renewal £2.6m**
  Installation of a biomass boiler to the Byker District and Group Heating Network. This will complement three gas fired boilers which face rising gas prices and have a considerable environmental impact.
- **Byker Trust £1.5m**
  Part of the set-up of the Byker Trust, the Council set aside funds to support the Trust's capital investment programme.
- **Social housing existing obligations £14.4m**
  Enhancements to bring Council Housing up to 'Decent Modern Homes' standard.
- **Your Homes Newcastle improving customer services £5.8m**
  On-going delivery of the Newcastle Furniture Service and improvements to the Concierge Service.

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



Housing Revenue Account (HRA)

The HRA Income & Expenditure Statement on page 123 sets out the financial position for the year before taking account of statutory adjustments required to be made to the accounts. The Statement of Movement on the HRA Balance on page 124 reflects these statutory adjustments and shows how the financial performance for the year has impacted on HRA reserves.

The HRA Income & Expenditure Statement shows a net deficit for the year of £44.2m, this largely reflects charges for depreciation and impairment. These charges are reversed out through the HRA Movement in Reserves Statement so they do not have any impact on the underlying level of resources available to the Council.

Treasury Management

The Balance Sheet on page 21 shows external borrowing of £712.6m at the end of the year, which is split between short term borrowing (£176.4m) and long term borrowing (£536.2m).

Interest payable on these loans during the year totalled £21.0m at an average rate of 3.1% compared to 4.1% in the previous year, which has resulted in significant financial benefits to the Council.

The Balance Sheet also shows short term external investments of £45.4m at the end of the year compared to £45.6m at the end of the previous year.

Interest receivable on these investments during the year totalled £1.9m at an average rate of 1.5% compared to 1.6% in the previous year.

Debtors

The Balance Sheet on page 21 shows short term debtors of £92.9m at the end of the year compared to £83.2m at the end of the previous year. These balances are analysed in more detail in Note 15 on page 46. The main reasons for the movement during the year are:

- Central government bodies (decreased from £20.0m to £17.0m) - there was a significant debtor relating to VAT due from central government at the end of the previous year, which did not re-occur in the current year.
- NHS bodies (decreased from £3.3m to £0.3m) - there was a significant debtor relating to the PCT at the end of the previous year which did not re-occur in the current year.
- Public corporations (decreased from £1.8m to £0.8m) - mainly due to one-off invoices raised in 2011/12 in relation to 1NG and Newcastle University.
- PFI life cycle prepayments (increased from £6.4m to £9.0m) - this is a technical amount arising from the need to account for future lifecycle costs of assets.
- Other entities and individuals (increased from £37.0m to £51.1m) - this is due to an increase in the total amount of income being raised during the year and the timing of some large balances that were raised towards the end of the financial year, and paid in the new financial year. One of the main reasons for the movement during the year was an invoice to Science Central with a value of £8.0m relating to a VAT refund.

The bad debt provision decreased from £22.2m to £21.9m at the end of the year.

Income Collection

97.2% of Council Tax and 99.0% of business rates due in the year were collected, which is consistent with performance in the previous year.

97.8% of rent due in the year was collected, which is a reduction when compared with performance in the previous year.

The above collection rates are for 2012/13, however, the Council continues to collect any outstanding income following the end of the financial year.

Schools Balances

Individual school balances at the end of the year totalled £11.5m compared to £12.1m at the end of the previous year. This balance has reduced due to the conversion of a number of schools to academy status and the repaying of their balances. Schools continue to hold balances to mitigate against a range of financial risks including the implementation of a national school funding formula and other known cost pressures.

Pensions Costs

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

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

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

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

At the end of the year there was a pension fund deficit of £579.5m and this is disclosed on the Balance Sheet on page 21. This compares with a deficit of £492.2m at the end of the previous year. There are two main reasons for this increase. Firstly, a reduction in the discount rate used from 4.7% to 4.4%, which increases the value of the pension liabilities, and secondly, a revaluation of the Teacher's Unfunded Benefits by the Fund Actuary.

Further disclosures related to the pension fund are included in Note 40 on pages 81 to 85.

Claims under the Equal Pay Act 1970

During the year, the Council settled a further eleven equal pay claims. There remains a further 1,022 cases that have yet to be resolved, many of which raise different legal arguments to the cases previously considered. As the legal arguments are complex and proceedings are still at an early stage it is too early to accurately assess what liability (if any) the Council faces. Accordingly, a contingent liability has been included in Note 41.

Explanatory Foreword by the Director of Resources

Material Items of Income and Expenditure

There were four material items of income and expenditure in 2012/13:

- **Science Central** – During the 2012/13 financial year, the Council entered into a Limited Liability Partnership (LLP) with the University of Newcastle. The LLP has a year end of 31 March. The primary business for the LLP is for the development of the land held by it, which is intended to promote investment in the development of science research and education. On establishment of the LLP, the Council transferred land with a net book value (NBV) of £8.2m in return for B capital shares at the same value. In addition assets (including infrastructure and borehole with NBV of £1.2m) were transferred in return for C capital of £2.4m. Future returns to the partners will be based on the respective amount of land they have transferred into the LLP and also the amount of further investment.
- **Newcastle International Airport** – Newcastle is one of seven north east councils who collectively (through a holding company known as 'LA7') own 51.0% of shares in the Newcastle airport group of companies. The remaining 49.0% was owned by the private sector partner Copenhagen Airports ('CPH'). During 2012/13 the refinancing of the airport group's existing loan facility and the sale by CPH of its shares to a new private sector partner took place. CPH sold its 49.0% shareholding to ANP Capital Investors. This involved the Council incurring expenditure of £14.1m to buy an additional £0.4m of shares in LA7 and make a shareholder loan of up to £13.7m to Newcastle International Airport Group Limited.
- **Byker Housing Stock Transfer** – on 5 July 2012 the freehold ownership of 1,816 dwellings was transferred from the Housing Revenue Account (HRA) to the Byker Community Trust. 1,788 of these dwellings were held as HRA stock. The other 28 properties had previously been assigned on a leasehold basis to their owner-occupiers. As part of the transfer the Department for Communities & Local Government paid off £23.9m of loans from PWLB (Public Works Loans Board) and £9.5m premiums on those loans.
- **Academy Conversions** – four schools converted to academy status in 2012/13: Kenton School, Atkinson Road Primary, Welbeck Road Primary and Hilton Primary. The school reserves relating to these four schools totalling £2.9m have been written out of the Council's accounts and transferred across to the newly formed Academies. The value of the land and buildings written out of the Council's accounts is £27.7m for Kenton school, £1.4m for Atkinson Road Primary, £3.3m for Welbeck Road Primary and £4.0m for Hilton Primary.

Accounting Developments

The main changes in the current year are as follows:

- **Housing Revenue Account** – the accounting implications resulting from the introduction of the self-financing regime for the HRA have been implemented.

- **Financial Instruments** – the 2012/13 Code includes amendments to IFRS 7: disclosures (Transfers of Financial Assets), these amendments are designed to assist the user of the financial statements to evaluate the risk related to the transfer of financial assets.

Financial Planning - Priorities

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

- **A Working City** – creating a new generation of good quality jobs, in a range of sectors, and helping local people develop the skills to do them.

- **Decent Neighbourhoods** – working with local communities to look after each other and the environment.

- **Tackling Inequalities** – tackling discrimination and inequalities which prevent people and communities fulfilling their true potential.

- **A Fit for Purpose Organisation** – a council which leads our city by enabling and empowering others to achieve.

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

Looking Ahead

The Council is facing significant government funding cuts in future years, which continues the trend over the last few years of central government funding reductions. When coupled with cost pressures arising from increased demand for services and the economic downturn, it means that savings totalling £37.1m are required in 2013/14 (13.9% of the 2012/13 net revenue budget). Further significant savings will be required annually for the foreseeable future. The Council's proposed net revenue budget for 2013/14 will actually increase from £266.6m to £277.3m due to the localisation of Council Tax benefit and the transfer of specific grants into Start Up Funding Assessment, however this masks an underlying funding cut of £13.3m.

Explanatory Foreword by the Director of Resources

The Council agreed a three-year capital programme in March 2013 amounting to £456.4m. The majority of the General Fund capital programme (i.e. 70%) will be funded by borrowing and so it is vitally important that the planned efficiency savings and additional income are generated to repay this borrowing. The remainder of the General Fund capital programme will be funded from government grants (i.e. 17%) and capital receipts (i.e. 13%). The Housing Revenue Account capital programme is less dependent on borrowing due to the introduction of a debt ceiling as part of the move to self-financing, and is predominantly funded from rental income.

Looking ahead, the key financial challenges for 2013/14 and beyond are as follows:

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

The main statements within the accounts and their purposes are:

Statement of Responsibilities for the Statement of Accounts (page 15)

The statement explains both the Council’s and the Director of Resources’ responsibilities in respect of the Statement of Accounts.

Movement in Reserves Statement (page 19)

This statement shows the movement during the year on the different reserves held by the Council, analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The surplus or deficit on the provision of services shows the full cost of providing services during the year, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the amounts required to be charged to the General Fund unearmarked reserve and the Housing Revenue Account unearmarked reserve for Council Tax setting and dwellings rent setting purposes. The statement also shows discretionary transfers to / from earmarked reserves.

Comprehensive Income & Expenditure Statement (page 20)

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

Balance Sheet (page 21)

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

Cash Flow Statement (page 22)

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

Notes to the Financial Statements (pages 23 to 120)

This section provides more details on the financial transactions of the Council.

The statements explain those accounting policies that are significant to a reader's understanding of the accounts.

Supplementary Financial Statements & Notes:

Housing Revenue Account (HRA) (pages 123 to 131)

This statement arises from the statutory obligation to “ring-fence” the major elements of housing related expenditure (repairs and maintenance, administration and capital financing costs) and show how this is funded by rents and other income. This section also includes the HRA Statement of Movement in Reserves, which discloses how the HRA surplus or deficit reconciles to the movement on HRA reserves for the year.

Collection Fund (pages 133 to 135)

This statement arises from the statutory obligation to “ring-fence” all Council Tax and Business Rates related transactions.

Annual Governance Statement (pages 139 to 150)

This statement sets out the Council’s approach to corporate governance and internal control.

Further Information Available to Council Tax Payers

Access to these accounts will be made available to the general public via the Council’s website. If, however, you wish to purchase a copy of this printed booklet, a nominal charge of £5.00 will usually be requested to cover printing costs. If this information is needed in another format or language please contact Peter Weir on 0191 211 6673 or e-mail peter.weir@newcastle.gov.uk.

Enquiries on the accounts or other general financial matters should be addressed in the first instance to the Director of Resources, Paul Woods.

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

Paul Woods
Director of Resources
Civic Centre
Barras Bridge
Newcastle upon Tyne
NE1 8QH

Tel. (0191) 277 7527
Fax. (0191) 211 4901

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Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

The Director of Resources' Responsibilities

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

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

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

The Director of Resources has also:

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

Certification of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Newcastle City Council at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

Signed:

P.V. Woods, Director of Resources
Date: 27 September 2013

Approval of the Accounts

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

Signed:

Cllr Bartlett, Chair of Constitutional Committee
Date: 27 September 2013

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Part 2: Core Financial Statements

Comprising:

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

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Housing Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	(10,135)	(65,833)	(11,043)	(25,006)	(16,510)	(1,041)	(10,712)	(140,280)	(401,370)	(541,650)
Movement in reserves during 2011/12										
(Surplus)/Deficit on Provision of Services	82,450	-	(247,366)	-	-	-	-	(164,916)	-	(164,916)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	145,767	145,767
Total Comprehensive Income & Expenditure	82,450	-	(247,366)	-	-	-	-	(164,916)	145,767	(19,149)
Adjustments between accounting basis & funding basis under regulations (Note 4)	(71,744)	-	262,711	-	16,448	(674)	4,807	211,548	(211,548)	-
Net (Increase)/ Decrease before transfers to Earmarked Reserves	10,706	-	15,345	-	16,448	(674)	4,807	46,632	(65,781)	(19,149)
Transfers (to)/from Earmarked Reserves (Note 5)	(10,706)	10,706	(13,412)	13,412	-	-	-	-	-	-
(Increase)/Decrease in 2011/12	-	10,706	1,933	13,412	16,448	(674)	4,807	46,632	(65,781)	(19,149)
Balance at 31 March 2012 carried forward	(10,135)	(55,127)	(9,110)	(11,594)	(62)	(1,715)	(5,905)	(93,648)	(467,151)	(560,799)
Movement in reserves during 2012/13										
(Surplus)/Deficit on Provision of Services	42,261	-	44,218	-	-	-	-	86,479	-	86,479
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	81,020	81,020
Total Comprehensive Income & Expenditure	42,261	-	44,218	-	-	-	-	86,479	81,020	167,499
Adjustments between accounting basis & funding basis under regulations (Note 4)	(44,278)	-	(40,904)	-	6	(4,700)	(2,071)	(91,947)	91,947	-
Net (Increase)/ Decrease before transfers to Earmarked Reserves	(2,017)	-	3,314	-	6	(4,700)	(2,071)	(5,468)	172,967	167,499
Transfers (to)/from Earmarked Reserves (Note 5)	2,017	(2,017)	(6,322)	6,322	-	-	-	-	-	-
(Increase)/Decrease in 2012/13	-	(2,017)	(3,008)	6,322	6	(4,700)	(2,071)	(5,468)	172,967	167,499
Balance at 31 March 2013 carried forward	(10,135)	(57,144)	(12,118)	(5,272)	(56)	(6,415)	(7,976)	(99,116)	(294,184)	(393,300)

Comprehensive Income and Expenditure Statement

2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000		2012/13 Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Net Expenditure £000
118,493	(111,061)	7,432	Central Services	135,467	(128,866)	6,601
4,249	(486)	3,763	Corporate & Democratic Core	3,727	(390)	3,337
(745)	(1,057)	(1,802)	Non Distributed Costs	(3,033)	(1,056)	(4,089)
570	-	570	Court Services	614	-	614
37,480	(10,845)	26,635	Cultural & Related Services	33,683	(10,212)	23,471
41,544	(9,012)	32,532	Environmental & Regulatory Services	41,119	(11,315)	29,804
11,180	(3,455)	7,725	Planning Services	11,923	(3,449)	8,474
375,976	(242,189)	133,787	Education & Childrens Services	284,935	(225,091)	59,844
34,525	(20,214)	14,311	Highways & Transport Services	33,923	(29,116)	4,807
161,152	(130,732)	30,420	Housing Services General Fund	187,102	(138,560)	48,542
153,588	(127,356)	26,232	Local Authority Housing (HRA)	136,256	(118,270)	17,986
138,455	(54,608)	83,847	Adult Social Care	133,347	(55,645)	77,702
1,076,467	**(711,015)**	**365,452**	**Cost of Services**	**999,063**	**(721,970)**	**277,093**
20,691	-	20,691	Other Operating Expenditure (Note 6)	86,986	-	86,986
263,386	(101,399)	161,987	Financing & Investment Income & Expenditure (Note 7)	140,777	(95,521)	45,256
-	(713,046)	(713,046)	Taxation & Non-Specific Grant Income (Note 8)	-	(322,856)	(322,856)
		(164,916)	**Deficit/ (Surplus) on Provision of Services**			**86,479**
		(20,943)	(Surplus)/Deficit on Revaluation of Non Current Assets (Note 21)			(3,149)
		-	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets (Note 21)			(15,131)
		166,710	Actuarial (Gains)/Losses on Pension Fund Assets & Liabilities (Note 40)			99,300
		145,767	**Other Comprehensive Income & Expenditure**			**81,020**
		(19,149)	**Total Comprehensive Income & Expenditure (Surplus)/Deficit**			**167,499**

Balance Sheet

31 Mar 2012 £000		Notes	31 Mar 2013 £000
1,725,448	Property, Plant & Equipment	9	1,588,555
103,815	Heritage Assets	10	105,318
169,312	Investment Property	11	168,371
1,555	Intangible Assets	12	752
1,637	Long Term Investments	13	27,047
17,445	Long Term Debtors	13	34,466
2,019,212	**Long Term Assets**		**1,924,509**
45,603	Short Term Investments	13	45,438
147	Assets Held for Sale	17	166
1,539	Inventories	14	1,428
83,234	Short Term Debtors	15	92,867
28,213	Cash and Cash Equivalents	16	63,139
158,736	**Current Assets**		**203,038**
(6,471)	Bank Overdraft	16	(6,620)
(250,687)	Short Term Borrowing	13	(176,406)
(186,212)	Short Term Creditors	18	(184,490)
(2,275)	Provisions	19	(511)
(445,645)	**Current Liabilities**		**(368,027)**
(239,833)	Long Term Creditors	13	(233,610)
(338)	Deferred Liabilities	13	(338)
(414,039)	Long Term Borrowing	13	(536,233)
(8,396)	Provisions	19	(9,877)
(16,708)	Grants Receipts in Advance	32	(6,672)
(492,190)	Pension Liability	40	(579,490)
(1,171,504)	**Long Term Liabilities**		**(1,366,220)**
560,799	**Net Assets**		**393,300**
(93,648)	Usable Reserves	20	(99,116)
(467,151)	Unusable Reserves	21	(294,184)
(560,799)	**Total Reserves**		**(393,300)**

Director of Resources Certificate

I certify that the accounts set out on pages 19 to 135 give a true and fair view of the financial position of the City Council as at 31 March 2013.

Signed: P.V. Woods, Director of Resources 27 September 2013

Cash Flow Statement

2011/12 £000		2012/13 £000
164,916	Net (Deficit)/Surplus on the provision of services	(86,479)
376,903	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 22)	293,455
(259,523)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 22)	(123,722)
282,296	Net cash flows from Operating Activities	83,254
(89,291)	Investing Activities (Note 23)	(79,381)
(212,944)	Financing Activities (Note 24)	30,904
(19,938)	Net (Decrease)/Increase in cash and cash equivalents	34,777
41,680	Cash and cash equivalents at the beginning of the reporting period	21,742
21,742	**Cash and cash equivalents at the end of the reporting period (Note 16)**	**56,519**

Notes to the Financial Statements

1. Accounting Standards Issued, Not Adopted

Impact of the adoption of the new accounting standards on 2012/13 statements

The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) has introduced a change in accounting policy in relation to the treatment of IFRS (International Financial Reporting Standard) 7 (December 2011). This standard deals with Financial Instruments Disclosures Offsetting Financial Assets and Liabilities. The change in accounting policy has been reviewed and it has been concluded that this change does not impact on the Council as transactions of this nature have not been entered into.

A revised IAS (International Accounting Standard) 19 will come into force for accounting periods beginning on or after 1 January 2013. This standard deals with accounting for pension costs. If this revised IAS 19 were adopted for the accounting period ending 31 March 2013 then this will increase the expenses recognised for funded benefits from £27.6m to £50.1m. There is no effect on the balance sheet.

The 2013/14 Code has also introduced a change in respect of IAS12 Deferred Tax: Recovery of Underlying Assets (December 2010 Amendments). Such transactions are not common for local authorities and the Council has not entered into any transactions covered by the changes in the 2012/13 financial year.

Amendments to IAS 1 Presentation of Financial Statements (Other Comprehensive Income June 2011) has been introduced. The change requires authorities to disclose separately the gains/losses reclassifiable into the (Surplus)/Deficit on the Provision of Services. The gains/losses are already identified on the Comprehensive Income and Expenditure Statement and no further disclosure is required.

2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 49 Statement of Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are considered to be:

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

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

3. 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 Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2013 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £132.1m. However, the assumptions interact in complex ways. During 2012/13, the Council's actuaries advised that the net pensions liability had decreased by £0.3m as a result of estimates being corrected as a result of experience and increased by £141.4m attributable to the updating of the assumptions.
Arrears	At 31 March 2013, the Council had a gross balance of sundry debtors of £114.8m. A review of historic arrears collection rates suggested that an impairment of doubtful debts of £21.9m was appropriate resulting in net debtors of £92.9m. However, in the current economic climate there is a risk that this will not be sufficient.	If collection rates were to deteriorate then the amount set aside to cover the impairment of doubtful debts would not be sufficient. For example, a 5% reduction in collection rates would require an additional amount of £0.5m to be set aside as an allowance.

4. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2012/13	Usable Reserves					
	General Fund (GF) Balance	Housing Revenue Account (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account (Note 21):						
Reversal of items debited or credited to CI&ES:						
Charges for depreciation and impairment of non current assets	(34,549)	(54,411)	-	-	-	88,960
Revaluation losses on Property, Plant and Equipment	(42,011)	(18,111)	-	-	-	60,122
Movements in the fair value of Investment Properties	(954)	-	-	-	-	954
Amortisation of intangible assets	(832)	(39)	-	-	-	871
Capital grants and contributions applied	25,774	1,734	-	-	-	(27,508)
Write-back of long term debtor	394	-	-	-	-	(394)
Revenue expenditure funded from capital under statute	(7,243)	-	-	-	-	7,243
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(40,800)	(43,023)	-	-	-	83,823
Investment received in exchange for non current assets transferred to Science Central LLP (Note 47)	9,451	-	-	-	-	(9,451)
Insertion of items not debited or credited to CI&ES:						
Statutory provision for the financing of capital investment	29,001	4,194	-	-	-	(33,195)
Capital expenditure charged against the GF & HRA balance	-	11,088	-	-	-	(11,088)

2012/13 continued	General Fund (GF) Balance	Housing Revenue Account (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	Usable Reserves					
	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Grants Unapplied Account:						
Grants & contributions unapplied credited to the CI&ES	2,383	-	-	-	(2,383)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	312	(312)
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	3,192	4,639	-	(7,831)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	1,712	-	(1,712)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,847)	-	-	1,847	-	-
Transfer from Deferred Capital Receipts Reserve	-	-	-	(428)	-	428
Byker Stock Transfer - Loan Repayments	-	23,923	-	(23,923)	-	-
Debt Redeemed Using Capital Receipts	-	-	-	23,923	-	(23,923)
Adjustment involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	29,352	-	-	(29,352)
Reversal of Major Repairs Allowance credited to the HRA	-	29,346	(29,346)	-	-	-

2012/13 continued	General Fund (GF) Balance	Housing Revenue Account (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	Usable Reserves					
	£000	£000	£000	£000	£000	£000
Adjustments involving the Financial Instruments Adjustment Reserve (Note 21):						
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	273	(244)	-	-	-	(29)
Adjustments involving the Pensions Reserve (Note 21):						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 40)	(31,340)	-	-	-	-	31,340
Employer's pensions contributions and direct payments to pensioners payable in the year	43,340	-	-	-	-	(43,340)
Adjustments involving the Collection Fund Reserve (Note 21):						
Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements	1,189	-	-	-	-	(1,189)
Adjustment involving the Accumulated Absences Reserve (Note 21):						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	301	-	-	-	-	(301)
Total Adjustments 2012/13	**(44,278)**	**(40,904)**	**6**	**(4,700)**	**(2,071)**	**91,947**

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

Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function that is required to be recovered from tenants in future years.

Major Repairs Reserve controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

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

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

	← Usable Reserves				→	
2011/12	**General Fund (GF) Balance**	**Housing Revenue Account (HRA)**	**Major Repairs Reserve**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments involving the Capital Adjustment Account (Note 21):						
<u>Reversal of items debited or credited to CI&ES:</u>						
Charges for depreciation and impairment of non current assets	(87,998)	(85,916)	-	-	-	173,914

2011/12 continued	General Fund (GF) Balance	Housing Revenue Account (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	← Usable Reserves →					
	£000	£000	£000	£000	£000	£000
Movements in the fair value of Investment Properties	(521)	-	-	-	-	521
Amortisation of intangible assets	(936)	(38)	-	-	-	974
Capital grants and contributions applied	33,641	-	-	-	-	(33,641)
Revenue expenditure funded from capital under statute	(55,958)	(40)	-	-	-	55,998
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(11,241)	(1,086)	-	-	-	12,327
Insertion of items not debited or credited to CI&ES:						
Statutory provision for the financing of capital investment	20,184	3,995	-	-	-	(24,179)
Capital expenditure charged against the General Fund and HRA balances	4,488	24,532	-	-	-	(29,020)
Adjustments involving the Capital Grants Unapplied Account:						
Grants & contributions unapplied credited to the CI&ES	4,978	-	-	-	(4,978)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	9,785	(9,785)
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	3,979	7,912	-	(11,891)	-	-
Transfer of repayments of advances	-	-	-	(106)	-	106
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	5,647	-	(5,647)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,047)	-	-	1,047	-	-
Transfer from Deferred Capital Receipts Reserve	-	(31)	-	(428)	-	459
HRA Self Financing Settlement	-	293,702	-	(293,702)	-	-
Debt Redeemed Using Capital Receipts	-	-	-	298,759	-	(298,759)

2011/12 continued	Usable Reserves: General Fund (GF) Balance	Usable Reserves: Housing Revenue Account (HRA)	Usable Reserves: Major Repairs Reserve	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustment involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	35,883	-	-	(35,883)
Reversal of Major Repairs Allowance credited to the HRA	-	19,435	(19,435)	-	-	-
Adjustments involving the Financial Instruments Adjustment Reserve (Note 21):						
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(170)	250	-	-	-	(80)
Adjustments involving the Pensions Reserve (Note 21):						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 40)	(24,456)	(4)	-	-	-	24,460
Employer's pensions contributions and direct payments to pensioners payable in the year	48,380	-	-	-	-	(48,380)
Adjustments involving the Collection Fund Reserve (Note 21):						
Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements	(4,013)	-	-	-	-	4,013
Adjustment involving the Accumulated Absences Reserve (Note 21):						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,054)	-	-	-	-	1,054
Total Adjustments 2011/12	**(71,744)**	**262,711**	**16,448**	**(674)**	**4,807**	**(211,548)**

5. Transfer to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2012/13.

	Balance at 1 April 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves							
Balances held by Schools under a scheme of delegation	(12,627)	2,040	(1,498)	(12,085)	1,449	(837)	(11,473)
Collection Fund Reserve (1)	(1,010)	-	(2,772)	(3,782)	1,010	-	(2,772)
Corporate Contingency (2)	(4,100)	100	-	(4,000)	4,000	(4,000)	(4,000)
Corporate Resource Pool (3)	(110)	1,732	(2,014)	(392)	222,271	(221,879)	-
Earmarked Excluded Items	(3,920)	3,920	-	-	-	-	-
Private Finance Initiative (PFI) Reserve (4)	(10,769)	4,677	-	(6,092)	23	(1,652)	(7,721)
Revenue Grants Unapplied	(5,791)	5,791	(1,076)	(1,076)	547	(3,476)	(4,005)
Risk Management & Insurance	(562)	729	(798)	(631)	283	(9)	(357)
Strategic Reserve (5)	(22,298)	17,735	(14,752)	(19,315)	32,550	(26,583)	(13,348)
PFI Lifecycle Replacement Reserve	(3,787)	-	(2,584)	(6,371)	-	(2,630)	(9,001)
Pension Reserve (6)	-	-	-	-	-	(3,376)	(3,376)
Other Reserves	(859)	6,410	(6,934)	(1,383)	3,108	(2,816)	(1,091)
	(65,833)	43,134	(32,428)	(55,127)	265,241	(267,258)	(57,144)
Housing Revenue Account Reserves							
Furniture Investment Reserve	(3,170)	273	-	(2,897)	3,674	(2,732)	(1,955)
Decent Homes Programme	(11,600)	11,600	-	-	-	-	-
Capital Programme Reserve	(2,050)	390	-	(1,660)	1,660	-	-
Renewals Fund	(486)	74	-	(412)	73	(151)	(490)
Workforce Planning	(700)	254	-	(446)	446	-	-
Concierge Projects (7)	(2,500)	537	-	(1,963)	1,681	(401)	(683)
Revenue Projects	(1,000)	-	-	(1,000)	1,000	-	-
Demolitions Projects	(2,500)	284	-	(2,216)	1,072	-	(1,144)
Welfare Reform Reserve	-	-	-	-	-	(1,000)	(1,000)
Repairs Fund	(1,000)	-	-	(1,000)	21,818	(20,818)	-
	(25,006)	13,412	-	(11,594)	31,424	(25,102)	(5,272)
Total General Fund & HRA	**(90,839)**	**56,546**	**(32,428)**	**(66,721)**	**296,665**	**(292,360)**	**(62,416)**

(1) The Collection Fund Reserve was set up to help fund the Council's share of the Collection Fund deficit.

(2) The Corporate Contingency holds funding to help meet any shortfalls arising from the implementation of budget proposals.

(3) The Corporate Resource Pool Reserve has been cleared down to zero as it is no longer in use. It was used to record advances to and repayments from Directorates for revenue schemes.

(4) The PFI Reserve holds funding to meet future payments under the Council's PFI contracts.

(5) The Strategic Reserve holds funding to help meet the estimated costs arising from implementing budget proposals (e.g. redundancy costs and the strain on the pension fund) and other corporate risks as well as a range of directorate commitments.

(6) The Pensions Reserve includes amounts set aside to fund future pension liabilities including those arising from situations where the Council guarantees the pension fund deficit of a third party.

(7) The Concierge Reserve is used to fund the capital expenditure on CCTV, equipment and networking incurred as part of the concierge review to enable the service to be redesigned.

6. Other Operating Expenditure

2011/12 £000		2012/13 £000
51	Parish Council precepts	76
19,153	Levies	18,521
1,047	Payments to the Government Housing Capital Receipts Pool	1,847
440	Losses on the disposal of non current assets	66,542
20,691	**Total**	**86,986**

7. Financing and Investment Income and Expenditure

2011/12 £000		2012/13 £000
172,767	Interest payable and similar charges	52,483
(1,760)	Pensions interest cost and expected return on pensions assets (Note 40)	730
(5,082)	Interest receivable and similar income	(4,504)
(2,413)	Income and expenditure in relation to investment properties and changes in their fair value (Note 11)	(2,203)
(1,525)	External trading accounts (Note 26)	(1,250)
161,987	**Total**	**45,256**

8. Taxation and Non Specific Grant Income

2011/12 £000		2012/13 £000
(101,701)	Council Tax income (Note 32)	(104,513)
(130,892)	Non Domestic Rates (Note 32)	(157,684)
(43,109)	Non-ringfenced government grants (Note 32)	(5,977)
(437,344)	Capital grants and contributions (Note 32)	(54,682)
(713,046)	**Total**	**(322,856)**

9. Property, Plant and Equipment

Movements in 2012/13	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Land Awaiting Development £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation										
At 1 April 2012	797,610	599,716	202,486	310,185	6,019	12,064	-	10,087	1,938,167	204,554
Technical Adjustments [1]	(13)	(133)	(153)	-	-	(220)	-	-	(519)	-
Additions	39,581	23,428	16,802	11,278	1,858	32	-	1,326	94,305	218
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(5,084)	(8,813)	1,400	-	(70)	19	-	-	(12,548)	(3,195)
Revaluation increases/(decreases) recognised in the Deficit on the Provision of Services	(72,243)	(48,557)	-	-	(4,796)	101	-	-	(125,495)	(17,187)
Derecognition - Disposals	(42,128)	(24,037)	(22,712)	(1,448)	-	(8,444)	-	-	(98,769)	(5,657)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	(19)	-	-	(19)	-
Other reclassifications	-	6,721	75	1,308	(1,576)	3,428	-	(9,956)	-	-
At 31 March 2013	**717,723**	**548,325**	**197,898**	**321,323**	**1,435**	**6,961**	**-**	**1,457**	**1,795,122**	**178,733**
Accumulated Depreciation and Impairment										
At 1 April 2012	(60,645)	(27,796)	(64,512)	(57,088)	(2,380)	(298)	-	-	(212,719)	(23,838)
Technical Adjustments [1]	13	133	153	-	-	220	-	-	519	-
Depreciation charge	(24,352)	(7,118)	(20,426)	(7,791)	(28)	(51)	-	-	(59,766)	(6,044)
Depreciation written out to the Revaluation Reserve	7,486	8,176	-	-	-	-	-	-	15,662	1,647
Depreciation written out to Deficit on Provision of Services	11,950	1,106	-	-	-	-	-	-	13,056	399
Impairment losses/(reversals) recognised in Revaluation Reserve	(1,580)	114	-	-	-	(1)	-	-	(1,467)	53
Impairment losses recognised in deficit on the Provision of Services	(25,065)	(4,053)	-	-	-	(30)	-	-	(29,148)	(335)
Impairment reversals recognised in the Deficit on the Provision of Services as a result of revaluation	42,182	8,078	-	-	2,090	1	-	-	52,351	529
Derecognition - Disposals	-	905	13,821	215	-	4	-	-	14,945	708
Reclassifications	-	(53)	(36)	(22)	110	1	-	-	-	-
At 31 March 2013	**(50,011)**	**(20,508)**	**(71,000)**	**(64,686)**	**(208)**	**(154)**	**-**	**-**	**(206,567)**	**(26,881)**
Net Book Value at 31 March 2013	**667,712**	**527,817**	**126,898**	**256,637**	**1,227**	**6,807**	**-**	**1,457**	**1,588,555**	**151,852**
Net Book Value at 31 March 2012	**736,965**	**571,920**	**137,974**	**253,097**	**3,639**	**11,766**	**-**	**10,087**	**1,725,448**	**180,716**

1. Accounting adjustments that have no impact on NBV and are not of material value and therefore require no prior year adjustment.

Comparative Movements in 2011/12

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Land Awaiting Development £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation										
At 1 April 2011	839,750	541,462	207,955	295,596	3,794	15,455	13,788	8,381	1,926,181	180,489
Opening category transfers - Land Awaiting Development reclassifications	-	12,775	-	-	-	1,013	(13,788)	-	-	-
Additions	62,744	83,232	20,487	14,656	2,540	2,428	-	9,527	195,614	47,790
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(12,644)	8,330	-	-	-	(1,656)	-	-	(5,970)	2,298
Revaluation increases/(decreases) recognised in the Deficit on the Provision of Services	(91,763)	(42,802)	(172)	(71)	-	(7,272)	-	(146)	(142,226)	(26,023)
Derecognition - Disposals	(1,050)	(8,591)	(25,762)	-	-	(296)	-	-	(35,699)	-
Assets reclassified (to)/from Held for Sale	-	367	-	-	-	(100)	-	-	267	-
Other reclassifications	573	4,943	(22)	4	(315)	2,492	-	(7,675)	-	-
At 31 March 2012	**797,610**	**599,716**	**202,486**	**310,185**	**6,019**	**12,064**	**-**	**10,087**	**1,938,167**	**204,554**
Accumulated Depreciation and Impairment										
At 1 April 2011	(94,280)	(18,631)	(66,497)	(49,640)	(183)	(179)	(1,940)	(114)	(231,464)	(18,442)
Opening category transfers - Land Awaiting Development reclassifications	-	(1,839)	-	-	-	(101)	1,940	-	-	-
Depreciation charge	(19,435)	(7,389)	(21,396)	(7,449)	(55)	(56)	-	-	(55,780)	(6,638)
Depreciation written out to the Revaluation Reserve	10,768	3,774	-	-	-	143	-	-	14,685	1,242
Depreciation written out to Deficit on Provision of Services	9,048	1,221	78	1	-	4	-	-	10,352	-
Impairment losses/(reversals) recognised in Revaluation Reserve	11,599	192	(146)	-	(20)	43	-	-	11,668	-
Impairment losses/(reversals) recognised in the Deficit on the Provision of Services	21,655	(5,096)	-	-	(2,122)	(81)	-	-	14,356	-
Derecognition - Disposals	-	13	23,447	-	-	4	-	-	23,464	-
Reclassifications	-	(41)	2	-	-	(75)	-	114	-	-
At 31 March 2012	**(60,645)**	**(27,796)**	**(64,512)**	**(57,088)**	**(2,380)**	**(298)**	**-**	**-**	**(212,719)**	**(23,838)**

Depreciation

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

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

Capital Commitments

At 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £54.0m. Similar commitments at 31 March 2012 were £51.3m. The major commitments (£1m or more) are:

Housing Revenue Account Programme	**£000**
Elswick/West Denton Re-Roofing	1,389
Straightline	2,161
Lift Refurbishment Programme	2,321
Insulation Programme	1,031
Concierge Review Implementation	8,079
	14,981
General Fund Programme	
Westgate Hill Primary	1,877
Science Central Infrastructure	5,443
Science Central Gateway Building	11,274
Scotswood Site Enabling	2,217
Eldon Square Scheme 4	12,798
Walker Quay (Crane)	3,281
Great Park Community Building	2,029
	38,919
Total Commitments	**53,900**

Valuation Policies

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

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

- Vehicles, Plant, Furniture and Equipment - non-property assets (furniture and equipment) are included at historical cost net of depreciation. Plant and machinery is included in the valuation of the buildings where it is considered to form part of the building service installation. Vehicles have been included at historic cost less depreciation.

- Council Dwellings were valued on the basis of existing use for social housing. This value is calculated by adjusting the existing use value with vacant possession by a regional factor provided by the Department for Communities and Local Government to reflect their status as social housing. Consequently council dwellings are included in the balance sheet at 37% of current value (2011/12: 37%).

- Properties classified as non-operational have been valued on the basis of market value.

- Community assets are recorded at historical cost, depreciated where appropriate. Community assets can include parks and historic buildings. Museum exhibits/collections are now within the heritage asset category.

- Infrastructure assets are included at historical cost, net of depreciation. It should be noted that where a capital scheme includes some infrastructure works (such as the building of roads and sewers in the construction of a housing estate) these have usually been included in the category 'council dwellings' or 'other land and buildings' as appropriate. It is not always possible to identify the full cost separately.

- It is a requirement that assets carried at current value are reviewed at periods of not more than 5 years, and when circumstances occur that materially change the valuations. The process of review is a 5 year rolling programme and accordingly at least 20% of the property asset register was valued during 2012/13. The Council has adopted a policy of componentisation for assets which is described on page 114. Assets have been valued in accordance with the principles of the RICS Appraisal and Valuation Standards. The valuations were supervised by M. Lloyd, RICS, Head of Strategic Asset Management, Newcastle City Council.

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

	Council Dwellings £000	Other Land and Buildings £000	Surplus Assets £000	Investment Properties £000	Total £000
Valued at fair value as at:					
2012/13	667,712	350,738	-	168,371	1,186,821
2011/12	-	40,514	4,682	-	45,196
2010/11	-	66,252	1,041	-	67,293
2009/10	-	68,669	1,071	-	69,740
2008/09	-	1,644	13	-	1,657
Total Cost or Valuation	667,712	527,817	6,807	168,371	1,370,707

10. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Council.

	Mansion House £000	Civic Insignia £000	Museums £000	Total £000
Cost or Valuation				
1 April 2011	1,184	701	101,370	103,255
Revaluations	-	-	560	560
31 March 2012	1,184	701	101,930	103,815
Cost or Valuation				
1 April 2012	1,184	701	101,930	103,815
Additions	-	-	59	59
Disposals	-	-	-	-
Revaluations	-	283	1,161	1,444
31 March 2013	1,184	984	103,150	105,318

Museums

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

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

The art collection shown on the Balance Sheet is based on detailed insurance valuations (based on market values). Items in the art collection estimated to be worth in excess of £10k are identified separately for insurance purposes. From these records the valuation of this collection as at 31 March 2013 would be £126.6m.

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

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

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

District	Estimated number of Art objects valued at £10k or above as at 1 April 2012 No.	Additional Objects recognised in the year No.	Estimated number of Art objects valued at £10k or above as at 31 March 2013 No.	Heritage Assets recognised at valuation as at 1 April 2012 £m	Revaluation and purchase of Art Objects £m	Carrying Values as at 31 March 2013 £m
Gateshead	150	16	166	13.16	0.69	13.85
Newcastle	706	11	717	101.93	1.22	103.15
North Tyneside	-	-	-	-	-	-
South Tyneside	13	-	13	0.49	-	0.49
Sunderland	134	-	134	9.14	-	9.14
Total	**1,003**	**27**	**1,030**	**124.72**	**1.91**	**126.63**

Mansion House

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

Civic Insignia (see Note 44 to the accounts)

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

This collection has been recognised on the balance sheet based on the detailed insurance valuation, with a corresponding revaluation gain. Note 49 to the accounts gives further information on the accounting policies adopted for Heritage Assets.

11. Investment Properties

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

2011/12 £000		2012/13 £000
(9,710)	Rental income from investment property	(9,541)
7,297	Direct operating expenses arising from investment property	7,338
(2,413)	**Total**	**(2,203)**

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

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

2011/12 £000		2012/13 £000
168,827	Balance at start of the year	169,312
1,627	Subsequent expenditure	83
(621)	Impairment	(70)
(521)	Net losses from fair value adjustments	(954)
169,312	**Balance at end of the year**	**168,371**

12. Intangible Assets

The intangible assets relate to purchased licenses. The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £871k charged to revenue in 2012/13 was charged to the following lines in the Comprehensive Income & Expenditure Statement: Local Authority Housing (HRA) £39k; Environmental & Regulatory Services £4k; Adult Social Care £45k; Education & Children's Services £116k and Central Services £667k.

The movement on Intangible Asset balances during the year is as follows:

	2011/12 Purchased Licences £000	2012/13 Purchased Licences £000
Balance at start of year:		
Gross carrying amounts	9,892	10,096
Accumulated amortisation	(7,567)	(8,541)
Net carrying amount at start of year	2,325	1,555
Additions:		
Purchases	204	68
Amortisation for the period	(974)	(871)
Net carrying amount at end of year	1,555	752
Comprising:		
Gross carrying amounts	10,096	10,164
Accumulated amortisation	(8,541)	(9,412)
Total	**1,555**	**752**

13. Financial Instruments

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

	31 Mar 2012 £000	31 Mar 2013 £000
Long term investments:		
Available-for-sale financial assets	743	26,894
Unquoted equity investment at cost	894	153
Total long term investments	**1,637**	**27,047**
Short term investments:		
Bank deposits	40,603	35,438
Nexus investments	5,000	10,000
Total short term investments	**45,603**	**45,438**

Available-for-sale financial assets represent the Council's investment in Newcastle Airport Local Holding Company Ltd of £15.4m, Science Central LLP £10.3m and New Tyne West Development Co Ltd £1.2m. The unquoted equity investments are LIFTCo and Eldon Square Company Ltd £0.2m.

	31 Mar 2012 £000	31 Mar 2013 £000
Long term debtors:		
Council house mortgages & major works	151	172
Car loans (principal outstanding)	99	76
Loans to other local authorities - North Tyneside Council (transferred debt)	3,372	3,234
Leazes Homes	9,004	10,981
The Cedars	3,779	3,659
Airport Loan	-	13,675
Other	1,040	2,669
Total long term debtors	**17,445**	**34,466**
Short term debtors:		
Short term debtors (less Council Tax)	74,437	84,360
Total short term debtors	**74,437**	**84,360**

	31 Mar 2012 £000	31 Mar 2013 £000
Borrowings:		
Short term borrowing	(250,687)	(176,406)
Financial liabilities at amortised cost - long term borrowing	(414,039)	(536,233)
Total Borrowings	**(664,726)**	**(712,639)**

	31 Mar 2012 £000	31 Mar 2013 £000
Other Long Term Liabilities:		
Long term creditors - PFI finance lease	(239,833)	(233,610)
Deferred liabilities	(338)	(338)
Total other long term liabilities	**(240,171)**	**(233,948)**
Short term creditors:		
Short term creditors (less Council Tax)	(184,909)	(183,006)
Total short term creditors	**(184,909)**	**(183,006)**

Income, Expense, Gains and Losses

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

	2011/12			2012/13		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(172,767)	-	(172,767)	(52,483)	-	(52,483)
Total expense in Surplus or Deficit on the Provision of Services	**(172,767)**	**-**	**(172,767)**	(52,483)	-	(52,483)
Investment income	-	5,082	5,082	-	4,504	4,504
Total income in Surplus or Deficit on the Provision of Services	-	5,082	5,082	-	4,504	4,504
Net gain/(loss) for the year	**(172,767)**	**5,082**	**(167,685)**	(52,483)	4,504	(47,979)

Fair Value of Assets & Liabilities carried at Amortised Cost

Financial liabilities and assets represented by loans and receivables and long-term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- PWLB (Public Works Loan Board) interest rates for new fixed rate borrowing in the appropriate maturity bands as at 28 March 2013.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Estimated ranges of interest rates at 28 March 2013 of 0.92% to 1.96% for loans from the PWLB and 0.25% to 3.30% for other loans receivable and payable, based on new lending rates for equivalent loans at that date.

The fair values calculated are as follows:

Financial Liabilities

	31 March 2012		31 March 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	(664,726)	(718,325)	(712,639)	(882,799)
Long-term creditors	(239,833)	(239,833)	(233,948)	(233,948)
	(904,559)	**(958,158)**	**(946,587)**	**(1,116,747)**

Financial Assets

	31 March 2012		31 March 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Long-term investments	(1,637)	(1,637)	(27,047)	(27,047)
Long-term debtors	(17,445)	(17,445)	(34,466)	(34,466)
	(19,082)	**(19,082)**	**(61,513)**	**(61,513)**

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

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

14. Inventories

	Adult & Culture Services		Central Divisions		Environment & Regeneration		Total	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at start of year	382	268	51	47	1,160	1,224	1,593	1,539
Purchases	97	41	705	526	4,773	4,470	5,575	5,037
Recognised as an expense in the year	(211)	(117)	(709)	(470)	(4,695)	(4,561)	(5,615)	(5,148)
Written off balances	-	-	-	-	(14)	-	(14)	-
Balance at year-end	268	192	47	103	1,224	1,133	1,539	1,428

The information below gives the split of the 2012/13 opening and closing balances by category of stock.

	Adult & Culture Services		Central Divisions		Environment & Regeneration		Total	
	01.04.12	31.03.13	01.04.12	31.03.13	01.04.12	31.03.13	01.04.12	31.03.13
	£000	£000	£000	£000	£000	£000	£000	£000
Consumables	268	192	47	103	341	245	656	540
Building Materials	-	-	-	-	883	888	883	888
Balance at year-end	268	192	47	103	1,224	1,133	1,539	1,428

Notes to the Financial Statements

15. Short Term Debtors

31 Mar 2012 £000		31 Mar 2013 £000
19,968	Central government bodies	16,967
4,870	Other local authorities	5,427
3,265	NHS bodies	284
1,823	Public corporations and trading funds	772
8,797	Council Tax	8,507
1,185	Housing Tenants	846
6,371	Private finance initiative lifecycle prepayments	9,001
36,955	Other entities and individuals	51,063
83,234	**Total**	**92,867**

The significant level of debtors shown under the heading “other entities and individuals” in the main relates to highways works and utility works £11.0m (2011/12 £11.3m); corporate debtors £10.8m (2011/12 £8.0m); VAT recoverable in respect of Science Central £8.0m (2011/12 £0m); Eldon Square equity rent and deferred income £4.1m (2011/12 £4.3m); prepayments (e.g. Supporting People, Looked after Children) £3.8m (2011/12 £3.3m); ground rents £2.6m (2011/12 £3.2m) and amortisation of lease payments and smoothing of stepped annual rent for Partnership House £2.3m (2011/12 £1.8m).

16. Cash and Cash Equivalents

31 Mar 2012 £000		31 Mar 2013 £000
2,026	Cash held by the Council	273
26,187	Short-term deposits with financial institutions	62,866
28,213		63,139
(6,471)	Bank overdraft	(6,620)
21,742	**Total Cash and Cash Equivalents**	**56,519**

17. Current Assets Held for Sale

2011/12 £000		2012/13 £000
501	**Balance at start of year**	**147**
	Assets newly classified as held for sale:	
100	Property, Plant and Equipment	19
5	Revaluation gains	-
	Assets declassified as held for sale:	
(367)	Property, Plant and Equipment	-
(92)	Assets sold	-
147	**Total**	**166**

18. Short Term Creditors

31 Mar 2012 £000		31 Mar 2013 £000
(22,120)	Central government bodies	(19,713)
(5,494)	Other local authorities	(1,514)
(1,086)	NHS bodies	(210)
(592)	Public corporations and trading funds	(127)
(1,303)	Council Tax	(1,484)
(11,191)	Private Finance Initiative lease creditor	(6,438)
(7,349)	Accumulated absences accrual	(7,049)
(76,337)	Monies held on behalf of other organisations	(79,020)
(60,740)	Other entities and individuals	(68,935)
(186,212)	**Total**	**(184,490)**

Monies held on behalf of other organisations represents cash held and invested under treasury management agreements on behalf of partner organisations where the Council is the lead authority which must be returned on request. This includes Theatre Royal (£4.27m), Tyne & Wear Integrated Transport Authority (£74.08m), Your Homes Newcastle (£0.45m), Trust Funds (£0.03m) and Tynexe (£0.19m).

19. Provisions

	Insurance	Equal Pay	Other Provisions	Total
	£000	£000	£000	£000
Balance at 1 April 2012	(7,794)	(1,713)	(1,164)	(10,671)
Additional provisions made in 2012/13	(2,302)	-	(511)	(2,813)
Amounts used in 2012/13	450	-	933	1,383
Unused amounts reversed in 2012/13	-	1,713	-	1,713
Balances at 31 March 2013	(9,646)	-	(742)	(10,388)
Which is split:				
Short Term	-	-	(511)	(511)
Long Term	(9,646)	-	(231)	(9,877)

Insurances

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

The insurance provision of £9.6m at 31 March 2013 (31 March 2012 £7.8m) covers, in the main, the Council's liabilities in respect of outstanding claims already reported.

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

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

Other Provisions

All other provisions are individually insignificant and are anticipated to be drawn down over the next few years.

The Council has established a provision of £511k in respect of the Carbon Reduction Commitment scheme and this figure is included within other provisions.

20. Usable Reserves

31 Mar 2012 £000		31 Mar 2013 £000
(10,135)	General Fund Balance	(10,135)
(55,127)	Earmarked General Fund Balances (Note 5)	(57,144)
(9,110)	Housing Revenue Account (HRA)	(12,118)
(11,594)	Earmarked HRA Balances (Note 5)	(5,272)
(61)	Housing Major Repairs Reserve	(56)
(1,716)	Capital Receipts Reserve	(6,415)
(5,905)	Capital Grants Unapplied	(7,976)
(93,648)	**Total Usable Reserves**	**(99,116)**

The movements in usable reserves are detailed in the Movement in Reserves Statement.

21. Unusable Reserves

31 Mar 2012 £000		31 Mar 2013 £000
(326,008)	Revaluation Reserve	(323,879)
(743)	Available for Sale Financial Instruments Reserve	(15,874)
(652,140)	Capital Adjustment Account	(552,379)
7,576	Financial Instruments Adjustment Account	7,547
492,190	Pensions Reserve	579,490
(486)	Deferred Capital Receipts Reserve	(59)
5,110	Collection Fund Adjustment Account	3,921
7,350	Accumulated Absences Account	7,049
(467,151)	**Total Unusable Reserves**	**(294,184)**

Revaluation Reserve

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

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

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

2011/12 £000		2012/13 £000
(310,694)	**Balance at 1 April**	**(326,008)**
(29,203)	Upward revaluation of assets	(25,634)
8,260	(Upward)/Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	22,485
(20,943)	(Surplus) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(3,149)
2,683	Difference between fair value depreciation and historical cost depreciation	2,626
2,946	Accumulated gains on assets sold or scrapped	2,652
5,629	Amount written off to the Capital Adjustment Account	5,278
(326,008)	**Balance at 31 March**	**(323,879)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are either revalued downwards or impaired and the gains are lost or disposed of and the gains are realised. The reserve represents the long term investment in Newcastle Airport Local Authority Holding Company Limited and also Science Central LLP.

2011/12 £000		2012/13 £000
(743)	**Balance at 1 April**	(743)
-	Upward revaluation of investments not charged to the Deficit on the Provision of Services	(15,131)
(743)	**Balance at 31 March**	**(15,874)**

Capital Adjustment Account

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

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 4 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2011/12 £000		2012/13 £000
(453,467)	**Balance at 1 April**	**(652,140)**
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:	
173,914	Charges for depreciation and impairment of non-current assets	88,960
-	Revaluation losses on Property, Plant and Equipment	60,122
974	Amortisation of Intangible Assets	871
19,052	Revenue expenditure funded from capital under statute	7,243
36,946	PFI revenue expenditure funded from capital under statute	-
31	External debt redeemed	-
(298,759)	Debt redeemed using capital receipts	(23,923)
105	Write down/(back) of long term debtors	(394)
12,327	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	74,373
(55,410)		207,252
(5,629)	Adjusting amounts written out of the Revaluation Reserve	(5,278)
(61,039)	Net written out amount of the cost of non current assets consumed in the year	201,974
	Capital financing applied in the year:	
(5,647)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,712)
(35,883)	Use of the Major Repairs Reserve to finance new capital expenditure	(29,352)
(33,641)	Capital grants and contributions credited to the CI&ES that have been applied to capital financing	(27,508)
(9,785)	Application of grants to capital financing from the Capital Grants Unapplied Account	(312)
(24,179)	Statutory provision for the financing of capital investment charged against the General Fund and HRA	(33,195)
(29,020)	Capital expenditure charged against the General Fund and HRA balances	(11,088)
(138,155)		(103,167)
521	Movements in the market value of Investment Properties debited or credited to the CI&ES	954
(652,140)	**Balance at 31 March**	**(552,379)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. It provides a balancing mechanism between the different rates at which gains and losses (e.g. premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

2011/12 £000		2012/13 £000
7,656	**Balance at 1 April**	**7,576**
-	Premiums incurred in the year and charged to the CI&ES	-
(80)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(29)
7,576	**Balance at 31 March**	**7,547**

Pensions Reserve

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

2011/12 £000		2012/13 £000
349,400	**Balance at 1 April**	**492,190**
166,710	Actuarial (gains) or losses on pensions assets and liabilities	99,300
24,460	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES	31,340
(48,380)	Employer's pensions contributions and direct payments to pensioners payable in the year	(43,340)
492,190	**Balance at 31 March**	**579,490**

Deferred Capital Receipts Reserve

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

2011/12 £000		2012/13 £000
(914)	**Balance at 1 April**	**(486)**
428	Transfer to the Capital Receipts Reserve upon receipt of cash	427
(486)	**Balance at 31 March**	**(59)**

Collection Fund Adjustment Account

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

2011/12 £000		2012/13 £000
1,097	**Balance at 1 April**	**5,110**
4,013	Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements	(1,189)
5,110	**Balance at 31 March**	**3,921**

Accumulated Absences Account

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

2011/12 £000		2012/13 £000
6,295	**Balance at 1 April**	**7,350**
1,055	Amounts accrued at the end of the current year	(301)
7,350	**Balance at 31 March**	**7,049**

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

2011/12 £000		2012/13 £000
164,916	Surplus/(Deficit) on the provision of services	(86,479)
	Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements:	
174,888	Depreciation/Impairment & Amortisation	149,954
3,257	Increase/(Decrease) in Creditors	6,639
4,845	(Increase)/Decrease in Debtors	(12,292)
54	(Increase)/Decrease in Stock	111
(23,920)	Movement in Pension Liability	(12,000)
209,013	Carrying amount of long term and short term investments	86,000
12,329	Carrying amount of noncurrent assets held for sale, sold or derecognised	74,372
(3,563)	Other non-cash items charged to the net Surplus/(Deficit) on the provision of services	671
376,903		**293,455**
	Adjustments for items included in the net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities:	
(38,619)	Capital grants credited to Surplus/(Deficit) on provision of services	(29,891)
(209,013)	Proceeds from the sale of long term and short term investments	(86,000)
(11,891)	Proceeds from the sale of PPE, Investment Property & Intangible assets.	(7,831)
(259,523)		**(123,722)**
282,296	**Net cash flow from Operating Activities**	**83,254**

Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2011/12 £000		2012/13 £000
3,528	Interest received	1,974
(62,602)	Interest paid	(41,873)

23. Cash Flow Statement - Investing Activities

2011/12 £000		2012/13 £000
(197,445)	Purchase of property, plant and equipment, investment property and intangible assets	(94,468)
(135,753)	Purchase of short-term and long-term investments	(86,896)
(7,572)	Other payments for investing activities	(16,896)
11,891	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,831
209,013	Proceeds from short-term and long-term investments	86,000
30,575	Other receipts from investing activities	25,048
(89,291)	**Net cash flows from Investing Activities**	**(79,381)**

24. Cash Flow Statement - Financing Activities

2011/12 £000		2012/13 £000
548,050	Cash receipts of short and long-term borrowing	553,014
9,175	Other receipts from financing activities	(9,467)
73,970	Cash payments for the reduction of the outstanding liabilities relating to on-balance sheet PFI contracts	(8,346)
(844,139)	Repayments of short and long-term borrowing	(504,297)
(212,944)	**Net cash flows from Financing Activities**	**30,904**

25. Amounts Reported for Resource Allocation Decisions

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

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

Directorate Income and Expenditure

2012/13

	Adult and Culture Services £000	Central Divisions £000	Children's Services £000	Environment and Regeneration £000	Housing Revenue Account £000	Total £000
Fees, charges & other service income	(45,656)	(39,830)	(36,217)	(151,593)	(118,204)	(391,500)
Government grants	(21,083)	(5,967)	(206,529)	(11,881)	(66)	(245,526)
Total Income	(66,739)	(45,797)	(242,746)	(163,474)	(118,270)	(637,026)
Employee expenses	37,985	35,813	147,359	81,295	-	302,452
Other service expenses	120,681	36,968	124,054	97,683	56,303	435,689
Support service expenses	5,154	4,259	15,416	11,629	7,401	43,859
Precepts & levies	-	-	-	198	-	198
Total Expenditure	163,820	77,040	286,829	190,805	63,704	782,198
Net Expenditure	97,081	31,243	44,083	27,331	(54,566)	145,172

Directorate Income and Expenditure

2011/12 Comparative Figures

	Adult and Culture Services £000	Central Divisions £000	Children's Services £000	Environment and Regeneration £000	Housing Revenue Account £000	Total £000
Fees, charges & other service income	(35,978)	(41,807)	(32,896)	(151,737)	(118,133)	(380,551)
Government grants	(23,036)	(158,251)	(223,417)	(5,193)	(9,223)	(419,120)
Total Income	(59,014)	(200,058)	(256,313)	(156,930)	(127,356)	(799,671)
Employee expenses	39,835	38,190	172,008	89,226	-	339,259
Other service expenses	116,572	187,187	123,296	99,709	60,015	586,779
Support service expenses	4,780	4,654	15,676	11,539	7,746	44,395
Precepts & levies	-	-	-	192	-	192
Total Expenditure	161,187	230,031	310,980	200,666	67,761	970,625
Net Expenditure	**102,173**	**29,973**	**54,667**	**43,736**	**(59,595)**	**170,954**

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

2012/13	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&ES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(391,500)	(28,678)	(23,047)	23,292	101,136	(318,797)	(23,305)	(342,102)
Interest and investment income	-	-	(248)	248	-	-	(71,174)	(71,174)
Income from Council Tax	-	-	-	-	-	-	(104,513)	(104,513)
Government grants and contributions	(245,526)	-	(158,701)	1,054	-	(403,173)	(219,400)	(622,573)
Total Income	**(637,026)**	**(28,678)**	**(181,996)**	**24,594**	**101,136**	**(721,970)**	**(418,392)**	**(1,140,362)**
Employee expenses	302,452	-	32,261	(2,775)	(10,422)	321,516	2,775	324,291
Other service expenses	435,689	-	119,385	(13,929)	(61,074)	480,071	13,943	494,014
Support Service recharges	43,859	28,678	620	(945)	(29,640)	42,572	945	43,517
Depreciation, amortisation, impairment & Refcus	-	-	157,126	(2,222)	-	154,904	3,246	158,150
Interest payments (incl Pension Interest Costs)	-	-	-	-	-	-	119,883	119,883
Precepts & levies	198	-	-	(198)	-	-	18,597	18,597
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	1,847	1,847
Loss on Disposal on Non Current Assets	-	-	-	-	-	-	66,542	66,542
Total Expenditure	**782,198**	**28,678**	**309,392**	**(20,069)**	**(101,136)**	**999,063**	**227,778**	**1,226,841**
(Surplus)/Deficit on the Provision of Services	**145,172**	**-**	**127,396**	**4,525**	**-**	**277,093**	**(190,614)**	**86,479**

2011/12 Comparative	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI&ES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(380,551)	(31,982)	(27,029)	25,124	120,983	(293,455)	(25,124)	(318,579)
Interest and investment income	-	-	-	-	-	-	(75,562)	(75,562)
Income from Council Tax	-	-	-	-	-	-	(101,701)	(101,701)
Government grants and contributions	(419,120)	-	846	714	-	(417,560)	(612,060)	(1,029,620)
Total Income	**(799,671)**	**(31,982)**	**(26,183)**	**25,838**	**120,983**	**(711,015)**	**(814,447)**	**(1,525,462)**
Employee expenses	339,259	-	(3,035)	(4,471)	(1,342)	330,411	4,471	334,882
Other service expenses	586,779	-	(11,876)	(13,140)	(58,281)	503,482	13,141	516,623
Support Service recharges	44,395	31,982	439	(1,009)	(61,360)	14,447	1,009	15,456
Depreciation, amortisation, impairment & Refcus	-	-	230,262	(2,135)	-	228,127	3,280	231,407
Interest payments (incl Pension Interest Costs)	-	-	-	-	-	-	241,487	241,487
Precepts & levies	192	-	-	(192)	-	-	19,204	19,204
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	1,047	1,047
Loss on Disposal on Non Current Assets	-	-	-	-	-	-	440	440
Total Expenditure	**970,625**	**31,982**	**215,790**	**(20,947)**	**(120,983)**	**1,076,467**	**284,079**	**1,360,546**
(Surplus)/Deficit on the Provision of Services	**170,954**	**-**	**189,607**	**4,891**	**-**	**365,452**	**(530,368)**	**(164,916)**

26. Trading Operations

The Council has established external trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. No unit had a deficit of greater than £1.0m in 2012/13 or 2011/12. Details of those units with a turnover of greater than £1.0m in 2011/12 or 2012/13 are as follows:

	2011/12 £000	2012/13 £000
Grainger Market		
Turnover	(1,300)	(1,303)
Expenditure	716	845
Surplus	**(584)**	**(458)**
Walker Quay		
Turnover	(1,276)	(1,460)
Expenditure	116	135
Surplus	**(1,160)**	**(1,325)**

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

The table below sets out the external trading activities.

2011/12 £000		Expenditure £000	Income £000	2012/13 (Surplus) /Deficit £000
(1,904)	Industrial Estates	1,952	(3,808)	(1,856)
(6)	Corporation Estates	1,255	(1,619)	(364)
(447)	Market Undertakings	1,670	(2,347)	(677)
(227)	Building Schools for the Future - ICT	-	-	-
978	Other Trading	8,679	(7,032)	1,647
(1,605)	**Total**	**13,556**	**(14,806)**	**(1,250)**
(2,413)	**Investment Properties**	**7,338**	**(9,541)**	**(2,203)**

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

27. Pooled Budgets

(a) The Council had a partnership agreement with Newcastle Primary Care Trust under Section 75 of the National Health Service Act 2006. The purpose of the partnership was to purchase equipment for an integrated health and social services equipment service ('the Newcastle City Loan Equipment Service') which will provide equipment to people living in Newcastle or people registered with a GP in Newcastle to support their daily living/nursing needs to enable them to live as safely and independently as possible in their own homes. Details of the contributions and expenditure in the year are set out below:

	2011/12	2012/13
Funding	**£000**	**£000**
Newcastle City Council	621	598
Newcastle Primary Care Trust	931	897
	1,552	1,495
Expenditure met from the pooled budget	1,552	1,495

(b) The Council had a partnership agreement with Newcastle Primary Care Trust under Section 31 of the Health Act 1999. The purpose of the partnership was to support the funding of packages of care for children with complex needs. Details of the contributions and expenditure in the year are set out below:

	2011/12	2012/13
Funding	**£000**	**£000**
Newcastle City Council	1,621	2,100
Newcastle Primary Care Trust	100	108
	1,721	2,208
Expenditure met from the pooled budget	1,721	2,208

Following the dissolution of the PCT's on 1 April 2013 the Newcastle Clinical Commissioning Group has taken over the partnership responsibilities of the PCT and is working with the Council to provide the above services.

28. Members' Allowances

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

	2011/12	2012/13
	£000	**£000**
Allowances	910	910
Expenses	78	92
National insurance contributions payable	42	38
Total	**1,030**	**1,040**

29. Officers' Remuneration

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

		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive Barry Rowland (April 12 - Aug 12)	2012/13	67,388	-	1,660	215,331	9,780	294,159
	2011/12	171,220	-	3,980	-	23,534	198,734
Acting Chief Executive Ewen Weir (Aug 12 - Jan 13)	2012/13	58,296	-	2,260	-	8,435	68,991
	2011/12	-	-	-	-	-	-
Chief Executive Pat Ritchie (Jan 13 - Mar 13)	2012/13	25,482	-	619	-	3,720	29,821
	2011/12	-	-	-	-	-	-
Executive Director* (Jan 13 - Mar 13)	2012/13	19,800	-	870	-	2,912	23,582
	2011/12	-	-	-	-	-	-
Executive Director of Adult & Cultural Services (April 12 - Aug 12)	2012/13	43,875	-	1,993	-	6,459	52,327
	2011/12	112,999	-	4,440	-	16,477	133,916
Acting Executive Director of Adult & Cultural Services (Aug 12 - Mar 13)	2012/13	59,938	-	-	-	8,751	68,689
	2011/12	-	-	-	-	-	-
Executive Director of Environment & Regeneration	2012/13	123,882	-	-	-	18,087	141,969
	2011/12	123,406	-	-	-	18,017	141,423
Executive Director of Children's Services	2012/13	109,322	-	2,531	-	15,961	127,814
	2011/12	108,887	-	2,350	-	15,897	127,134
Director of Policy, Strategy & Communication	2012/13	110,068	-	-	-	16,070	126,138
	2011/12	109,646	-	-	-	16,008	125,654
Director of Finance & Resources	2012/13	106,096	-	385	-	15,490	121,971
	2011/12	102,718	-	2,341	-	14,997	120,056
Director of Corporate Services	2012/13	100,727	-	-	-	14,706	115,433
	2011/12	100,340	-	-	-	14,650	114,990
Head of Corporate Law (April 12 - Aug 12)	2012/13	31,022	-	330	74,963	4,529	110,844
	2011/12	78,297	-	-	-	10,514	88,811
Head of Legal Services (Sep 12 - Mar 13)	2012/13	40,546	-	830	-	6,168	47,544
	2011/12	-	-	-	-	-	-

* A new Executive Director post was created for the Acting Chief Executive to temporarily support the newly appointed Chief Executive.

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

Remuneration band	Officer 2011/12	Teacher 2011/12	Total 2011/12	Officer 2012/13	Teacher 2012/13	Total 2012/13
£50,000 - £54,999	37	36	73	56	33	89
£55,000 - £59,999	33	35	68	31	33	64
£60,000 - £64,999	27	20	47	25	18	43
£65,000 - £69,999	11	13	24	5	9	14
£70,000 - £74,999	9	9	18	11	6	17
£75,000 - £79,999	10	7	17	5	3	8
£80,000 - £84,999	6	5	11	4	2	6
£85,000 - £89,999	4	1	5	6	1	7
£90,000 - £94,999	1	3	4	3	2	5
£95,000 - £99,999	1	2	3	2	1	3
£100,000 - £104,999	1	-	1	-	3	3
£105,000 - £109,999	-	2	2	-	1	1
£110,000 - £114,999	-	1	1	2	-	2
£115,000 - £119,999	1	-	1	1	1	2
£120,000 - £124,999	-	-	-	-	-	-
£125,000 - £129,999	-	1	1	-	-	-
£130,000 - £134,999	1	-	1	-	-	-
£135,000 - £139,999	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	-	-
£165,000 - £169,999	-	-	-	-	-	-
£180,000 - £184,499	-	-	-	-	-	-
	142	**135**	**277**	**151**	**113**	**264**

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

Employees still in employment	110	127	237	110	107	217
Employees who are no longer employed	32	8	40	41	6	47
	142	**135**	**277**	**151**	**113**	**264**

30. External Audit Costs

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

	2011/12 £000	2012/13 £000
Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year	420	214
Fees payable in respect of statutory inspections	2	-
Fees payable for the certification of grant claims and returns for the year	64	62
Audit Commission rebate	(29)	(19)
Total	**457**	**257**

31. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2012/13 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
(a) Final DSG for 2012/13 before Academy recoupment	11,955	167,853	179,808
(b) Academy figure recouped for 2012/13	-	(35,365)	(35,365)
(c) Total DSG after Academy recoupment for 2012/13	11,955	132,488	144,443
(d) Brought forward from 2011/12	130	-	130
(e) Carry forward to 2013/14 agreed in advance	-	-	-
(f) Agreed initial budgeted distribution in 2012/13 (c+d+e)	12,085	132,488	144,573
(g) In year adjustments	-	-	-
(h) Final budgeted distribution for 2012/13	12,085	132,488	144,573
(i) Less actual central expenditure	(12,657)	-	(12,657)
(j) Actual ISB deployed to schools	-	(132,488)	(132,488)
(k) Local authority contribution for 2012/13	225	-	225
(l) Carry forward to 2013/14 (h-i-j)+k	**(347)**	**-**	**(347)**

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

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

32. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2012/13:

	2011/12 £000	2012/13 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax	(101,701)	(104,513)
National Non-Domestic Rates	(130,892)	(157,684)
Council Tax Freeze Grant	(2,650)	(2,640)
Revenue Support Grant	(40,459)	(3,337)
Capital Grants		
Housing Revenue Account - Self Financing Settlement	(402,556)	-
DCLG grant - Byker debt repayment	-	(33,453)
Standards Fund	(4,823)	(2,356)
Local Transport Plan	(4,378)	(1,695)
Community Energy Saving Programme	-	(3,425)
ERDF	(2,841)	72
Private Developers	(1,439)	(1,204)
Homes and Communities Agency	(6,966)	(4,034)
DfE Capital Maintenance	(3,063)	(1,253)
DfE Basic Need	(3,102)	(1,532)
Section 106	(2,406)	(435)
Other Grants	(5,770)	(5,367)
Total	**(713,046)**	**(322,856)**
Credited to Services		
Dedicated Schools Grant	(162,810)	(144,591)
Mandatory Rent Rebates	(68,318)	(69,236)
Mandatory Rent Allowances	(54,161)	(61,135)
Council Tax Benefit Grant	(27,919)	(27,686)
Learning Skills Council	(5,405)	(6,021)
Standards Fund (Revenue)	(1,486)	-
Private Finance Initiative Subsidy	(27,123)	(29,538)
Housing Revenue Account Subsidy	(8,610)	(66)
Housing Benefit Administration	(2,930)	(2,846)
Transport Grant/Contribution	(856)	(1,487)
Drug Intervention Programme	(1,123)	(1,090)
Plugged In Places	(714)	(1,054)
Social Care Reform Grant	(1,242)	-
Early Intervention Grant	(14,600)	(15,283)
Young People's Learning Agency	(12,805)	(7,088)
Learning Disability & Health Reform	(11,175)	(11,468)
Pupil Premium Grant	(3,565)	(6,129)
European Grants	(1,110)	(1,569)
Troubled Families	-	(1,212)
New Homes Bonus	(456)	(1,154)
Other Grants	(8,035)	(6,916)

Capital Grants		
Standards Fund - Capital	(2,595)	(348)
Disabled Facilities Grant	(942)	(1,023)
Local Transport Plan	(22)	(3,359)
DfE Capital Maintenance	-	(1,227)
DfE Basic Need	(207)	(1,527)
Other Grants	(65)	(1,177)
Total	**(418,275)**	**(404,230)**

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

	2011/12 £000	2012/13 £000
Grants Receipts in Advance		
Revenue Grants		
Transport Grant	(1,613)	(560)
Other Grants	(4,700)	(600)
Capital Grants		
Standards Fund	(3,881)	(1,802)
Other Grants	(6,514)	(3,710)
Total	**(16,708)**	**(6,672)**

33. Related Parties

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

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 25 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in Note 32.

Members of the Council have direct control over the Council's financial and operating policies and are required to disclose all pecuniary and non-financial interests which could conflict with those of the Council. A number of disclosures were made in 2012/13, however they were not material. Details of the transactions are recorded in the Register of Members Interests, open to public inspection at the Civic Centre during office hours. In addition Note 28 to the accounts sets out the amount of allowances paid to Members' during 2012/13.

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

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

Other Public Bodies (subject to common control by central government)
The Council has a pooled budget arrangement with Newcastle Clinical Commissioning Group for the purchase of equipment for an integrated health and social services equipment service and to support the funding of packages of care for children with complex needs. Transactions and balances are detailed in Note 27.

Newcastle International Airport Ltd/NIAL Holdings Limited - Under the Airport Act 1986, Newcastle International Airport Limited (NIAL) was formed and seven Local Authorities were allocated shares in consideration for all the property, rights and liabilities that were transferred into the new company. In consideration of this transfer the Council received £5.8m worth of shares.

On 4th May 2001, the seven Local Authority (the 'LA7') shareholders of NIAL entered into a strategic partnership with Copenhagen Airports Limited for the latter to purchase a 49.0% share of Newcastle International Airport. This involved the creation of a new company, NIAL Holdings Limited, which is 51.0% owned by LA7. The 51.0% holding is held in the Newcastle Airport Local Authority Holding Company Ltd, a company wholly owned by the seven authorities.

The Newcastle Airport Local Authority Holding Company Limited has a called up share capital of 10,000 shares with a nominal value of £1 each. The City Council originally held a shareholding of 1,731 shares representing a 17.3% interest in the company. The shares are not held for trading outside of the LA7.

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

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

Through its shares in Newcastle Airport Local Authority Holding Company Limited the Council has an effective shareholding of 9.03% in Newcastle International Airport Limited (and the group companies of NIAL Group Limited and NIAL Holdings Limited). The principal activity of Newcastle International Airport Limited (Registered Number 2077766) is the provision of landing services for both commercial and freight operators. Members of the LA7 entered into a loan agreement with NIAL Group Limited in 2012/13, issuing £67.7m shareholder loan notes. The loan notes will be repayable in 2032. No dividends were payable for the year ended 31st December 2012 (nil for the year ended 31st December 2011).

Other than the loan notes there are no outstanding balances owed to or from NIAL at the end of the year. NIAL Group Limited made a loss before tax of £2.4m and a profit after tax of £1.5m for the year ended 31st December 2012. In the previous year, the Group made a loss before tax of £2.9m and a profit after tax of £1.4m.

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

Entities Controlled or Significantly Influenced by the Council

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

The ITA levy payable by the Council in 2012/13 was £18.3m (2011/12 £19.0m). The ITA received Local Transport Plan grant of £2.1m in 2012/13 (2011/12 £2.7m). A payment of £668k for the provision of services to the ITA and the Tyne Tunnels was made in 2012/13 to the Council (2011/12 £874k). The ITA received £724k interest on revenue balances from the Council in 2012/13 (2011/12 £931k) and there is a £10m creditor in place between the ITA and the Council in respect of investments made. All figures are draft and subject to audit.

Your Homes Newcastle (YHN) - on 1st April 2004 YHN Ltd was formed to manage the housing stock of the Council which represents its principal activity. Although the Council owns 100% of the issued share capital it only has one-third of the voting rights. Its management responsibilities are contained in a formal management agreement and any change to its role and responsibilities would require a variation to that agreement. Its present role is as follows:

- Assessment of housing needs and policy.
- Provision of general housing management services.
- Management of the Rent Income Account for the Council Housing stock.
- Determination and management of investment in and renewals and major repairs to the housing stock.

- Council house sales administration.
- Management of, but not the operational activities associated with, the provision of services such as lighting, caretaking and cleaning, security, wardens for sheltered accommodation, communal services and maintenance of lawns, verges and open spaces on housing estates.

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

YHN is paid a management fee to fund the staff costs and related other administration expenses. The management fee totalled £27.6m and, being based on actual cost, there was no operating surplus or deficit in YHN's books. YHN owns fixed assets of £0.0m as at 31 March 2013 and its balance sheet consists of sundry debtors of £3.1m of which £0.9m is owed by the Council and creditors totalling £3.0m. Of the creditor balance £0.2m represents monies owed to the Council for services provided to YHN.

In addition, transactions totalling £4.4m took place with YHN (2011/12 £5.8m). These related to interest charges, support services such as temporary staffing, general office supplies, legal services, human resources management, IT, exchequer services and other centrally administered services. All of these transactions are included in the Income and Expenditure Statement.

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

In relation to the Pension Fund, the Council has confirmed that it will assume any current and future funding deficit relating to the company. Accordingly, the scheme surplus or deficit does not appear in YHN's balance sheet. The deficit on the pension fund stood at £19.7m as at 31 March 2013. There was a deficit of £18.9m as at 31 March 2012.

	2011/12 **£000**	**2012/13** **£000**
Management fee	29,706	27,572

Notes to the Financial Statements

Tyne & Wear Archives & Museums (TWAM) is a joint service of the five local authorities (Newcastle, Sunderland, South Tyneside, North Tyneside and Gateshead) and is governed by a Joint Committee consisting of 15 members drawn from the 5 constituent Councils. It should be noted that from 1st April 2013 Sunderland City Council will take on direct management of museums in Sunderland.

A 10 year Joint Agreement lays out the terms and conditions of the relationship and the involvement of central government. Under the Joint Agreement, TWAM manages ten museums and the archives for Tyne & Wear. In addition, it manages two museums Great North Museum:Hancock (GNM) and the Hatton Gallery, under an agreement with Newcastle University.

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

The figures included in the financial statements relate to the year ended 31 March 2013 and are subject to audit.

	2011/12 £000	2012/13 £000
Operating deficit	422	213
Net Assets at 31 March	1,433	1,220
Payment from the Council	2,298	2,121
Payments to Council for admin support	295	298
Amounts owed to the Council by TWAM	12	-
Investments held on behalf of TWAM by the Council	1,174	941

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

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

The figures included in the financial statements relate to the year ended 31 March 2013 and are subject to audit.

	2011/12 £000	2012/13 £000
Operating Surplus /(Deficit)	(654)	396
Net Assets at 31 March	913	1,088
Payments to Council for administrative support	24	17
Subsidy paid to Theatre Royal by the Council	646	613
Amounts owed by Theatre Royal to Council	249	566
Amounts owed to Theatre Royal by Council	3,387	4,284

The Theatre Royal Trust Ltd is exempt from corporation tax under Section 505 of the Income and Corporation Taxes Act 1988.

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

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

The figures included in the financial statements relate to the year ended 31 March 2013, they include its interests in Tynexe Ltd except where otherwise stated.

	2011/12 £000	**2012/13 £000**
Group profit to 31 March	158	170
Group net assets to 31 March	4,567	4,385
Group dividend paid or anticipated to be paid	52	149
Group payments to Council for administration costs	23	24

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

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

Newcastle Gateshead Initiative Ltd is a joint undertaking between Gateshead Council, Newcastle Council and more than 160 public and private sector members.

Its principal activity is the destination marketing agency for the North East area.

The figures included in the financial statements relate to the year ended 31 March 2013 and are subject to audit.

	2011/12 £000	**2012/13 £000**
Loss to 31 March	-	(224)
Net assets to 31 March	604	380

It is a company limited by guarantee and each of the members has undertaken to contribute £1 towards any deficit in the event of the company being wound up.

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

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

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

	2011/12 £000	**2012/13 £000**
Profit to 31 March	-	-
Net Assets at 31 March	-	-
Income from the Council	28	432
Payments to the Council	32	33

On 13 March 2012 a loan of £100,000 was given to the Company from the Council. The loan is for a period of 12 months and attracts interest at 2% per annum.

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

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

The Council is the sole Trustee of the Mansion House and has appointed an Advisory Committee to oversee the use and management of the premises. The Committee comprises three City Councillors, the Lord Mayor and three external advisors. The figures included in the financial statements relate to the year ended 31 March 2013 and are subject to audit.

	2011/12 £000	**2012/13 £000**
Movement in funds to 31 March	127	(114)
Net assets to 31 March	90	63
Payments to Council for administrative support	41	40

Eldon Square Company Ltd is wholly owned by the Council. Its principal activity is the collection of rent on behalf of the Council from the retail units.

The figures included in the financial statements relate to the year ended 31 March 2013 and are subject to audit.

	2011/12 £000	**2012/13 £000**
Loss to 31 March	-	(1)
Net assets to 31 March	9	8

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

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

	2011/12 £000	2012/13 £000
Profit to 31 March	-	-
Net assets at 31 March	-	-
Amounts owed by Company to Council	-	-
Amounts owed to Company by Council	-	-

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

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

The figures included in the financial statements relate to the year ended 31 March 2013 and are subject to audit.

	2011/12 £000	2012/13 £000
Surplus/(Deficit) on ordinary activities to 31 March	(445)	95
Net assets at 31 March	157	314

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

During the year the Council charged £161k for expenditure incurred on behalf of the LLP. The balance owed by the LLP at the 31 December 2012 was nil. Phase 1 of the land (NBV £0.884m) was sold to the LLP for a consideration of £1 during the year.

The Council loaned the LLP £284k during the period. This loan is non interest bearing, is due for repayment after more than one year and is secured on the assets of the LLP. The total amount owing to the council at 31 December 2012 was £844k.

The figures included in the financial statements relate to the year ended 31 December 2012.

	2011/12 £000	2012/13 £000
Loss for the financial year before members' remuneration and profit shares available for discretionary division among members	(244)	(280)
Net assets at 31 March	1,286	1,462

Science Central - during the 2012/13 financial year, the Council entered into a Limited Liability Partnership (LLP) with the University of Newcastle. The LLP has a year end of 31 March. The primary business for the LLP is for the development of the land held by it which is intended to promote investment in the development of science research and education. Note 47 contains further information on Science Central.

	2011/12 £000	2012/13 £000
Loss to 31 March	-	(467)
Net assets at 31 March	-	20,121

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

During the period the LLP received cash contributions of £905,546 and a contribution of non cash assets with the value of £9,742,195 from the Council. £8,334,910 was outstanding at the year-end.

Land was transferred from the members into the partnership on 31 January 2013 at which date share capital was issued to the partners. There is a commitment from the Council to procure further shares to the value of £2.5m.

34. Capital Expenditure & Capital Financing

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

	2011/12 £000	2012/13 £000
Opening Capital Financing Requirement	1,203,974	1,037,027
Private Finance Initiative (PFI) Investment	7,997	-
Capital investment:		
Property, Plant and Equipment	195,614	94,305
Investment Properties	1,627	83
Intangible Assets	203	68
Revenue Expenditure Funded from Capital under Statute	19,052	7,243
PFI Revenue Expenditure Funded from Capital under Statute (Refcus)	36,946	-
Long term debtor	8,818	4,276
Sources of finance:		
Capital receipts	(304,406)	(25,635)
Capital receipts - repayment of principal from long-term debtors	-	(846)
Government grants and other contributions	(43,427)	(27,820)
Sums set aside from revenue:		
Direct revenue contributions	(64,903)	(40,440)
Minimum Revenue Provision	(24,468)	(33,195)
Closing Capital Financing Requirement	**1,037,027**	**1,015,066**
Explanation of movements in year:		
Private Finance Initiative (PFI) Investment	7,997	-
Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(300,070)	(35,623)
Increase in underlying need to borrow (unsupported by government financial assistance)	43,879	18,860
Assets acquired under PFI contracts	44,301	(5,198)
Refcus - PFI contracts	36,946	-
Increase in Capital Financing Requirement	**(166,947)**	**(21,961)**

35. Leases

Council as Lessee

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

Operating lease payment commitments 2013/14 onwards are:

Land & Buildings	**31 Mar 2012**	**31 Mar 2013**
	£000	**£000**
Not later than one year	1,266	1,018
Later than one year and not later than five years	3,513	2,860
Later than five years	8,438	7,550
Total	**13,217**	**11,428**

Vehicles, Plant & Equipment	**31 Mar 2012**	**31 Mar 2013**
	£000	**£000**
Not later than one year	268	244
Later than one year and not later than five years	161	-
Total	**429**	**244**

Summary	**31 Mar 2012**	**31 Mar 2013**
	£000	**£000**
Not later than one year	1,534	1,262
Later than one year and not later than five years	3,674	2,860
Later than five years	8,438	7,550
Total Land & Buildings, Vehicles, Plant & Equipment	**13,646**	**11,672**

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

	2011/12	**2012/13**
	£000	**£000**
Minimum lease payments	**1,735**	**1,408**

Council as Lessor

Operating Leases
The Council has granted a number of non-cancellable leases to organisations (commercial and community) for the use of Council-owned buildings and land. These leases have been accounted for in 2012/13 as being operating leases and the future minimum lease payments in future years are:

	31 Mar 2012 £000	31 Mar 2013 £000
Not later than one year	5,082	6,028
Later than one year and not later than five years	16,831	14,170
Later than five years	118,421	119,233
Total	**140,334**	**139,431**

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

36. Private Finance Initiatives & Similar Contracts

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

Schools PFI 1

In April 2003 the Council entered into a 25 year contract with Focus Education (Newcastle) Ltd for the provision and maintenance of six schools (1 first school, 1 primary school, 3 middle schools and 1 secondary school). The actual contract payments (unitary charge) made in 2012/13 amounted to £6.6m (2011/12 £6.4m). The estimated payment to be made in 2013/14 is £6.9m, subject to availability and performance related deductions and to contractually agreed inflation adjustments.

Street Lighting PFI

In July 2004 the Council entered into a joint contract with North Tyneside Council and Tay Valley Lighting for the provision of street lighting services for a period of 25 years. The contract covers the replacement and maintenance of the City's street lighting columns and in 2012/13 the contract payment was £6.7m (2011/12 £6.4m). The estimated payment to be made in 2013/14 is £6.9m.

Building Schools for the Future - PFI element

On 5 July 2007 the Council entered into a long term strategic partnership arrangement with Aura Newcastle Limited, the Local Education Partner (LEP), in which it is a shareholder to procure the rebuilding or refurbishment of a number of schools. On the same date the Council entered into a PFI contract with Aura (Newcastle) Project Company Limited, a subsidiary of Aura Newcastle Limited, for the first phase of this programme to build 7 new schools and refurbish one. All of the phase 1 new build schools became operational between May 2008 and February 2009. Phase 1 PFI contract payments made in 2012/13 were £12.2m (2011/12 £12.1m) and estimated payments for 2013/14 are £12.6m.

On 27 November 2009 the City Council entered into an additional PFI contract with Aura (Newcastle) Project Company Limited to procure a second phase comprising 4 new build schools and 4 refurbished schools. The four PFI schools (Sir Charles Parsons, St Marys, Gosforth Junior High and Walker Technology College) opened in 2011/12 with a PFI contract length of 25 years. The unitary charge payment in 2012/13 was £9.1m (2011/12 £6.5m). The estimated payment to be made in 2013/14 is £9.4m.

Library PFI

The Council has entered into a 25 year contract with Kajima Ltd for the City Library and the library at High Heaton. The contract payments made in 2012/13 amounted to £3.4m (2011/12 £3.4m) and the estimated payments for 2013/14 are £3.5m.

LIFT/Customer Service Centres

The Council has entered into a 25 year contract with NNT LIFT Company Limited for the provision of customer service centres and office accommodation. Five centres are operational at Walker, Kenton, Gosforth, Benwell and Byker. In 2012/13 contract payments were £1.4m (2011/12 £1.4m) and the estimated payment for 2013/14 is £1.5m.

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

Property, Plant & Equipment

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

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contracts at 31 March 2013 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2013/14	11,243	6,438	19,188	36,869
Payable within 2 to 5 years	50,247	30,316	73,143	153,706
Payable within 6 to 10 years	68,744	49,543	81,033	199,320
Payable within 11 to 15 years	74,358	61,851	60,857	197,066
Payable within 16 to 20 years	59,734	64,834	31,387	155,955
Payable within 21 to 25 years	28,834	38,058	7,422	74,314
Total	**293,160**	**251,040**	**273,030**	**817,230**

This table sets out the future unitary charge payments expected to be paid in relation to the operational PFI schemes. The expected payments, which exclude inflation and pass through costs such as electricity, are split into their constituent parts based on the Operator's financial models, which predict the future charges on the scheme. It should be noted that the total repayment of the liability is higher than the level of PFI-related liability reflected in the Balance Sheet as at 31 March 2013. This is because the Street Lighting capital investment phase is not due for completion until 2030. The Council receives PFI Subsidy Grant over the life of the contracts from Central Government to offset the capital element of the unitary charge payment.

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

	31 Mar 2012 £000	31 Mar 2013 £000
Balance outstanding at start of year	**(174,470)**	**(251,023)**
Payments during the year	4,693	5,776
Capital contribution to BSF 2	3,490	5,415
Capital expenditure incurred in the year	(84,736)	(218)
Balance outstanding at year-end	**(251,023)**	**(240,050)**

37. Impairment Charges

During 2012/13, the Council recognised impairment losses of (£29.2m) and impairment reversals of £52.4m in the accounts. An impairment is the amount by which the carrying amount of an asset exceeds its recoverable amount. Examples of events or circumstances that indicate an impairment may have incurred include: a significant decline in an asset's carrying amount during the period; evidence of obsolescence or physical damage of an asset. The impairment loss can be split between the GF (£4.1m) and the HRA (£25.1m). The impairment reversals relate to the GF (£10.2m) and the HRA (£42.2m).

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

38. Termination Benefits

The Council terminated the contracts of 535 employees in 2012/13 (524 in 2011/12), incurring liabilities of £12.8m including £4.5m strain on the fund payments (£11.1m in 2011/12 which included £3.3m strain on the fund). This was payable to employees who were made redundant as part of the Council's rationalisation of services. In 2012/13 there were 2 termination payments to senior employees, see Note 29.

Strain on the Fund payments are charged to the CI&ES over three years, however for completeness the full cost to the Council is included in this note.

The following table has been prepared on an actual leavers basis within the financial year 2012/13, i.e. those employees whose contracts were terminated and left by 31 March 2013, as summarised above.

Exit package cost band (including special payments)	**Number of Compulsory Redundancies**		**Number of other departures agreed**		**Total Number of Exit Packages agreed**		**Total costs of Exit Packages agreed**	
	2011/12	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**
							£	£
£0 - £20,000	71	75	238	228	309	303	2,561,629	2,571,509
£20,001 - £40,000	20	18	115	121	135	139	3,762,783	3,851,435
£40,001 - £60,000	5	8	46	51	51	59	2,428,131	2,992,274
£60,001 - £80,000	1	2	17	9	18	11	1,221,881	828,309
£80,001 - £100,000	2	-	4	11	6	11	516,011	951,868
£100,001 - £150,000	1	-	4	9	5	9	568,087	996,373
£150,000 +	-	-	-	3	-	3	-	588,379
	100	103	424	432	524	535	11,058,522	12,780,147

In addition, in 2012/13 272 employees were identified as demonstrably committed to leaving the Council at a cost of £4.0m. Demonstrably committed employees are those for which severance packages have been agreed but where the leaving date is after the 01 April 2013. The cost for these employees has been agreed. An accrual has been raised in 2012/13 to account for those employees who have been identified but not yet left the Council.

These employees are demonstrably committed to leaving the Council, however the City Council has a commitment to avoid compulsory redundancies and will wherever possible attempt to redeploy into a suitable vacant post.

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

39. Pensions Schemes Accounted for as Defined Contribution Schemes

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

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012/13, the Council paid £8.8m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2011/12 were £10.9m and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 40.

40. Defined Benefit Pension Schemes

Participation in the Pension Scheme

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

The Council participates in two post employment schemes:

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

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	24,590	26,200	-	-
Past service costs	1,630	4,410	-	-
Financing and Investment Income and Expenditure:				
Interest cost	64,580	63,700	4,140	3,700
Expected return on scheme assets	(70,480)	(66,670)	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**20,320**	**27,640**	**4,140**	**3,700**
Other Post Employment Benefit charged to Other CI&E:				
Actuarial (Gains)/Losses	159,590	94,010	7,120	5,290
Total Post Employment Benefit charged to the CI&ES	**179,910**	**121,650**	**11,260**	**8,990**
Movement in Reserves Statement:				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(179,910)	(121,650)	(11,260)	(8,990)

Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	(42,280)	(37,320)	-	-
Retirement benefits payable to pensioners	-	-	(6,100)	(6,020)

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2011/12	**2012/13**	**2011/12**	**2012/13**
	£000	**£000**	**£000**	**£000**
Opening balance at 1 April	(1,200,800)	(1,360,290)	(78,350)	(83,510)
Current service cost	(24,590)	(26,200)	-	-
Interest cost	(64,580)	(63,700)	(4,140)	(3,700)
Contributions by participants	(10,390)	(9,550)	-	-
Actuarial Gains/(Losses)	(104,700)	(141,120)	(7,120)	(5,290)
Net benefits paid out	46,400	50,420	6,100	6,020
Past service costs	(1,630)	(4,410)	-	-
Closing balance at 31 March	**(1,360,290)**	**(1,554,850)**	**(83,510)**	**(86,480)**

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2011/12	**2012/13**
	£000	**£000**
Opening balance at 1 April	929,750	951,610
Expected return on assets	70,480	66,670
Actuarial Gains/(Losses) on assets	(54,890)	47,110
Employer contributions	42,280	37,320
Contributions by scheme participants	10,390	9,550
Net benefits paid out	(46,400)	(50,420)
Closing balance at 31 March	**951,610**	**1,061,840**

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

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

Scheme History

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities:					
Local Government	(1,039,780)	(1,276,990)	(1,200,800)	(1,360,290)	(1,554,850)
Discretionary benefits	(80,860)	(87,510)	(78,350)	(83,510)	(86,480)
Fair value of assets in the Local Government Pension Scheme	607,220	831,950	929,750	951,610	1,061,840
Surplus/(Deficit) in the scheme:	**(513,420)**	**(532,550)**	**(349,400)**	**(492,190)**	**(579,490)**
Local Government	(432,560)	(445,040)	(271,050)	(408,680)	(493,010)
Discretionary benefits	(80,860)	(87,510)	(78,350)	(83,510)	(86,480)
Total	**(513,420)**	**(532,550)**	**(349,400)**	**(492,190)**	**(579,490)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £1.6bn has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a negative pension balance of £579.5m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £35.6m. In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2014 are £6.2m in relation to unfunded benefits and enhanced teacher's benefits.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon

Hewitt, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Local Government		Discretionary	
	2011/12	2012/13	2011/12	2012/13
Long-term expected rate of return on assets in the scheme:				
Equity investments	8.1%	7.8%	n/a	n/a
Property	7.6%	7.3%	n/a	n/a
Government bonds	3.1%	2.8%	n/a	n/a
Corporate bonds	3.7%	3.8%	n/a	n/a
Cash	1.8%	0.9%	n/a	n/a
Other	8.1%	7.8%	n/a	n/a
Mortality assumptions (longevity at 65 for current pensioners):				
Men	21.6	21.7	21.6	21.7
Women	23.8	23.9	23.8	23.9
Rate for discounting scheme liabilities	4.7%	4.4%	4.6%	4.1%
Rate of inflation - RPI	3.3%	3.4%	3.2%	3.3%
Rate of inflation - CPI	2.3%	2.5%	2.2%	2.4%
Rate of increase in pensions	2.3%	2.5%	2.2%	2.4%
Rate of increase to deferred pensions	2.3%	2.5%	n/a	n/a
Rate of increase in salaries	3.8%	3.9%	n/a	n/a

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2012	31 March 2013
Equity investments	68.5%	68.0%
Property	9.2%	9.0%
Government bonds	7.1%	7.0%
Corporate bonds	11.6%	11.0%
Cash	1.9%	1.6%
Other	1.7%	3.4%
Total	100%	100%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	(30.6)	22.6	2.7	(5.8)	4.4
Experience gains and losses on liabilities	1.0	1.0	0.8	(0.8)	-

41. Contingent Liabilities

At 31 March 2013, the Council had 3 contingent liabilities:

- The Council has a contingent liability in respect of grants received from Workstep for Palatine Beds which are considered loans for a five year period following the grant and are repayable by the Council on cessation of business. This is currently estimated at £0.3m. The liability expires in 2015/16.

- Claims under the Equal Pay Act - during 2012/13 the Council settled a further 11 claims under the Act. There remain a number of cases, 1,022 to date, which have been issued under the Equal Pay Act, some of which raise different legal arguments to the cases already settled, principally claims of equal value, male claims which are contingent upon female comparators establishing their claims and claims where earlier settlements are being challenged. As the legal arguments to the residual litigation are complex and proceedings are still at an early stage it is too early to assess liability.

- The Council has a contingent liability in respect of Your Homes Newcastle pension fund guarantee. The Council has confirmed that it will assume any liabilities relating to YHN pension fund both in terms of the current funding and deficit and any ongoing funding obligations/ liabilities. The deficit on the pension fund stood at £19.7m at 31st March 2013 (31 March 2012 £18.9m), however any liability would only be payable if the admitted body did not have sufficient assets to meet the pension liabilities.

42. Nature & extent of risks arising from Financial Instruments

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

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

The Council’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy Statement. The statement provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

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

The Council’s maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council’s deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

Customer Debt

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

The Council has gross debt figure of £149.3m as at the 31 March 2013 (a net debt figure of £127.3m). However, only £98.8m was deemed at risk and the Council provided a bad debt provision of £21.9m against risk of default on the debt, a net debt figure of £76.9m. This net value is included in the balance sheet figure for short term debtors and represents the maximum customer credit risk to which the Council is exposed. The remaining £50.5m of the £127.3m on the balance sheet refers to debt not deemed at risk and is debt outstanding by Government Departments, Other Local Authorities, NHS bodies, Public Corporations and Trading Funds.

Liquidity Risk

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

	31 March 2012 £000	31 March 2013 £000
Between 1-2 years	24,403	42,910
Between 2-5 years	4,233	76,005
Between 5-10 years	65,023	39,852
More than 10 years	320,380	377,466
	414,039	**536,233**
Less than 1 year	250,687	176,406
Total borrowing	**664,726**	**712,639**

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

Market Risk

Interest Rate risk

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

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

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

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

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

The table below shows the impact on the debt portfolio at 31st March 2013 if interest rates had been 1% higher with all other variables held constant. The only loans affected by such a movement would be new loans taken during 2012/13 and variable interest rate loans. Existing fixed rate loans, which make up the greater proportion of the portfolio, would not be affected. Loans wherein the terms give the lender an option to change the interest rate at specific dates during the year have been excluded from the calculation. For example, an exercise undertaken on behalf of the Council by our advisors Sterling and Royal Bank of Scotland have determined that the likelihood of a LOBO being called at the moment is less than 10%, and the fact that interest rates have fluctuated during the lives of these loans but lenders have not exercised their options to change the rates, treasury management officers consider these loans to be fixed rate.

According to this assessment strategy, at 31 March 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on borrowings	2,004
Increase in interest receivable on investments	(838)
Impact Deficit on the Provision of Services	1,166

The impact of a 1% fall in interest rates would be as above but with movements being reversed. The increase in interest payable on borrowings does not take into account loans where the interest is fixed for the period of the loan at the outset or will mature in 2013 or later. Changes to interest rates will not impact on such loans. As a result only loans taken out in 2012/13 or loans maturing in 2012/13 that require new borrowing have been included in determining the figure quoted.

Price Risk

The Council does not generally invest in equity shares but does have shareholdings in LIFTCo to the value of £0.1m, £1.2m in New Tyne West Development Co LLP and £10.3m in Science Central. The investment in LIFTCo represents the interest that the Council holds in the companies in the form of subordinated debt. The Council has invested in LIFTCo as part of the LIFT (Local Improvement Finance Trust) procurement of Customer Service Centres.

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

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

The Council holds an investment in Newcastle Airport Local Authority Holding Company Ltd. The shares are all classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. The value of the investment at 31 March 2013 was £15.4m. The Council also holds an investment in Science Central LLP of £10.3m as at 31 March 2013.

Foreign Exchange Risk

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

43. Heritage Assets: Five-Year Summary of Transactions

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

	2008/09 £	2009/10 £	2010/11 £	2011/12 £	2012/13 £
Additions:					
Art Purchases					
Gateshead	3,913	58,864	14,989	15,260	7,700
Newcastle	18,132	47,481	28,932	12,000	58,500
North Tyneside	-	-	-	-	-
South Tyneside	2,623	900	-	-	-
Sunderland	2,528	4,030	14,719	6,800	-
Total	**27,196**	**111,275**	**58,640**	**34,060**	**66,200**

Other Purchases					
Gateshead	227	972	4,147	461	719
Newcastle	3,299	1,166	6,581	972	1,047
North Tyneside	-	13	2,359	6,364	-
South Tyneside	308	148	8,473	120	454
Sunderland	(35)	3,310	7,879	-	2,713
Total	**3,799**	**5,609**	**29,439**	**7,917**	**4,933**
Donations					
Gateshead	51,200	1,944	-	-	-
Newcastle	11,070	9,000	2,470	28,000	-
North Tyneside	-	-	-	-	-
South Tyneside	3,000	-	300	-	-
Sunderland	3,300	-	-	-	-
Total	**68,570**	**10,944**	**2,770**	**28,000**	**-**
Disposals					
Gateshead	-	-	-	-	-
Newcastle	-	-	-	-	-
North Tyneside	-	-	-	-	-
South Tyneside	-	-	-	-	-
Sunderland	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

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

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

44. Heritage Assets: Further Information

The collections held by the Joint Committee are diverse, covering six principal fields. The collection ranges in medium and materials, and includes objects, specimens, documents, digital media and film. The total collection size is estimated at approximately 1m museum objects and approximately 1,579 cubic meters of archive material. It reflects a period of collecting of over 200 years by the archives, museums and their predecessor bodies. The definition of numbers in the collection follows museum and archive best practice but, in terms of valuing the asset, is fairly arbitrary as single items added may comprise a wide range of objects, artefacts, components or supporting papers. However, the following table indicates the estimated number of objects/records held within each field:

Category	Estimated number of objects/ records as at 31 March 2012	Number of objects accessioned in the year	Estimated number of objects/records as at 31 March 2013
Art (including fine art, decorative art, contemporary craft and design)	41,561	131	41,692
Archaeology	226,257	395	226,652
Ethnography	7,105	4	7,109
History (including social history, costume, maritime history and engineering and science)	192,243	2,554	194,797
Natural Sciences	640,801	51	640,852
Total	**1,107,967**	**3,135**	**1,111,102**
	Cubic Metres		**Cubic Metres**
Archives	1,562		1,579

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

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

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

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

Anderson and Garland were commissioned to undertake a revaluation of the Mansion House contents and their report of 2 February 2007 advised that the total value for insurance purposes was £1.4m of which £1.2m relates to Heritage Assets. However, it should be borne in mind that the inventory covers all the contents, not just those which might be regarded as heritage assets. In subsequent years, Anderson and Garland were requested to confirm whether further revaluations were required. They advised that although the market value of some items, such as silverware, had increased, others, such as paintings had declined, so the overall effect was neutral. Further revaluations were therefore not considered to be necessary.

The Mansion House staff are required to ensure that all the contents, including the heritage assets, are properly maintained. The Council, as sole Trustee for the Mansion House, does not have a policy on acquisitions and in most cases, additions to the inventory in recent years have been as a result of donations from individuals or organisations. Equally, there is no policy as such on disposals, each case having been treated on its merits and the proceeds reinvested in the Mansion House, although the last disposals took place in 2009.

The Mansion House collection comprises in the main, historic paintings, silverware and electroplate, although it also includes furniture, crockery and glassware plus outdoor effects, the main one being the Lord Mayor’s Ceremonial Landau Coach.

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

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

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

45. Trust Fund Accounts

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

Trust Fund	**Income £000**	**Expenditure £000**	**Net Expenditure £000**	**Assets £000**	**Liabilities £000**
Fire Brigade Relief Fund	-	-	-	29	(29)
Richard Thompson Bequest	(1)	-	(1)	46	(46)
Sir Thomas White Bequest	(2)	-	(2)	191	(191)
Thomas Davison Bequest	(1)	-	(1)	70	(70)

Museums Service Trust Funds	(1)	-	(1)	114	(114)
Education Scholarship and Prize Funds	(1)	-	-	59	(59)
Other Trust Funds	-	-	-	18	(18)
Mansion House	(268)	382	114	63	(63)
Total	**(274)**	**382**	**109**	**590**	**(590)**

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

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

46. Events After the Balance Sheet Date

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

Any post balance sheet events which arose due to events happening after the 31st March 2013 would be classed as non-adjusting events, which would require disclosure but would not be included in the financial statements.

There were two events:

Transfer of Public Health Responsibilities from the Primary Care Trust
From 1 April 2013 there were major changes to the public health system in England. Local authorities will now take the lead for improving health and coordinating local efforts to protect the public's health and wellbeing, and ensuring health services effectively promote population health. This has previously been the responsibility of Newcastle Primary Care Trust. To carry out this duty, Newcastle City Council will receive a ring-fenced grant for Public Health of £20.7m in 2013/14.

Tyne and Wear Economic Development Company (TWEDCO)
It has been proposed that the Tyne and Wear Economic Development Company and its subsidiaries are liquidated. Approximately 12% of the property value held by TWEDCO relates to assets that would transfer back to the Council, which would equate to a property value of approximately £1.8m. The Council's share of any final cash balance would be 25.3%. The Company went into voluntary liquidation on 9 July 2013 and the industrial units are in the process of being transferred across to the Council.

47. Material Items of Income and Expenditure

Four material items require separate disclosure:

Newcastle International Airport
Newcastle is one of seven north east councils who collectively (through a holding company known as 'LA7') own 51.0% of shares in the Newcastle airport group of companies. The remaining 49.0% is owned by the existing private sector partner Copenhagen Airports ('CPH'). During 2012/13 the refinancing of the airport group's existing loan facility and the sale by CPH of its shares to a new private sector partner took place. This involved the Council incurring expenditure of £14.1m to buy an additional £0.4m of shares in LA7 and make a shareholder loan of £13.7m to Newcastle International Airport Group Limited.

Byker Housing Stock Transfer
On 5 July 2012 the freehold ownership of 1,816 dwellings was transferred from the Housing Revenue Account (HRA) to the Byker Community Trust. 1,788 of these dwellings were held as HRA stock. The other 28 properties had previously been assigned on a leasehold basis to their owner-occupiers. As part of the transfer the Department for Communities & Local Government repaid £23.9m of loans from Public Works Loans Board and £9.5m premiums on those loans.

Academy conversions
Four schools converted to academy status in 2012/13, Kenton School, Atkinson Road Primary, Welbeck Road Primary and Hilton Primary. The school reserves relating to these four schools totalling £2.9m have been written out of the Council's accounts and transferred across to the newly formed Academies. The balance sheet value of the buildings and land written out of the Council's accounts is £27.7m for Kenton School, £1.4m for Atkinson Road Primary, £3.3m for Welbeck Road Primary and £4.0m for Hilton Primary.

Science Central
During the 2012/13 financial year, the Council entered into a Limited Liability Partnership (LLP) with the University of Newcastle. The LLP has a year end of 31 March. The primary business for the LLP is the development of the land held by it which is intended to promote investment in the development of science research and education. On establishment of the LLP, NCC transferred land with Net Book Value of £8.2m in return for B capital shares at the same value. In addition assets (including infrastructure and borehole with NBV of £1.2m) were transferred in return for C capital of £2.4m. Future returns to the partners will be based on the respective amount of land they have transferred into the LLP and also the amount of investment.

48. Consideration of Group Accounts

The code includes a requirement to prepare group accounts where the Council has a material interest in subsidiaries, associates and jointly controlled entities. The following table shows the estimated value of the Council's ownership stake in its subsidiaries, associates and jointly controlled entities. Incorporating these amounts via group accounts would increase the Council's net assets by £3.8m or 0.96%, which is not deemed to be material. The Council has therefore decided not to produce group accounts. Note 33 to the accounts includes further details of the Council's ownership stake in its subsidiaries, associates and jointly controlled entities to enable readers of the accounts to gain a fuller understanding of the Council's wider financial interests.

Description	**Value £000 ***
Council balance sheet net assets 31 March 2013	**(393,300)**
Subsidiaries:	
Mansion House Trust	(177)
Theatre Royal Trust	(913)
Armstrong Centre/Tynexe	(4,365)
Your Homes Newcastle	(160)
Newcastle Futures	(314)
Eldon Square Company	(9)
Minority Interest (50% of Tynexe)	2,183
Joint Ventures:	
Newcastle Science Company Ltd	-
New Tyne West Development Company	-
1NG	-
Revised balance sheet net assets 31 March 2013 if Group Accounts were prepared	**(397,055)**

* Based on 2011/12 financial statements as the 2012/13 audited financial statements were not available at the time of preparing the Council's accounts. The Council is not aware of any material movements in the value of these entities between 31st March 2012 and 31st March 2013.

49. Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the

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

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

4. Exceptional Items

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charge to Revenue for Non-Current Assets

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

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

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

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

7. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

Employees of the Council are members of two separate pension schemes: the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) and the Local Government Pensions Scheme, administered by South Tyneside Council. The funds website may be visited at www.twpf.info.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 4.4% based on the indicative rate of return on high quality corporate bonds.

- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

  - Quoted securities at current bid price.
  - Unquoted securities based on professional estimate.
  - Unitised securities at current bid price.
  - Property at market value.

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

  a) Current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

  b) Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

  c) Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

  d) Expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return. Credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

  e) Gains or losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

  f) Actuarial gains and losses - changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. Debited/credited to Other Comprehensive Income & Expenditure in the CI&ES.

  g) Contributions paid to the pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

8. Events After the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.

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

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

9. Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.

- Available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

- Instruments with quoted market prices - the market price.

- Other instruments with fixed and determinable payments - discounted cash flow analysis.

- Equity shares with no quoted market prices - independent appraisal of company valuations.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

10. Government Grants & Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council’s goods or services.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

12. Interests in Companies & Other Entities

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

13. Inventories & Long Term Contracts

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

14. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15. Leases

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

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

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

a) The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability.

- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

b) The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received).

- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

16. Overheads & Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multifunctional, democratic organisation.

- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

17. Property, Plant & Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. To ensure that this takes place a rolling programme of valuations has been put in place by the Head of Property Services. Assets are valued in accordance with the principles of the RICS (Royal Institution of Chartered Surveyors) Appraisals and Valuation Standards. The valuations are supervised by M. Lloyd, MRICS, Head of Strategic Property & Asset Management, Strategic Property, Newcastle City Council. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

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

De Minimis Levels

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

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

- £5,000 - Environment & Regeneration plant, vehicles and equipment.

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

In the case of EIG Sure Start capital expenditure a de minimis limit of £2,500 has been established.

All capital expenditure is included in the Asset Register.

Impairment

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

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

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

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

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

Depreciation

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

Depreciation on all Property, Plant assets (except vehicles) has been calculated by taking the asset value at 31st March 2013 less any residual value, divided by life expectancy. Depreciation is therefore charged in the year of acquisition.

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

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

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

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

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council's policy is that all assets with a carrying value greater than or equal to £5.0m will be considered for componentisation. A standard list of components is used by the Council:

- Building fabric
- Roof
- Mechanical and electrical
- External

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

Disposals & Non-current Assets Held for Sale

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

18. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge; the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council. The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement.

- Finance cost - an interest charge of 11.2% on schools PFI, 7.1% street lighting PFI, 5.8% Building Schools for the Future PFI, 9.3% library PFI and 3.8% to 9.7% on customer service centres PFI on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

19. Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

20. Contingent Liabilities

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

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

21. Contingent Assets

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

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

22. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

23. Revenue Expenditure Funded from Capital under Statute

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

24. VAT

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

25. Jointly Controlled Operations and Jointly Controlled Assets

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

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

26. Heritage Assets

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

Art Collection

The art collection is recognised on the balance sheet using as its base the detailed insurance valuations (which are believed to be a realistic assessment of the market values) held by the Tyne & Wear Archives & Museums Joint Committee in respect of much of this collection. The Council is unlikely to be able to recognise the majority of the other collections in future financial statements as it is of the view that conventional valuation approaches lack sufficient reliability and obtaining any valuations for the vast majority of these collections would likely incur a significant and onerous cost. Even if valuations could be obtained it would involve a disproportionate cost not commensurate with any benefits to the Council, its senior management, the public or to the users of the Council's financial statements - this exemption is permitted by the 2012/13 Code.

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

Civic Insignia

The Civic Insignia include the following:

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

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

Mansion House Heritage Assets

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

Public Art within the City

Public art is used by the Council to create and revitalise public spaces, to improve the environment and to enhance new developments. It is also an important and creative community development tool and is used to engage local people in shaping and defining their own communities and to enhance teaching in a range of subjects across the curriculum. Newcastle has a wealth of public art. Some pieces, like the Blue Carpet are well known, but others are not. Much of the work that the Council does in the field of public art is intended to increase public awareness of the importance of good design; the value of a welcoming, distinctive environment; and the many examples of exemplary work that exist in the City. The Council is unlikely to be able to recognise these works of art in future financial statements as it is of the view that obtaining valuations for the vast majority of these works of art would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements - this exemption is permitted by the 2012/13 Code. The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation for the assets. The Council has not reclassified those items of public art already included within the Community Asset category on the balance sheet.

27. Carbon Reduction Commitment Scheme

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

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

The Council carries out a rolling programme that ensures all PPE required to be measured at fair value is revalued at least every 5 years. All valuations are carried out in accordance with the methodologies and bases for estimation as set out in the RICS Valuations Standards - Global & UK 8th Edition.

The valuation requirements include the following:

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

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

Part 3: Supplementary Financial Statements

Comprising:

- Housing Revenue Account
- Collection Fund

Housing Revenue Account

Income & Expenditure Statement

This account reflects the statutory obligation to 'ring-fence' and show separately the major elements of the housing revenue expenditure (repairs and maintenance, administration and capital financing costs) and how this is met by rents, subsidies and other income. Included within the section on the HRA is the Statement of Movement on the HRA, which discloses how the HRA Income & Expenditure Account surplus or deficit for the year reconciles to the movement on the HRA balance for the year. The 2011/12 comparative figures include council dwellings transferred to Byker Trust on 5 July 2012.

2011/12 £000		2012/13 £000
	Expenditure	
23,550	Repairs and maintenance (Note 11)	21,818
41,979	Supervision and management	39,874
1,466	Rents, rates, taxes and other charges	656
85,954	Depreciation and impairment of non-current assets (Notes 4 & 9)	72,552
382	Debt management costs	295
217	Movement in the allowance for bad debts	1,061
40	Sums directed by the secretary of state in accordance with the code (Note 19)	-
153,588	**Total Expenditure**	136,256
	Income	
(91,203)	Dwelling rents	(93,667)
(1,676)	Non-dwelling rents	(1,781)
(14,692)	Charges for services and facilities	(12,278)
(11,175)	Contributions towards expenditure	(10,478)
(8,610)	HRA Subsidy receivable (including the MRA element) (Note 5)	(66)
(127,356)	**Total Income**	(118,270)
26,232	**Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement**	**17,986**
168	HRA services' share of Corporate and Democratic Core	34
26,400	**Net Cost of HRA Services**	**18,020**
	HRA share of the operating income and expenditure included in the CI&ES	
(6,826)	(Gain)/ loss on sale of HRA non-current assets	38,384
27,584	Interest payable and similar charges	14,016
108,854	HRA Self Financing Settlement (Note 17)	-
(826)	Interest and investment income	(545)
4	Pension interest cost and expected return on pension assets	-
-	Byker stock transfer - charges incurred (premiums) (Note 18)	9,530
-	Byker stock transfer - loan repayments (Note 18)	(33,453)
-	Capital grants and contributions receivable	(1,734)
(402,556)	HRA Self Financing Settlement (Note 17)	-
(247,366)	**(Surplus)/Deficit for the year on HRA services**	**44,218**

Housing Revenue Account

Statement of Movement on the HRA Balance

2011/12 £000		2012/13 £000	2012/13 £000
(11,043)	**Balance on the HRA at the end of the previous year**		**(9,110)**
(247,366)	(Surplus)/Deficit for the year on the HRA Income & Expenditure Statement	44,218	
	Adjustments between accounting basis and funding basis under statute:		
250	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with statute	(243)	
(109)	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with HRA requirements	-	
293,702	HRA Self Financing Settlement (Note 17)	-	
-	Byker stock transfer - loans repayment (Note 18)	23,923	
6,826	Reversal of Gain/(Loss) on sale of HRA non-current assets	(38,384)	
(4)	HRA share of contributions to or/from the Pensions Reserve	-	
24,532	Capital Expenditure funded by the Housing Revenue Account	11,088	
3,995	Sums directed by the Secretary of State to be debited or credited to the HRA (Note 15)	4,194	
81,826	Net Increase/(Decrease) before transfer (To)/From reserves	44,796	
(79,893)	Transfers (To)/From reserves	(47,804)	
1,933	(Increase)/decrease in year on the HRA		(3,008)
(9,110)	**Balance on the HRA at the end of the current year**		**(12,118)**
	Transfers (To)/From reserves is represented by:		
	Appropriations to reserves		
19,435	Transfer (To)/From Major Repairs Reserve (Note 10)		29,346
(85,916)	Transfer (To)/From Capital Adjustment Account		(70,828)
(13,412)	Transfer (To)/From Earmarked Reserves		(6,322)
(79,893)			**(47,804)**

Housing Revenue Account

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

	01 Apr 2012 No's	31 Mar 2013 No's
Houses & Bungalows	16,432	15,595
Low Rise Flat/Maisonettes	3,807	3,507
Mid Rise Flat/Maisonettes	4,002	3,549
High Rise Flat/Maisonettes	4,291	3,977
	28,532	26,628
Homeless accommodation	44	-
Shared ownership properties	3	3
	28,579	**26,631**
An analysis of the change in stock is as follows:		
Stock at 1st April	**28,682**	**28,579**
Additions	23	-
Sales	(28)	(90)
Demolitions	(87)	(70)
Reclassified Properties	(11)	-
Byker Trust Transfer (Note 18)	-	(1,788)
Stock at 31st March	**28,579**	**26,631**

2. Housing Revenue Account Assets: Balance Sheet Valuation

Asset Category	31 Mar 2012 £000	31 Mar 2013 £000
Property Plant & Equipment		
Council Dwellings	736,965	667,712
Other Land & Buildings	19,274	18,155
Vehicles, Plant, Furniture & Equipment	11,545	14,213
Infrastructure and Community Assets	14	1
	767,798	700,081
Surplus assets not held for sale	281	116
Total	**768,079**	**700,197**

3. Vacant Possession Valuation of HRA Dwellings as at 1 April 2012

Dwelling Type	Vacant Possession £000	Existing Use Value for Social Housing (EUV-SH) £000
General Council Housing	1,903,373	704,248
Sheltered	15,367	15,367
Hill Court Homeless Accommodation	447	447
Shared Ownership Properties	207	207
Total	**1,919,394**	**720,269**

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

4. Housing Revenue Account Impairment & Revaluation Losses 2012/13

Impairment charges and revaluation losses on PPE of £43.2m (£62.4m in 2011/12) have been made to the HRA of which dwellings is £43.2m (£61.1m 2011/12) and other property £0.0m (£1.3m 2011/12). The in-year charge of £43.2m can be split between impairment losses recognised in the I&E Statement £25.1m, impairment reversals recognised in the I&E as a result of revaluation (£42.2m) and revaluation losses of £60.3m

5. Housing Revenue Account Subsidy Calculation

	2011/12 £000	Per Dwelling £	2012/13 £000	Per Dwelling £
Subsidy earning elements				
Notional management and maintenance allowance				
Management allowance	19,454	661.79	-	-
Maintenance allowance	34,155	1,162.01	-	-
	53,609	1,823.80	-	-
Capital charges	27,286		-	
Other reckonable expenditure (lease rentals)	1		-	
	80,896		-	
Deductions from entitlement:				
Notional rent income	(91,718)	(3,183.75)	-	-
Interest (mortgages)	(3)		-	
	(91,721)		-	
Housing element of HRA subsidy	(10,825)		-	
Major Repairs Allowance	19,435	661.21	-	-
Total	**8,610**		**-**	

Notes:

(i) The £66k shown in the HRA CIES relates to an over accrual of 2011/12 HRA Subsidy grant.

(ii) No HRA Subsidy can be claimed for 2012/13 following HRA Self Financing from 28 March 2012.

6. Housing Revenue Account Capital Expenditure & Financing

During the financial year total capital spending was £47.3m (£68.0m in 2011/12) split between houses £39.6m (£63.1m in 2011/12), land £0.3m (£0.4m in 2011/12) and other property £7.4m (£4.5m in 2011/12).The table below provides details of how this expenditure was financed:

	2011/12 £000	2012/13 £000
Major Repairs Reserve	35,883	29,352
Borrowing	5,607	4,682
Grants & Other Contributions	-	1,514
Usable Capital Receipts	1,797	403
Revenue Contributions	1,768	4,560
Earmarked Reserves	22,779	6,528
Capital Contributions	170	221
Total	**68,004**	**47,260**

7. Housing Revenue Account Capital Receipts

	2011/12 Gross Receipt £000	2012/13 Gross Receipt £000
Sale of Houses	(6,556)	(3,453)
Sale of Land	(1,286)	(1,387)
	(7,842)	(4,840)
Repayment of Advances	(4)	(5)
Total	**(7,846)**	**(4,845)**

The Local Government Act 2003 stipulates that income from the disposal of assets must be split into usable and reserved elements. The reserved element is paid over to the national pool £1.8m in 2012/13 (£1.1m in 2011/12) and the useable element can be used to fund capital expenditure. The government have revised the legislation in 2012/13. The effect of this is that they will set an assumed income level to go to the government and to be retained by the local authority. Any receipts over and above this forecast are retained to replace dwelling stock.

8. Item 8 Capital Asset Charges Adjustment

	2011/12 £000	2012/13 £000
Amount in respect of Interest	27,586	-
Less		
Capital Asset Charges	(1,126)	-
Total	**26,460**	**-**

The Item 8 adjustment does not apply in 2012/13 due to HRA Self Financing.

This amount comprises the Capital Asset Charges Accounting adjustment which is calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination 2012/13.

9. Housing Revenue Account Depreciation Charge

Asset Category	2011/12 £000	2012/13 £000
Operational Assets:		
Council Dwellings	19,435	24,352
Other Land & Buildings	268	280
Vehicles, Plant, Furniture & Equipment	3,813	4,709
	23,516	29,341
Non-Operational Assets:		
Surplus assets not held for sale	4	5
Total	**23,520**	**29,346**

10. Major Repairs Reserve

Local authorities are required to maintain a Major Repairs Reserve (MRR) with the main credit to the reserve being an amount equivalent to the total depreciation charges for all HRA assets. Under Item 8 of part 6 of the Local Government and Housing Act 1989 any difference between the depreciation credit to the reserve and the Major Repairs Allowance is transferred back to the HRA. Authorities are able to charge capital expenditure directly to the reserve, along with any voluntary set aside to repay debt. The movement on the MRR is shown below:

	2011/12 £000	2012/13 £000
Income		
Depreciation on Non Current Assets:		
Council Dwellings	(19,435)	(24,352)
Other Assets	(4,085)	(4,994)
	(23,520)	(29,346)
Appropriations transfer from the HRA	-	-
	(23,520)	(29,346)
Expenditure		
Depreciation on other Non Current Assets	4,085	-
Capital expenditure funded from the Reserve:		
Houses	34,980	27,915
Other Property	903	1,437
Vehicles, Plant & Equipment	-	-
	39,968	29,352
Deficit/(Surplus) for the year	16,448	6
Balance brought forward	(16,509)	(61)
Deficit/(Surplus) for the year	16,448	6
Balance carried forward	**(61)**	**(55)**

11. Housing Repairs Account

	2011/12 £000	2012/13 £000
Income		
Contributions from the Housing Revenue Account during year	(23,550)	(20,818)
Expenditure		
Financing of Housing Revenue Account repairs during the year	23,550	21,818
Deficit for the year	-	1,000
Balance brought forward	(1,000)	(1,000)
Deficit for the year	-	1,000
Balance carried forward	**(1,000)**	**-**

12. HRA contribution to Pension Reserve

The HRA share of contributions from the Pension Reserve was £0k (2011/12 £3,606) representing the excess of current service cost over pension contributions as a result of implementing International Financial Reporting Standard (IAS)19.

13. Housing Revenue Account Rent Arrears

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

	End of Financial Year	
	31 Mar 2012 £000	31 Mar 2013 £000
Rent collection arrears (including arrears of water rates)	7,200	6,698
Provision in respect of uncollectable rent arrears	6,014	5,852

	End of Rent Year	
	31 Mar 2012	31 Mar 2013
Breakdown of Rent Collection Arrears:	£000	£000
Current Tenants:		
Arrears on current tenancy (including arrears of water rates)	2,038	1,923
Arrears arising from former tenancies of current tenants	1	1
Housing Benefit overpayments to be recovered	365	302
Court Costs	311	270
	2,715	2,496
Former Tenant Arrears	4,827	4,202
Total	**7,542**	**6,698**

14. Housing Renewals Fund

	2011/12 £000	2012/13 £000
Income		
Charges to the Housing Revenue Account during year	(88)	(151)
Expenditure		
Financing of Housing Revenue Account computer equipment during year	162	73
(Surplus)/Deficit for the year	74	(78)
Balance brought forward	(486)	(412)
(Surplus)/Deficit for the year	74	(78)
Balance carried forward	**(412)**	**(490)**

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

The fund regenerates its balances by charging the HRA for funding computer equipment purchases over three year periods.

The charges to the HRA are significantly less than those charged for lease agreements, leases being the previous form of financing computer equipment purchases. In addition, the HRA will in future save the costs of either buying out leases at the end of their term, taking out secondary leases, or returning equipment back to the lessor in it's original condition at the end of the lease period.

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

The HRA made repayments of debt to the value of £4.2m (£3.9m in 2011/12) in relation to unsupported prudential borrowing undertaken by the HRA in 2012/13.

16. Your Homes Newcastle

Your Homes Newcastle was set up through Transfer of Undertakings (Protection of Employment) Regulations TUPE transfer of HRA employees to form an Arms Length Management Organisation on 1st April 2004. Your Homes Newcastle is paid through a management fee to carry out many of the activities previously carried out by HRA employees. The management fee payable to Your Homes Newcastle was £27.6m (£29.7m in 2011/12).

17. HRA Self Financing

For HRA Self Financing CLG repaid £293.7m of PWLB debt on 28 March 2012. In addition CLG paid £108.9m of premiums associated with repaid debt. These non cash transactions to the value of £402.6m are separately identified on the HRA Income and Expenditure Statement.

18. Transfer of Housing stock to the Byker Community Trust

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

19. Revenue Expenditure funded from Capital under Statute

Scheme to replace soffits in West Denton which, to retain the estate aesthetics included some non-HRA dwellings to a value of £40,237. There was no equivalent expenditure in 2012/13.

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Collection Fund

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

The costs of administering collection are accounted for in the General Fund. Collection Fund balances are consolidated in the Council's balance sheet.

Income and Expenditure Statement

2011/12 £000		Notes	2012/13 £000
	Income		
(89,607)	Income from Council Tax		(90,432)
(27,643)	Transfers from General Fund - Council Tax		(27,457)
(146,073)	Income collectable from Business Ratepayers		(140,836)
	Contribution towards previous year's Collection Fund deficit		
(330)	Transfer of Deficit to General Fund		(2,338)
(20)	Transfer of Deficit to the Police and Crime Commissioner for Northumbria		(144)
(18)	Transfer of Deficit to Tyne & Wear Fire & Civil Defence		(126)
(263,691)			(261,333)
	Expenditure		
	Precepts and demands:		
106,044	Newcastle City Council (including Parish Councils)		105,663
6,549	Police & Crime Commissioner for Northumbria		6,524
5,725	Tyne & Wear Fire and Civil Defence Authority		5,703
	Business Rates:		
145,621	Payments to National Pool	2	140,374
452	Costs of collection		461
	Bad and doubtful debts/ appeals:		
2,509	Write offs		2,130
1,269	Provisions		(849)
268,169			260,006
4,478	**Movement on Fund balance**		**(1,327)**

Change in Collection Fund Balances

2012/13 £000		Notes	2012/13 £000
1,224	Opening balance at 1st April		5,702
4,478	Deficit for the year		(1,327)
5,702	**Closing balance at 31st March**	3	**4,375**

Collection Fund

1. Council Tax

The 2012/13 Collection Fund account reflects the requirement for a billing authority to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR) and for any residual surplus or deficit arising from community charge transactions.

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

	2011/12	2012/13
Council Tax base	78,257	77,957
Council Tax (Band D) amount payable per property	1,511	1,511

Band	Proportion	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
		No of Properties		No of Band D Equivalent		Council Tax Charge	
						£	£
A	6 / 9	71,407	71,547	37,852	37,679	1,008	1,008
B	7 / 9	18,442	18,527	10,824	10,739	1,175	1,175
C	8 / 9	17,660	17,709	13,142	13,062	1,343	1,343
D	9	8,251	8,302	7,000	6,926	1,511	1,511
E	11 / 9	4,051	4,085	4,285	4,295	1,847	1,847
F	13 / 9	1,986	2,038	2,652	2,725	2,183	2,183
G	15 / 9	1,494	1,525	2,315	2,348	2,519	2,519
H	18 / 9	127	128	187	183	3,023	3,023
		123,418	123,861	78,257	77,957		

2. National Non-Domestic Rates (NNDR)

Non-domestic rates are organised on a national basis. Local businesses are required to pay, subject to transitional arrangement, an amount calculated by applying a sum specified by central government (expressed as a rate in the pound) to the rateable value of their property.

The Council is responsible for collecting and paying over this amount to the NNDR pool administered by central government. The government redistributes sums paid into the pool on the basis of a fixed amount per head of population.

	2011/12	2012/13	Change
Rate in the pound - standard business rate	0.433	0.458	0.025
Total non-domestic rateable value per NNDR system	388,947,669	383,314,112	(5,633,557)

3. Redistribution of Collection Fund Deficit

The deficit on the closing balance of the Collection Fund as at 31 March 2013 will be debited to the Council's General Fund and major precepting authorities respectively in future years.

	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
Collection Fund closing balances:				
- Council Tax	1,188	1,224	5,702	4,375

4. Collection Fund Balance

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

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

	2011/12	2012/13
	£000	£000
Newcastle City Council	5,110	3,921
Police and Crime Commissioner for Northumbria	316	242
Tyne and Wear Fire and Civil Defence Authority	276	212
	5,702	**4,375**

The deficit on the Collection Fund will be repaid by precepting bodies in 2013/14.

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Part 4: Accompanying Documents

Comprising:

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

Annual Governance Statement

Section 1: Scope of Responsibility

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

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

(i) The governance of our affairs; and
(ii) Facilitating the effective exercise of our functions, including arrangements for the management of risk.

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

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

In relation to (ii) the Council has put in place a system of internal control designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

a) Identify and prioritise the risks to the achievement of our policies, aims and objectives; and

b) Evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

Section 2: Purpose of the Governance Framework

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

The Governance Framework has been in place for the year ended 31 March 2013 and up to the date of approval of the Council's Annual Report and Accounts.

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

Section 3: The Governance Framework

The main features of our governance arrangements in force during 2012/13 are described in the Code. Intended outcomes are summarised below.

Core principle 1
Focusing on our priorities and outcomes for residents

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

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

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

Core principle 2
Members and officers have clearly defined roles & responsibilities

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

Core principle 3
We promote high standards of conduct and behaviour

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

Core principle 4
Transparent decision making subject to scrutiny and risk management

4.1 We review and update our standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals - these clearly define how decisions are taken and the processes and controls required to manage risks. We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer (Chief Legal Officer) advises on compliance with our policy framework, ensuring that decision making is lawful and fair. Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer (in 2012/13 the Director of Finance and Resources).

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

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

Core principle 5
Developing the capacity of members & officers to be effective

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

Core principle 6
Engaging with local people and stakeholders

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

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

Section 4: Annual Review of Effectiveness of Governance Framework

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

The review is informed by:

a) The views of our internal auditors, reported to Audit Committee though regular progress reports, and the Annual Internal Audit Opinion.

b) An annual review of the effectiveness of internal audit (as required by Regulation 6(3) of the Accounts and Audit Regulations 2011).

c) The views of our external auditors, regularly reported to Audit Committee though regular progress reports, the Annual Audit Letter and Annual Governance Report.

d) The independent views of regulatory agencies such as Ofsted and the Care Quality Commission.

e) The activities and operations of council directorates and significant partnerships through written assurance statements.

f) We have formal organisational relationships with Your Homes Newcastle and the Theatre Royal Trust and they play significant roles in delivery priority outcomes. The main features of their governance and internal control arrangements are assessed each year through written assurance statements. The statements have been considered as part of this review.

g) Any lessons learned through the Safeguarding Children's Board and Safeguarding Adults Board.

h) The views of Members through the ongoing activities of Standards Committee and Audit Committee (Audit Committee provides independent assurance on the effectiveness of the governance and internal control environment; Standards Committee ensures that effective arrangements are in place to maintain high standards of conduct and behaviour) and through the joint informal sub-group of these committees which assists with the annual review.

i) The Risk Management Process, particularly the Strategic Risk Register.

j) Progress made in addressing significant weaknesses and issues requiring significant improvement identified in previous annual governance statements.

Section 5: Significant Weaknesses in Governance and Internal Control in 2012/13

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated.

The review highlighted the following area of activity as a significant weakness in governance or internal control during 2012/13.

Demonstrating value for money in delivering regeneration outcomes

Summary

The 2011/12 review process concluded that the Council did not have in place a single high-level basket of outcome indicators and performance measures to monitor the delivery of priorities, including the impact of regeneration activity, which involves major investment programmes as well as large-scale community support work. Although there was a very wide range of performance information available and in use to monitor progress of individual aspects of regeneration, the various sets of data were not brought together to provide an overall picture of how regeneration work is benefitting the communities it is intended to serve, and whether value for money is being achieved.

During 2012/13, work has continued to develop an appropriate basket of indicators as part of the development of the Council Plan, and the draft outcome indicators have been used as part of the quarterly performance reports for the year. The existing quarterly performance report has been developed to bring reporting of performance, finance (both revenue and capital) and risk information together to enable a better appreciation of value for money. This work has been guided by a task and finish group of Cabinet members and key officers, led by the deputy Cabinet member responsible for resources and performance, which has been refreshing the council’s overall performance framework. The work has also been informed by a report from Deloitte, our external auditors, and by comments from Audit Committee.

The new Council Plan was approved by Cabinet on 26 June 2013; performance reporting will fully reflect the approved set of outcome indicators from the first quarter report for 2013/14.

Improvement Required

Following work undertaken in response to Deloitte's report, and the task and finish group, we have produced a single Council plan that sets out all of the key outcomes and the indicators that help measure progress towards these. The Chief Executive has made it clear she will hold individual officers to account against these outcomes, within a new structure that has greater focus on investment and the capital programme. The single Council plan and set of outcomes will be supported by individual but consistent service plans and by a council wide framework of project management and governance to oversee delivery. Officers have recently reviewed current project management arrangements and, while there are many strengths, some weaknesses remain and Directors Team will champion good practice personally to embed it and ensure accountability is exercised.

As well as completing the Council Plan itself, the new approach to performance management and accountability needs to be embedded alongside the new structure of the Council. For each service in the new structure, a specification profile ('Know your Service') will be developed that includes:

- The council priority to which the service makes an excellent contribution.
- The financial resources of the service, including both revenue and capital.
- Key performance measures of service volumes, costs, quality and impact, with comparator information where available.

This will allow each service to be clear on how it contributes to the achievement of priorities, how its contribution will be measured, and how it is expected to provide value for money. The specifications will also provide the basis for integrated delivery planning, bringing budget, investment and performance planning together, and then for staff appraisals. Performance reporting will also be structured around this new, integrated and consistent information.

2013/14 Actions

March - July 2013:

- Formally agreeing the ambitions and indicators and publishing the Council Plan at June 2013 Cabinet.

- Developing the Corporate Dashboard. We will use the new style of reporting for 2013/14 reports.

- Finalising the Planning and Delivery Timeline.

July 2013 - March 2014

- Developing Know your Service profiles. This is linked to the development of the new directorate structures and is being led by Directors.
- Use the performance and cost information from each Know your Service profile to inform early budget planning discussions.
- Report 2013/14 performance using the new Council Dashboard.
- Implement the Planning & Delivery Timeline, ensuring staff can work together and reporting timelines and forward plans are consistent and aligned.
- Create integrated Delivery Plans for each service area.
- Carry out staff appraisals.

Although these developments clearly apply to all services and all areas of activity, they will enable the Council to demonstrate much more clearly the delivery of regeneration and other outcomes at an acceptable level of value for money.

Responsible officer: Andrew Lewis, Assistant Chief Executive

The review also concluded that during 2012/13, improvements made to the Quality Assurance of the Annual Report and Accounts were such that the activity no longer represents a significant weakness in governance or internal control.

Section 6: Significant Improvements Needed to Governance and Internal Control

The review also identifies:

a) Activities that may need significant improvement but which do not constitute 'significant weaknesses' in our governance and internal control arrangements. These are set out in Appendix A and will be monitored as part of the next review.

b) Activities that have improved during the year and no longer represent significant improvements needed to our governance and internal control arrangements. For 2012/13 this was:

   Financial and Contract Management in Significant Partnerships.

Section 7: Conclusion

We consider the governance and internal control environment operating during 2012/13 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. As well as the weaknesses that have been identified, there are also a number of issues that require significant improvement as detailed in Appendix A.

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

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

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

Pat Ritchie	**Nick Forbes**	**Paul Woods**
Chief Executive	**Leader of the Council**	**Section 151 Officer**
Date:	**Date:**	**Date:**

Appendix A: Significant Improvements Needed to Governance and Internal

Governance and Internal Control Item	The area of activity and action required / taken
Information Governance	**Summary** Progress during 2012/13 as measured by the government's Information Assurance Maturity Model (IAMM) has been steady, and the Information Commissioner's Office has upgraded its assessment of our data protection arrangements from Limited Assurance to Reasonable Assurance. Internal Audit has provided some consultancy input to facilitate the initial assessment against the IAMM benchmark and subsequent progress updates, and have confirmed that good progress is being made. All mobile devices are now encrypted. Training for all staff via the Learning Management System has been refreshed and is being rolled out to all staff with access to a PC, and bespoke classroom training for key officers is being arranged. **Improvements Required** An assurance programme aimed at achieving level 2 (established) of the IAMM has been agreed by Directors' Team and a cross-directorate working group established to take it forward. We have been working on information governance elements of the transfer of public health responsibilities to the Council. Both of these areas of activity require continuing attention and operation for some time during 2013/14 before we can be sure that everything has been properly covered. **2013/14 Actions** • Completion of information asset registers (detailing the council's major information systems and data sets) and identification of information asset owners • Implementation of information classification (the relative sensitivity of each piece of information and communication) using the new government marking scheme when that is introduced • Implement required information handling procedures (such as secure storage and automated encryption) to support and take advantage of classification • Complete self assessment against level 2 of the NHS information governance toolkit and address any gaps in order to facilitate access to data needed for the council's public health responsibilities. Responsible officer: John Softly, Assistant Director Legal Services

Governance and Internal Control Item	The area of activity and action required / taken
Governance of Major Programmes and Projects	**Summary** Significant progress has continued to be made during 2012/13, with the electronic project management system and database live and electronic forms in active use. An e-learning training module has now been introduced, to build on the Programme and Project Management System toolkit available on the intranet. Programme Boards have been reviewed and reworked, particularly around the Working City agenda and the Accelerated Development Zone. **Improvements Required** The electronic system is still new to project managers and it is unlikely that any single project will have been taken right through the electronic process. As part of the restructure of the council, both governance responsibilities and personnel may change for programmes and projects. It is likely that some tiers of governance will change and this may affect established Programme Boards. We also need to build further on the more effective joint working between finance staff and project teams that has developed during 2012/13 to help ensure that major projects are able to achieve their intended outcomes within the available budgets. **2013/14 Actions** • Address any work required as a result of feedback on the operation of the electronic system. • Ensure new Directorate and Board governance arrangements are in place and operational, to reinforce the need for effective delivery. • Ensure the effective joint working between project teams and finance staff is further strengthened. Responsible officer: Alison Fellows, Assistant Director Capital Investment
Business Continuity, Planning and Testing	**Summary** Good progress was made during 2012/13 in documenting appropriate continuity arrangements for key services, and ensuring that these were supported by more detailed operational-level arrangements understood by the relevant officers. **Improvements Required** The current changes to the structure of the Council, and the programme of office moves to locate more staff in fewer buildings, means that further work will be required in 2013/14. The principles that were agreed for the

Governance and Internal Control Item	The area of activity and action required / taken
Business Continuity, Planning and Testing (continued)	Corporate Continuity Arrangements are still sound but the details of the arrangements need to be revisited and people's knowledge of the measures needs to be refreshed. The Head of Resilience Planning continues to work with colleagues from ICT on ways to bring IT Disaster Recovery and Business Continuity closer together. Recent Internal Audit work has identified areas where physical conditions within the Civic Centre's computer data centre do not meet best practice against industry standards and therefore will also be considered in the IT Disaster Recovery and Business Continuity work. **2013/14 Actions** • Ensure that Corporate Continuity Arrangements reflect the new structure of the council. • Ensure that IT Disaster Recovery and Business Continuity arrangements are consistent and properly connected. • Implement the actions from the Internal Audit work on the computer data centre and consider opportunities and risks related to other means of providing the facility e.g. sharing facilities with another body. Responsible officer: Helen Hinds, Resilience and Emergency Planning Manager
Workforce Planning	**Summary** The council's overall budget process has developed to include workforce planning and workforce learning and development planning frameworks and information. We have adopted a three-year view of new models of service and new ways of working, and have made sure through Integrated Impact Assessments and implementation plans that our workforce has the required capacity, shape and skills to operate effectively in the future. Implementation of these new operating models and the associated roles and responsibilities is now in progress. **Improvements Required** Significant changes to the Council's organisational and senior management structures are currently being implemented, and we are also reviewing and remodelling our planning and performance management framework. Workforce plans and the approach to workforce planning will need to be reviewed as part of these processes.

Governance and Internal Control Item	The area of activity and action required / taken
Workforce Planning (continued)	We are also putting in place strengthened training programmes to ensure that the council's managers have the necessary financial management skills. The new Investment and Development Directorate will gather together our commercial skillsets and focus them on priority activity. **2013/14 Actions** • Maintain workforce plans under review as budget proposals and the new management structure are implemented. • Ensure that workforce planning is properly integrated into the new performance framework, and thus into the detailed confirmation of the 2014/15 budget. • Carry out a skills audit to identify any gaps in or development requirements for financial management skills of managers; implement training and development programmes, which will take into account the work to transform financial management information systems, as required. Responsible officer: Pam Perry, Assistant Director Human Resources

Glossary

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

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

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

Glossary

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

Glossary

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

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

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External Audit Opinion

Independent Auditors' Report to Members of Newcastle City Council

Opinion on the Authority financial statements

We have audited the financial statements and related notes of Newcastle City Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 49, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the HRA Balance, and related notes 1 to 19, and the Collection Fund and related notes 1 to 4. 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 2012/13.

This report is made solely to the members of Newcastle City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources' Responsibilities, the Director of Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's 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 Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the annual 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 state of the financial position of Newcastle City Council as at 31 March 2013 and of its income and expenditure 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 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword and the content of the Annual 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the Auditor

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

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

We report if significant matters have come to our attention which prevent us from concluding that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

External Audit Opinion

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Newcastle City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Delay in certification of completion of the audit

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

David Wilkinson FCA CF (Engagement Lead)
for and on behalf of Deloitte LLP
Appointed Auditor

Newcastle, United Kingdom

Date: 27 September 2013