widening horizons

Statement of Accounts 2011/12

North Tyneside Council

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Explanatory Foreword of the Chief Finance Officer

1 Introduction

A published and audited Statement of Accounts is at the heart of ensuring proper accountability for the use of local and national taxpayers money. However, we recognise that the Council's Accounts can only tell part of the story. The Council also needs to demonstrate that it is aiming to operate to the highest standards of conduct in accordance with the principles of corporate governance and has a robust system of internal control in place. The Accounts bring together our financial position with a summary of our governance arrangements in our Annual Governance Statement (page 133).

This Statement of Accounts details the Council's financial position for the financial year 1 April 2011 to 31 March 2012. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom'. The Code of Practice constitutes "proper accounting practice" under the terms of the Accounts and Audit (England) Regulations 2011, the Local Government and Housing Act 1989 and, for audit, the Audit Commission Act 1998.

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

The Accounting Statements:

The Council's accounts for the year 2011/12 consist of:

2 Summary of the 2011/12 Financial Year

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

General Fund

At its meeting of 3 March 2011, Council approved a total General Fund Revenue Budget of £175.768m for the financial year 2011/12.

The Dedicated Schools Grant (DSG) received for 2011/12 was £131.371m for North Tyneside (original estimate budget was £131.956m). The increase in DSG from 2010/11 is a consequence of the fact that funds previously issued through the Standards Fund Programme (in 2010/11) were amalgamated into the DSG for 2011/12.

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

2010/11 Actual Outturn £000s		2011/12 Actual Outturn £000s	2011/12 Budget £000s	
275,034	Expenditure on all Services	296,142	295,494	
13,210	Levies	13,496	13,496	
558	Interest payable, interest income and capital financing costs	620	1,616	
(3,661)	Transfers to (from) reserves	(2,817)	(2,882)	
285,141		307,441	307,724	
(11,147)	Revenue Support Grant	(21,380)	(21,380)	
(111,364)	Dedicated Schools Grant	(131,371)	(131,956)	
(84,602)	Council Tax Collection Fund Receipts	(85,191)	(85,191)	
(76,762)	National Non Domestic Rates	(69,168)	(69,168)	
(92)	Transfer from Collection Fund	(29)	(29)	
(283,967)		(307,139)	(307,724)	*
1,174	Addition to (use of) Balances	302	0	
11,854	Balances brought forward	13,028	13,028	
13,028	Balances carried forward	13,330	13,028	

*This figure is the approved General Fund Budget of £175.768m and the Dedicated Schools Budget of £131.956m.

The Local Government Act 2003 imposes a duty on the Council to monitor its budget during the year and to consider what action to take if a potential deterioration in its financial position is identified. In North Tyneside this requirement is met by monthly budget monitoring in Services and bi-monthly monitoring reports to Cabinet. The "Amounts Reported for Resource Allocation Decisions" (Note 3 page 30) is a statement that reconciles the year end outturn report to Cabinet with the Cost of Services included in the Comprehensive Income & Expenditure Statement.

The budget monitoring and management process was effective in the year and allowed all issues arising to be addressed. Overall the Council recorded a small underspend against the budget, although there were variations between and within directorates. Further details on the variations in the budgets at the year end were reported to Cabinet on 11 June 2012.

Comprehensive Income & Expenditure Statement

The Cost of Services line in the Comprehensive Income & Expenditure Statement represents the net expenditure incurred by the Council in the direct provision of Services (page 15). The net expenditure of £304.663m (£247.473m 2010/11) is an increase of £57.190m on the previous year. The main reason for this apparent increase is the inclusion in the 2010/11 accounts of the net credit to expenditure of £93.887m in respect of change in the method of valuation of the pension fund.

In terms of income, Taxation and Non-specific Grant Income fell by £11.133m in total. This fall is mainly due to a reduction in National Non Domestic Rates element of Formula Grant.

Balance Sheet

The Balance sheet is set out on page 18. Overall, the Council's net assets have fallen by £265.010m resulting in a net liability of £83.108m. This has arisen largely as a result of two items. Firstly, additional debt (£128.193m) is now included on the Council's Balance Sheet due to the HRA Self Financing legislation under the Localism Act 2011 as referred to in Section 3 – Overview and Outlook. Secondly, the pensions deficit, based on the latest actuarial estimate has increased by £100.040m.

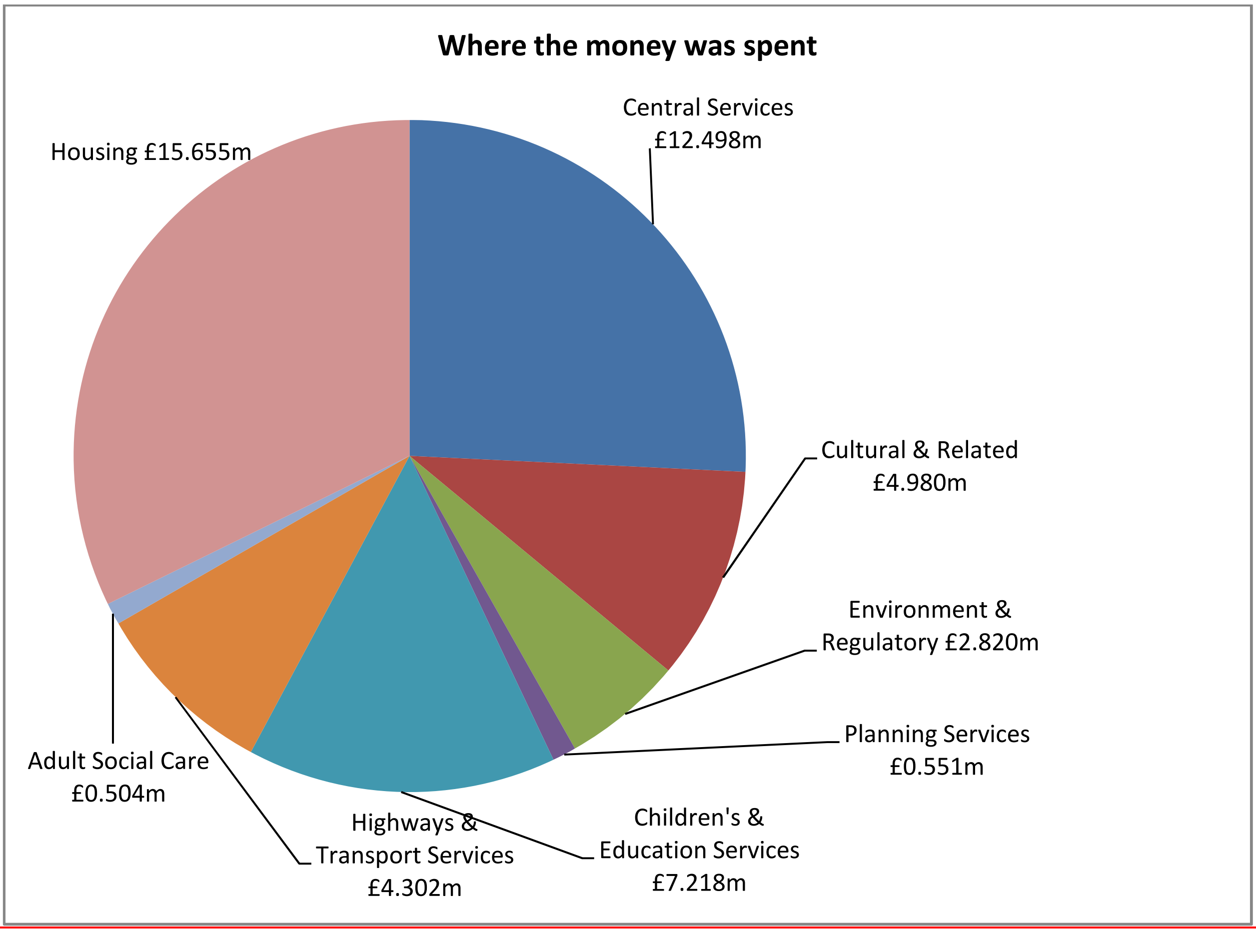
Housing Revenue Account

On 3 February 2011 the Council approved the Housing Revenue Account (HRA) budget which included average rent increases of 8.12% and expenditure of £50.882m, after a transfer from balances of £0.549m.

The detailed HRA outturn for 2011/12 was reported to Cabinet on 11 June 2012 and showed that a final contribution to working balances was £0.843m higher than the original budget.

Capital Expenditure

Capital expenditure in 2011/12 totalled £176.721m. This amount includes £48.528m on capital projects (£83.817m 2010/11) and £128.193m in respect of Self Financing of the HRA from 2012/13 as referred to in Section 3 – Overview and Outlook.



Major schemes within the 2011/12 plan included:

	£000s
HRA Schemes	13,660
Equal Pay, Pensions back-funding and Redundancy Costs	8,761
Education and Schools	7,218
Local Transport Plan	3,107

The sources of finance used to fund the capital expenditure are set out in Note 19 on Page 69.

Borrowing Facilities

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

The Council set its Authorised Limit for external debt for 2011/12 at £735.733m (£693.279m 2010/11) and its Operational Boundary for external debt at £430.983m (£428.529m 2010/11). All transactions were carried out within the Authorised Limit boundaries during 2011/12, however as a result of the HRA Self Financing transaction of £128.193m the Operational Boundary limit was exceeded during the period of 28 March 2012 to 31 March 2012. As shown in the Balance Sheet, the total short and long term liabilities for borrowing and finance lease balances (including Private Finance Initiative (PFI) are £504.617m (£391.789m 2010/11).

3 Overview and Outlook

The Council's budget monitoring and management systems are an integral part of its planning process. During 2011/12, financial pressures that were identified as part of the budget monitoring process were addressed in year and Council spend was brought in on target. Those pressures identified that had implications beyond 2011/12, such as energy and demand led pressures, were brought into the Council Plan and budget setting process for 2012/13 and the following years.

2012/13

On 1 March 2012, the Council set its General Fund revenue budget for 2012/13 and the ten-year capital plan covering 2012- 2022. The General Fund net revenue budget for 2012/13, (excluding schools), is £169.974m, a reduction of £5.794m. The reduction in net budget includes the Change, Efficiency and Improvement Programme target of £16.739m.

The HRA budget for 2012/13, was approved by Council on 15 February 2012. This included an average increase in housing rents of 9.00% in line with the guideline rent increases figures set out in the 2012/13 Housing Revenue Account Subsidy determination. The HRA budget for 2012/13 incorporates expenditure of £59.510m which is financed by a combination of rent and service charges, with a contribution from balances of £2.158m. 2012/13 will see a landmark change for the HRA following the abolition of the HRA Subsidy system at the end of 2011/12. The Council will keep all rents raised locally and will no longer have to pay over sums to Central Government.

The Dedicated Schools Grant (DSG) for North Tyneside for 2012/13 is budgeted to be £133.423m, an increase of £1.467m from 2010/11. Since setting this budget it should be noted that following conversion of one of our secondary schools to academy status in 2011, the DSG is now estimated as £127.745m for 2012/13. This because academies are funded directly from the Education Funding Agency and not through the DSG.

In relation to capital investment, expenditure of £43.734m was approved (including Housing) and total expenditure of £346.186m is currently projected over the lifetime of the 10 year period of the plan (2012-2022).

Risks and challenges moving forward

The Council faces a number of risks moving forward. These are reflected in the level of reserves that have been set aside to meet the challenging financial circumstances being faced by local authorities over the next three years.

These include:

- Partnership working and shared services –as the Council starts to place greater reliance on working with our partners to deliver essential services, there is a need to ensure that the partners are in a position to fulfil their responsibilities;

- Regeneration and Economic Growth – there is a risk that North Tyneside may suffer from a lack of investment impacting on jobs, skills and the ability to stimulate economic growth;

- Income generation – the uncertainty around the speed of recovery from the current economic climate and any impact that that may have on external income;
- Inflation – inflation remains an area of risk for the Council;
- Land and property values – these remain an area of concern due to the consequential pressure on the ability to generate capital receipts;
- Demand-led pressures – certain services are facing sustained pressure from increasing volumes and complexities of support requirements;
- Pension Fund – the outcome of the 2010 valuation did give a reduction in the employers contribution rate, although risks remain around the pension fund liabilities beyond the period of the valuation (from 2013 onwards);
- Treasury Management – uncertainties regarding the timing and level of increases to the bank rate and the consequential impact on short and medium-term borrowing and lending;
- Housing Revenue Account Self Financing – there will be more direct exposure to fluctuations in interest rates following the 'buy out' from the National Housing Subsidy System; and,
- Savings Targets – the delivery of efficiency savings, to allow the front line services to be protected as far as possible, has been a feature in the Council's budget plans for many years. Financial plans for future years are no different, with a challenging remit to deliver savings. Failure to meet these targets would place significant pressure on the Council's finances to balance its budget and continue to deliver excellent services.

The Council continues to work to mitigate these risks and has an ambitious Change, Efficiency and Improvement programme in place to help fund these potential risks whilst at the same time improving service delivery and the customer experience.

FIONA ROONEY
CHIEF FINANCE OFFICER
Date: 27 September 2012

Cabinet as at 30 June 2012

Member	Portfolio
1. Mrs L Arkley	Elected Mayor
2. Councillor J Wallace	Finance
3. Councillor P Mason	Housing
4. Councillor D Lilly	Children, Young People & Learning
5. Councillor L Miller	Public Health and Adult Social Care
6. Councillor G Westwater	Community & Regulatory Services
7. Councillor E Hodson	Transport & the Environment

General Statistics

2010/11		2011/12
	Area and Population	
20,372	Area of Borough (acres)	20,372
197,300	Population (Register General Mid Year Estimates)	198,500
9.68	Persons per Acre	9.74
63,703	Relevant Number of Properties (Band D Equivalent)	64,147
	Rateable Value	
£149,591,142	Non Domestic Rateable Value at Year End	£149,532,952
	Rates:	
	National Non Domestic Rate (Per Pound of Rateable Value)	
41.4p	Standard Rates Multiplier	43.3p
40.7p	Small Business Multiplier	42.6p
	Council Tax	
£1,484.90	Council Tax for Band D Property	£1,484.90
	Loan Debt at Year End:	
£321,307,474	Net loan debt for which Council is responsible	£444,510,969
£1,628.52	Net loan debt per head of population	£2,239.35
	Number of Schools in the Borough	
1	Nursery	1
8	First	8
37	Primary	35
4	Middle	4
2	High	1
1	Special	0
24	Trust	27
	Number of Council Houses:	
19	Bedsits	19
2,314	Low rise flats	2,311
1,276	Medium rise flats	1,272
128	Maisonettes	127
1,785	Bungalows	1,785
9,075	Houses	9,056
925	Sheltered Accommodation	926
15,522		15,496

Independent Auditor's Report

Opinion on the Council's financial statements

I have audited the financial statements of North Tyneside Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of North Tyneside Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Strategic Director of Finance and Resources and auditor

As explained more fully in the Statement of the Strategic Director of Finance and Resource's Responsibilities, the Strategic Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My 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 me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of North Tyneside Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:
- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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

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

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Council has proper arrangements for:
- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, North Tyneside Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of North Tyneside Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Steve Nicklin
District Auditor

Audit Commission
Nickalls House
Metro Centre
Gateshead
Tyne and Wear
NE11 9NH

27 September 2012

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

Signed:

Chair of Council
Date: 27 September 2012

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also ensured that:

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

I certify that the Statement of Accounts for the year ended 31 March 2012, required by the Accounts and Audit (England) Regulations 2011 are set out in the following pages and that they give a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2012.

Signed:

Fiona Rooney
Chief Finance Officer
Date: 27 September 2012

Comprehensive Income and Expenditure Statement for the year ended 31 March 2012

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

2010/11				2011/12		
Gross Exp £000s	Gross Inc £000s	Net Exp £000s		Gross Exp £000s	Gross Inc £000s	Net Exp £000s
20,818	(19,825)	993	Central Services to the Public	20,713	(20,113)	600
28,128	(8,609)	19,519	Cultural & Related	26,137	(8,491)	17,646
34,370	(4,425)	29,945	Environmental & Regulatory	31,283	(3,752)	27,531
25,145	(22,783)	2,362	Planning Services	14,397	(10,497)	3,900
245,906	(203,148)	42,758	Children's & Education Services	224,851	(184,065)	40,786
9,156	(5,285)	3,871	Highways & Transport Services	8,942	(5,053)	3,889
60,516	(49,896)	10,620	Local Authority Housing (HRA)	56,760	(53,652)	3,108
148,585	0	148,585	Exceptional Item HRA*	128,193	0	128,193
72,937	(71,035)	1,902	Other Housing Services	76,020	(74,298)	1,722
96,572	(31,533)	65,039	Adult Social Care	97,019	(34,838)	62,181
6,987	(1,182)	5,805	Corporate & Democratic Core	6,606	(1,270)	5,336
9,961	0	9,961	Non Distributed Costs (NDC)	9,771	0	9,771
(93,887)	0	(93,887)	Exceptional Item NDC	0	0	0
665,194	**(417,721)**	**247,473**	**Cost of Services**	**700,692**	**(396,029)**	**304,663**
135,942	0	135,942	Other Operating Expenditure (Note 8)	28,694	0	28,694
29,210	(375)	28,835	Financing and Investment Income and Expenditure (Note 9)	26,213	(403)	25,810
0	(203,345)	(203,345)	Taxation and Non-Specific Grant Income (Note 10)	0	(192,212)	(192,212)
830,346	**(621,441)**	**208,905**	**Deficit on Provision of Services**	**755,599**	**(588,644)**	**166,955**
		(18,050)	(Surplus) on Revaluation of Non-Current Assets			(6,325)
		0	Deficit on Revaluation of Available for Sale Financial Assets			0
		14,370	Actuarial Losses on Pension Assets / Liabilities			104,380
		(3,680)	**Other Comprehensive Income and Expenditure**			**98,055**
		205,225	**Total Comprehensive Income and Expenditure**			**265,010**

*See Note 49 for more details

Movement in Reserves Statement

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

	General Fund Balances £000s	Earmarked Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Total Useable Reserves £000s	Unuseable Reserves *Note 37 £000s	Total Council Reserves £000s
Balance 1 April 2011	**(13,028)**	**(26,153)**	**(4,005)**	**(4,890)**	**0**	**(4,295)**	**(52,371)**	**(129,531)**	**(181,902)**
<u>Movement in Reserves during 2011/12</u>									
(Surplus)/deficit on the provision of Service	26,985	0	139,970	0	0	0	166,955	0	166,955
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	98,055	98,055
Total Comprehensive Income & Expenditure	26,985	0	139,970	0	0	0	166,955	98,055	265,010
Adjustments between accounting basis & funding basis under regulations (Note 2)	(23,497)	0	(140,615)	680	0	(4,816)	(168,248)	168,248	0
Net (increase)/decrease before transfers to earmarked reserves	3,488	0	(645)	680	0	(4,816)	(1,293)	266,303	265,010
Transfers to/(from) earmarked reserves (Note 36)	(3,790)	2,817	351	0	0	622	0	0	0
(Increase)/decrease in 2011/12 (Note 36)	(302)	2,817	(294)	680	0	(4,194)	(1,293)	266,303	265,010
Balance at 31 March 2012	**(13,330)**	**(23,336)**	**(4,299)**	**(4,210)**	**0**	**(8,489)**	**(53,664)**	**136,772**	**83,108**

	General Fund Balances £000s	Earmarked Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Total Useable Reserves £000s	Unuseable Reserves *Note 37 £000s	Total Council Reserves £000s
Balance 1 April 2010	**(11,854)**	**(22,493)**	**(2,940)**	**(4,193)**	**0**	**(2,179)**	**(43,659)**	**(343,468)**	**(387,127)**
<u>Movement in Reserves during 2010/11</u>									
(Surplus)/deficit on the provision of Service	41,062	0	167,843	0	0	0	208,905	0	208,905
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	(3,680)	(3,680)
Total Comprehensive Income & Expenditure	41,062	0	167,843	0	0	0	208,905	(3,680)	205,225
Adjustments between accounting basis & funding basis under regulations (Note 2)	(45,896)	0	(168,908)	(697)	0	(2,116)	(217,617)	217,617	0
Net (increase)/decrease before transfers to earmarked reserves	(4,834)	0	(1,065)	(697)	0	(2,116)	(8,712)	213,937	205,225
Transfers to/(from) earmarked reserves (Note 36)	3,660	(3,660)	0	0	0	0	0	0	0
(Increase)/decrease in 2010/11 (Note 36)	(1,174)	(3,660)	(1,065)	(697)	0	(2,116)	(8,712)	213,937	205,225
Balance at 31 March 2011	**(13,028)**	**(26,153)**	**(4,005)**	**(4,890)**	**0**	**(4,295)**	**(52,371)**	**(129,531)**	**(181,902)**

Balance Sheet as at 31 March 2012

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

Restated 1 April 2010 £000s	Restated 31 March 2011 £000s		Notes	31 March 2012 £000s
1,163,321	905,576	Property, Plant & Equipment	17	871,995
746	721	Heritage Assets	18	791
1,549	1,505	Investment Property	21	1,697
916	1,040	Intangible Assets	22	987
520	520	Long Term Investments	23	520
1,592	1,209	Long Term Debtors	24	894
1,168,644	**910,571**	**Long Term Assets**		**876,884**
240	230	Short Term Investments	43	218
4,430	3,532	Assets Held for Sale	25	1,106
588	593	Inventories	26	679
39,645	36,243	Short Term Debtors	27	28,262
24,683	10,835	Cash & Cash Equivalents	28	3,226
69,586	**51,433**	**Current Assets**		**33,491**
(50,582)	(51,995)	Short Term Borrowing	29	(48,804)
(54,151)	(39,382)	Short Term Creditors	30	(38,234)
(2,167)	(2,031)	Finance & PFI Lease Creditors	6,16	(2,054)
(13,729)	(10,693)	Provisions	31	(17,008)
(116)	(416)	Other Short Term Liabilities	34	(404)
(120,745)	**(104,517)**	**Current Liabilities**		**(106,504)**
(50,354)	(49,295)	Finance & PFI Lease Creditors	6,16	(47,242)
(3,799)	(2,900)	Provisions	31	(3,327)
(264,750)	(284,750)	Long Term Borrowing	32	(402,943)
(3,440)	(3,302)	Other Long Term Liabilities	34	(3,170)
(87)	(3,369)	Other Long Term Creditors	33	(4,681)
(403,385)	(324,170)	Pension Liability	7	(424,210)
(4,543)	(7,799)	Capital Grants Receipts in Advance	11	(1,406)
(730,358)	**(675,585)**	**Long Term Liabilities**		**(886,979)**
387,127	**181,902**	**Net Assets/(Liabilities)**		**(83,108)**
(43,659)	(52,371)	Useable Reserves	35	(53,664)
(343,468)	(129,531)	Unuseable Reserves	37	136,772
(387,127)	**(181,902)**	**Total Reserves**		**83,108**

Cash Flow Statement for year ended 31 March 2012

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

2010/11 £000s		Notes	2011/12 £000s
(208,905)	Net surplus/ (deficit) on the provision of services		(166,955)
236,251	Adjustments to net surplus or deficit on the provision of services for non cash movements	45	78,022
(24,661)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	45	(26,672)
2,685	**Net Cash Flows from Operating Activities**		**(115,605)**
(34,900)	Net Cash flow from Investing Activities	47	(10,812)
18,367	Net Cash flow from Financing Activities	48	118,808
(13,848)	**Net Increase or (decrease) in cash and cash equivalents**		**(7,609)**
24,683	Cash and cash equivalents at the beginning of the reporting period	28	10,835
10,835	**Cash and cash equivalents at the end of the reporting period**		**3,226**

Chief Finance Officer's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2012, required by the Accounts and Audit (England) Regulations 2011 are set out in the following pages and that they give a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2012.

Signed: Fiona Rooney

Chief Finance Officer

Date: 27 September 2012

Index to Notes to the Core Financial Statements

1 Prior Period Adjustments

Adjustments have been made to the 2010/11 financial statements to take account of changes in accounting policies as per The Code (2011/12) in respect of Heritage Assets. The adjustments below highlight the individual lines that have changed within the 2010/11 Accounts.

Extracts from the Balance Sheet 2010/11

31 March 2010 (Published) £000s	**31 March 2010 (Restated) £000s**		**31 March 2011 (Published) £000s**	**31 March 2011 (Restated) £000s**
1,164,067	1,163,321	Property, Plant & Equipment	906,297	905,576
	746	Heritage Assets		721

Adjustments have also been made as a result of the above change to the Property, Plant & Equipment Note (Note 17) within the 2010/11 Accounts. The adjustments below highlight the individual lines that have changed within the 2010/11 Accounts, together with the relevant totals, although it should be noted that the sub-totals do not add up to the individual tables as unaffected lines are not included.

Extracts from the Property, Plant and Equipment Note

	2010/11 Published Figures				2010/11 Restated Figures		
	Other Land & Buildings	Community Assets	Total Property, Plant & Equipment	Adjustments for Heritage Assets	Other Land & Buildings	Community Assets	Total Property, Plant & Equipment
Cost or Valuation							
1 April 2010	388,606	1,656	1,232,123	(911)	388,549	802	1,231,212
Additions	10,572	0	59,858	(4)	10,568	0	59,854
31 March 2011	**294,596**	**1,656**	**993,978**	**(915)**	**294,535**	**802**	**993,063**
Accumulated Depreciation and Impairment							
1 April 2010	(19,503)	(324)	(68,056)	164	(19,503)	(160)	(67,892)
Depreciation Charge	(9,932)	(33)	(30,158)	26	(9,923)	(16)	(30,132)
(Impairment Losses)/Reversals recognised in the Surplus/Deficit on the Provision of Service	(1,059)	0	(24,345)	4	(1,055)	0	(24,341)
31 March 2011	**(16,615)**	**(357)**	**(87,681)**	**194**	**(16,602)**	**(176)**	**(87,487)**

2 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income & Expenditure figure recognised by the 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.

	Useable Reserves					
2011/12 Adjustments	**General Fund Balances £000s**	**Housing Revenue Account £000s**	**Capital Receipts Reserve £000s**	**Major Repairs Reserve £000s**	**Capital Grants Unapplied £000s**	**Movement in Unuseable Reserves £000s**
Charges for depreciation and impairment of non current assets	(18,339)	(15,999)	0	0	0	34,338
Revaluation losses on Property, Plant & Equipment	(7,681)	(10,080)	0	0	0	17,761
Movements in the Market Value of Investment Property	140	0	0	0	0	(140)
Amortisation of intangible assets	(440)	0	0	0	0	440
Capital Grants and contributions applied	7,070	72	0	0	0	(7,142)
Revenue Expenditure funded from Capital under Statute	(4,421)	(169)	0	0	0	4,590
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(19,604)	(1,007)	0	0	0	20,611
Statutory/Voluntary provision for the financing of capital investment	11,903	1,678	0	0	0	(13,581)
Capital expenditure charged against the General Fund and HRA Balances	13	1,412	0	0	0	(1,425)
HRA Self Financing	0	(128,193)	0	0	0	128,193
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	6,945	0	0	0	(6,945)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	2,128	(2,128)

2011/12 Adjustments (contd)	**Useable Reserves** General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	**Movement in Unuseable Reserves £000s**
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	4,386	2,119	(6,505)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	6,093	0	0	(6,093)
Contributions from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(1,092)	0	1,092	0	0	0
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(305)	0	0	0	0	305
Reversal of Major Repairs Allowance credited to the HRA	0	10,026	0	(10,026)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	10,026	0	(10,026)
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(130)	13	0	0	0	117
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note7)	(24,374)	(316)	0	0	0	24,690
Employer's pensions contributions and direct payments to pensioners payable in the year	29,030	0	0	0	0	(29,030)

<u>2011/12 Adjustments (contd)</u>

	Useable Reserves					
	General Fund Balances £000s	**Housing Revenue Account £000s**	**Capital Receipts Reserve £000s**	**Major Repairs Reserve £000s**	**Capital Grants Unapplied £000s**	**Movement in Unuseable Reserves £000s**
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(92)	0	0	0	0	92
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income & Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(5,360)	(192)	0	0	0	5,552
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements	(1,146)	22	0	0	0	1,124
TOTAL ADJUSTMENTS	**(23,497)**	**(140,615)**	**680**	**0**	**(4,816)**	**(168,248)**

2010/11 Adjustments	Useable Reserves General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Movement in Unuseable Reserves £000s
Charges for depreciation and impairment of non current assets	(22,098)	(32,708)	0	0	0	54,806
Revaluation losses on Property, Plant & Equipment	(4,732)	(148,585)	0	0	0	153,317
Movements in the Market Value of Investment Property	17	0	0	0	0	(17)
Amortisation of intangible assets	(417)	0	0	0	0	417
Capital Grants and contributions applied	9,495	102	0	0	0	(9,597)
Revenue Expenditure funded from Capital under Statute	(9,492)	(157)	0	0	0	9,649
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(127,830)	(779)	0	0	0	128,609
Statutory provision for the financing of capital investment	10,960	0	0	0	0	(10,960)
Capital expenditure charged against the General Fund and HRA Balances	0	1,835	0	0	0	(1,835)
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	4,295	0	0	0	(4,295)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	2,179	(2,179)

2010/11 Adjustments (contd)

	Useable Reserves					
	General Fund Balances £000s	**Housing Revenue Account £000s**	**Capital Receipts Reserve £000s**	**Major Repairs Reserve £000s**	**Capital Grants Unapplied £000s**	**Movement in Unuseable Reserves £000s**
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	5,417	1,718	(7,135)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	5,484	0	0	(5,484)
Contributions from the Capital Receipts Reserve to finance the payments to the government capital receipts pool	(954)	0	954	0	0	0
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(303)	(4)	0	0	0	307
Reversal of Major Repairs Allowance credited to the HRA	0	10,197	0	(10,197)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	10,197	0	(10,197)
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(165)	34	0	0	0	131
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 7)	64,052	(515)	0	0	0	(63,537)
Employer's pensions contributions and direct payments to pensioners payable in the year	30,048	0	0	0	0	(30,048)

2010/11 Adjustments (contd)	**Useable Reserves** General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	**Movement in Unuseable Reserves £000s**
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(39)	0	0	0	0	39
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income & Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(5,204)	(84)	0	0	0	5,288
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements	1,054	38	0	0	0	(1,092)
TOTAL ADJUSTMENTS	**(45,896)**	**(168,908)**	**(697)**	**0**	**(2,116)**	**217,617**

3 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); and
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.

2011/12	**Children, Young People & Learning £000s**	**Community Services £000s**	**Finance & Resources £000s**	**Chief Executive's Office £000s**	**Corporate Items £000s**	**Total General Fund £000s**	**Housing Revenue Account £000s**	**Total Services £000s**
Fees and Charges	(15,969)	(16,610)	(4,530)	(7,778)	(1,868)	(46,755)	(52,102)	(98,857)
Government Grants & Contributions	(181,476)	(31,064)	(90,038)	(5,195)	(5,325)	(313,098)	(1,619)	(314,717)
Support Services	(9,315)	(10,424)	(21,178)	(12,530)	(1,401)	(54,848)	0	(54,848)
Interest & Investment Income	0	0	0	0	(7,330)	(7,330)	0	(7,330)
Total Income	**(206,760)**	**(58,098)**	**(115,746)**	**(25,503)**	**(15,924)**	**(422,031)**	**(53,721)**	**(475,752)**
Employees	144,875	46,864	11,161	15,094	15,729	233,723	7,623	241,346
Other Service Expenses	74,760	93,250	97,855	16,526	(4,634)	277,757	23,149	300,906
Support Services	16,631	9,455	4,476	6,212	6,042	42,816	2,700	45,516
Depreciation, amortisation & impairment	14,331	4,900	6,166	3,110	(18,674)	9,833	26,248	36,081
Interest Payments	0	0	0	0	20,173	20,173	0	20,173
Levies	0	0	0	0	13,496	13,496	0	13,496
Total Operating Expenditure	**250,597**	**154,469**	**119,658**	**40,942**	**32,132**	**597,798**	**59,720**	**657,518**
Net Expenditure	**43,837**	**96,371**	**3,912**	**15,439**	**16,208**	**175,767**	**5,999**	**181,766**

2010/11	Children, Young People & Learning £000s	Community Services £000s	Finance & Resources £000s	Chief Executive's Office £000s	Corporate Items £000s	Total General Fund £000s	Housing Revenue Account £000s	Total Services £000s
Fees and Charges	(16,492)	(14,318)	(4,103)	(7,377)	(1,647)	(43,937)	(47,890)	(91,827)
Government Grants & Contributions	(192,543)	(29,029)	(86,331)	(4,424)	(22,140)	(334,467)	2,237	(332,230)
Support Services	(29,591)	(12,674)	(21,910)	(16,048)	(1,298)	(81,521)	(2,455)	(83,976)
Interest & Investment Income	0	0	0	0	(7,066)	(7,066)	6,775	(291)
Total Income	**(238,626)**	**(56,021)**	**(112,344)**	**(27,849)**	**(32,151)**	**(466,991)**	**(41,333)**	**(508,324)**
Employees	150,144	50,953	11,924	17,408	10,192	240,621	8,459	249,080
Other Service Expenses	107,710	97,187	94,787	14,213	(2,046)	311,851	16,247	328,098
Support Services	15,940	10,596	4,375	7,167	6,381	44,459	3,530	47,989
Depreciation, amortisation & impairment	13,846	5,811	10,123	6,137	(26,918)	8,999	12,032	21,031
Interest Payments	0	0	2	0	20,452	20,454	0	20,454
Levies	0	0	0	0	13,210	13,210	0	13,210
Total Operating Expenditure	**287,640**	**164,547**	**121,211**	**44,925**	**21,271**	**639,594**	**40,268**	**679,862**
Net Expenditure	**49,014**	**108,526**	**8,867**	**17,076**	**(10,880)**	**172,603**	**(1,065)**	**171,538**

Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement

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

2010/11 £000s		2011/12 £000s
171,538	Net expenditure in Service analysis	181,766
59,006	Adjustments made in respect of statutory accounting policies, not included within Cabinet report	111,486
16,929	Amounts excluded from the Cost of Services within the Comprehensive Income and Expenditure Statement	11,411
247,473	**Cost of Services in Comprehensive Income and Expenditure Statement**	**304,663**

Reconciliation to Subjective Analysis

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

2011/12

	Service Analysis £000s	Statutory Accounting Adjustments £000s	Amounts not included in the Cost of Services £000s	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges	(98,857)	7,047	15,735	(76,075)	0	(76,075)
Government Grants & Contributions	(314,717)	(8,297)	7,091	(315,923)	(37,917)	(353,840)
Support Services	(54,848)	0	50,817	(4,031)	0	(4,031)
Interest and Investment Income	(7,330)	0	7,330	0	(403)	(403)
Income from Council Tax/NNDR	0	0	0	0	(154,295)	(154,295)
Total Income	**(475,752)**	**(1,250)**	**80,973**	**(396,029)**	**(192,615)**	**(588,644)**
Employee Expenses	241,346	1,124	0	242,470	0	242,470
Other Service Expenses	300,906	(6,021)	(49,084)	245,801	0	245,801
Support Services Recharges	45,516	0	(12,174)	33,342	0	33,342
Depreciation, amortisation and impairment	36,081	0	25,365	61,446	0	61,446
HRA Self Financing	0	128,193	0	128,193	0	128,193
Interest Payments	20,173	0	(20,173)	0	19,993	19,993
Precepts & Levies	13,496	0	(13,496)	0	13,496	13,496
Payments to Housing Capital Receipts Pool	0	0	0	0	1,092	1,092
Gain or loss on Disposal of Fixed Assets	0	0	0	0	14,106	14,106
IAS19 Pension Costs	0	(10,560)	0	(10,560)	6,220	(4,340)
Total Operating Expenses	**657,518**	**112,736**	**(69,562)**	**700,692**	**54,907**	**755,599**
(Surplus) or deficit on the provision of services	**181,766**	**111,486**	**11,411**	**304,663**	**(137,708)**	**166,955**

2010/11

	Service Analysis £000s	Statutory Accounting Adjustments £000s	Amounts not included in the Cost of Services £000s	Cost of Services £000s	Other Income & Expenditure £000s	Total £000s
Fees and Charges	(91,827)	684	205	(90,938)	0	(90,938)
Government Grants & Contributions	(332,230)	0	17,401	(314,829)	(41,928)	(356,757)
Support Services	(83,976)	0	72,022	(11,954)	0	(11,954)
Interest and Investment Income	(291)	0	291	0	(375)	(375)
Income from Council Tax/NNDR	0	0	0	0	(161,417)	(161,417)
Total Income	**(508,324)**	**684**	**89,919**	**(417,721)**	**(203,720)**	**(621,441)**
Employee Expenses	249,080	(1,092)	0	247,988	0	247,988
Other Service Expenses	328,098	(8,291)	(69,683)	250,124	0	250,124
Support Services Recharges	47,989	0	0	47,989	0	47,989
Depreciation, amortisation and impairment	21,031	171,149	29,418	221,598	303	221,901
Interest Payments	20,454	0	(20,454)	0	20,290	20,290
Precepts & Levies	13,210	0	(13,210)	0	13,210	13,210
Payments to Housing Capital Receipts Pool	0	0	0	0	954	954
Gain or loss on Disposal of Fixed Assets	0	(939)	939	0	121,475	121,475
IAS19 Pension Costs	0	(102,505)	0	(102,505)	8,920	(93,585)
Total Operating Expenses	**679,862**	**58,322**	**(72,990)**	**665,194**	**165,152**	**830,346**
(Surplus) or deficit on the provision of services	**171,538**	**59,006**	**16,929**	**247,473**	**(38,568)**	**208,905**

4 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in pages 114-132, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

<u>Trust Schools</u>

During September 2010, 24 schools moved to Trust status. During 2011/12 a further 3 schools transferred to Trust status. These assets have been removed from the Council's Balance Sheet and a loss on disposal has been recorded in the Comprehensive Income & Expenditure Statement. It is anticipated that further clarification in respect of accounting for Trust schools will be issued during 2012/13.

<u>Service Concessions</u>

An examination of the Council's contracts has resulted in the Private Finance Initiative (PFI) schemes for schools, street lighting and Dudley /Shiremoor Joint Service Centres being recorded on the Council's Balance Sheet. The contracts for Waste Management and Extra Care did not meet the criteria under International Financial Reporting Interpretations Committee (IFRIC) 12 and therefore are not included on the Balance Sheet.

5 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 which are otherwise inherently uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012, for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.
Provisions	The Council has made a provision of £15.128m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by previous claims will be applicable. Other estimates within our provisions are set out in Note 31.

Item	Uncertainties
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Pension Fund engages a firm of specialist actuaries to provide the Council with expert advice about the assumptions to be applied.
Debtors arrears	At 31 March 2012, the Council had a balance of £28.262m. A review of significant balances suggested that an impairment of doubtful debts of £7.968m was appropriate. However, in the current economic climate there is an inherent risk that such an allowance would not be sufficient.
National Non Domestic Rate Final Submission	The Accounts have been closed down on an estimated final position due to the timing of the final return relative to the completion of the final accounts. There are no revenue implications of using the estimated final position and the external auditors have confirmed that they consider this treatment reasonable.

6 Leasing

Operating leases – Council as Lessee

The Council uses vehicles, plant and equipment, which are financed under the terms of operating leases. Operating lease rentals included in the revenue accounts for the year amounted to £0.173m, compared to £0.495m in 2010/11.

The Council leases a number of buildings on short-term leases which are also classified as operating leases. The total rentals payable in 2011/12 were £2.519m (£2.474m in 2010/11).

Undischarged operating lease rentals at 31 March 2012 amounted to £81.042m (£53.967m in 2010/11), comprising the following elements:

Restated 31 March 2011 £000s		31 March 2012 £000s
2,349	Due Year 1	2,401
9,515	Due Years 2-5	8,952
42,103	Due after Year 5	69,689
53,967	**Total**	**81,042**

Operating leases – Council as Lessor

The Council has granted a number of leases to organisations (commercial and community) for the use of Council-owned buildings and land. These leases have been accounted for in 2011/12, as being operating leases and the total rental income was £1.783m (£1.783m in 2010/11). The future minimum lease payments in future years are:

31 March 2011 £000s		31 March 2012 £000s
1,670	Due Year 1	1,705
5,594	Due Years 2-5	5,716
26,667	Due after Year 5	26,416
33,931	**Total**	**33,837**

Finance leases

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

31 March 2011 £000s		31 March 2012 £000s
2,765	Vehicles, Plant, Furniture & Equipment	2,034

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

31 March 2011 £000s		31 March 2012 £000s
	Finance lease liabilities (net present value of minimum lease payments):	
678	Current	616
2,068	Non-current	1,452
256	Finance costs payable in future years (interest)	158
3,002	**Minimum Lease Payments**	**2,226**

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

	Minimum Lease Payments		**Finance Lease Liabilities**	
	31 March 2011 £000s	31 March 2012 £000s	31 March 2011 £000s	31 March 2012 £000s
Due Year 1	776	688	678	616
Due Years 2-5	2,226	1,538	2,068	1,452
Due after Year 5	0	0	0	0
Total	**3,002**	**2,226**	**2,746**	**2,068**

7 Pensions

The Council participates in the Local Government Pension Scheme (LGPS) and its permanent employees are offered the opportunity to join the scheme should they so wish. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments that need to be disclosed at the time that employees earn their entitlement.

The Council participates in the Tyne & Wear Pension Fund (TWPF), which is administrated by South Tyneside Metropolitan Borough Council. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with investment assets.

In addition to this scheme the Council is also responsible for all pension payments relating to added years awarded and the mandatory costs it has incurred for allowing premature retirement, together with related increases, in relation to Teachers Pensions Scheme (TPS). In 2011/12, the Council paid £8.641m (£8.879m 2010/11) to Teachers' Pensions in respect of teachers' retirement benefits, representing 13.54% of pensionable pay (13.68% 2010/11).

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The Council is required to make a charge against council tax 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 & Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

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

Pension Revenue Summary	2010/11 £000s				2011/12 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Comprehensive Income & Expenditure Statement								
Cost of Services								
Current Service Costs	21,430	0	0	21,430	16,990	0	0	16,990
Past Service Costs	(87,750)	(2,690)	(3,440)	(93,880)	800	250	430	1,480
Financing and Investment Income and Expenditure								
Interest Cost	42,790	1,450	1,890	46,130	41,790	1,410	1,820	45,020
Expected return on assets in the scheme	(37,210)	0	0	(37,210)	(38,800)	0	0	(38,800)
Total Post Employment Benefit Charged to the Deficit on the Provision of Services	(60,740)	(1,240)	(1,550)	(63,530)	20,780	1,660	2,250	24,690
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement								
Actuarial (gains) and losses	13,930	180	260	14,370	98,920	2,380	3,080	104,380
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(46,810)	(1,060)	(1,290)	(49,160)	119,700	4,040	5,330	129,070

Pension Revenue Summary	2010/11 £000s				2011/12 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Movement in Reserves Statement								
Reversal of net charges made to the deficit for the Provision of Services for post employment benefits	60,740	1,240	1,550	63,530	(20,780)	(1,660)	(2,250)	(24,690)
Actual amount charged against the General Fund Balance for pensions in the year								
Employers contributions payable to the scheme	25,420	0	0	25,420	23,880	0	0	23,880
Retirement benefits payable to pensioners	0	1,780	2,850	4,630	0	2,040	3,110	5,150

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £104.380m (£14.370m loss in 2010/11).

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of scheme liabilities:

	2010/11				2011/12			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded £000s	Unfunded £000s	£000s	£000s	Funded £000s	Unfunded £000s	£000s	£000s
Opening present value of liabilities	(844,080)	(29,330)	(38,530)	(911,940)	(774,070)	(26,490)	(34,390)	(834,950)
Current Service Cost	(21,430)	0	0	(21,430)	(16,990)	0	0	(16,990)
Interest Cost	(42,790)	(1,450)	(1,890)	(46,130)	(41,790)	(1,410)	(1,820)	(45,020)
Contributions by participants	(6,720)	0	0	(6,720)	(6,380)	0	0	(6,380)
Actuarial gains/(losses) on liabilities	28,390	(180)	(260)	27,950	(68,700)	(2,380)	(3,080)	(74,160)
Net Benefits paid out	24,810	1,780	2,850	29,440	24,350	2,040	3,110	29,500
Past Service Cost	87,750	2,690	3,440	93,880	(800)	(250)	(430)	(1,480)
Closing present value of liabilities	**(774,070)**	**(26,490)**	**(34,390)**	**(834,950)**	**(884,380)**	**(28,490)**	**(36,610)**	**(949,480)**

Reconciliation of fair value of scheme assets:

	TWPF	
	2010/11 £000s	2011/12 £000s
Opening fair value of assets	508,560	510,780
Expected return on assets	37,210	38,800
Actuarial gains/(losses) on assets	(42,320)	(30,220)
Contributions by employer	25,420	23,880
Contributions by participants	6,720	6,380
Net Benefits paid out	(24,810)	(24,350)
Closing fair value of assets	**510,780**	**525,270**

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. The actual return on scheme assets in the year was a gain of £8.580m (loss of £5.110m in 2010/11).

Scheme History

	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s
Present Value of Liabilities					
• TWPF	(582,723)	(640,520)	(873,410)	(800,560)	(912,870)
• TPS	(33,970)	(34,880)	(38,530)	(34,390)	(36,610)
Fair Value of assets in the TWPF	439,820	371,440	508,560	510,780	525,270
Surplus/(deficit) in the scheme					
• TWPF	(142,900)	(269,084)	(364,850)	(289,780)	(387,600)
• TPS	(33,970)	(34,880)	(38,530)	(34,390)	(36,610)
Total	**(176,870)**	**(303,964)**	**(403,380)**	**(324,170)**	**(424,210)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £949.480m (£834.950m in 2010/11) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £424.210m (£324.170m in 2010/11). 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; and
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

It is estimated that in 2012/13 the Council will make contributions of £21.620m to the TWPF, £1.880m in respect of the unfunded element of the TWPF and £2.810m directly to the beneficiaries of the TPS.

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 TWPF and TPS have been assessed by Aon Hewitt Ltd, an independent firm of actuaries, estimates for the Council's liabilities being based on the latest full valuation for the funded TWPF scheme as at 31 March 2010 and for both the unfunded TWPF scheme and TPS is 31 March 2008. The principal assumptions used by the actuary have been:

	TWPF	
	2010/11	2011/12
Long term expected rate of return on assets in the scheme:		
• Equity Investments	8.4%	8.1%
• Property	7.9%	7.6%
• Government Bonds	4.4%	3.1%
• Corporate Bonds	5.1%	3.7%
• Other	6.8%	4.8%

	TWPF		TPS	
	2010/11	2011/12	2010/11	2011/12
Mortality assumptions				
Longevity at 65 for current pensioners:				
• Men	21.5	21.6	21.5	21.6
• Women	23.7	23.8	23.7	23.8
Longevity at 65 for future pensioners:				
• Men	23.3	23.4	23.3	23.4
• Women	25.6	25.7	25.6	25.7

	TWPF Funded		TPS/TWPF Unfunded	
	2010/11	2011/12	2010/11	2011/12
Rate of Inflation (RPI)	3.7%	3.5%	3.6%	3.4%
Rate of Inflation (CPI)	2.8%	2.5%	2.7%	2.4%
Rate of increase in salaries	5.2%	5.0%	n/a	n/a
Rate of increase in pensions	2.8%	2.5%	2.7%	2.4%
Rate for discounting scheme liabilities	5.4%	4.7%	5.5%	4.6%

The TPS has no assets to cover its liabilities. The TWPF's assets consist of the following categories, by proportion of the total assets held:

	2010/11 %	2011/12 %
Equities	68.00	68.50
Property	8.10	9.20
Government Bonds	7.00	7.10
Other Bonds	11.70	11.60
Other	5.20	3.60
Total	**100.00**	**100.00**

Commutation

Each member assumed to exchange 50% of the maximum amount permitted of their pre 1 April 2010 pension entitlements, for additional lump sum. Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements for additional lump sum.

History of experience gains and Losses

The actuarial losses identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of asset or liabilities at 31 March 2012:

	2007/08 %		2008/09 %			2009/10 %			2010/11 %			2011/12 %		
	TWPF	TPS	TWPF funded	TWPF Un funded	TPS	TWPF funded	TWPF Un funded	TPS	TWPF funded	TWPF Un funded	TPS	TWPF funded	TWPF Un funded	TPS
Differences between the expected and actual return on assets as a percentage of assets	(10.6)	-	(10.6)	-	-	22.6	-	-	(8.3)	-	-	(5.8)	-	-
Experience gains and losses on liabilities as a percentage of liabilities	1.9	(0.7)	1.9	0	(0.7)	0.9	3.0	3.0	3.2	0.3	0.3	(0.7)	(2.2)	(2.2)

8 Other Operating Expenditure

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

2010/11 £000s		2011/12 £000s
13,210	Levies	13,496
954	Payments to the Government Housing Capital Receipts Pool	1,092
121,475	(Gains)/Losses on the disposal of non current assets	14,106
303	Impairment of assets held for sale	0
135,942	**Total**	**28,694**

9 Financing and Investment Income & Expenditure

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

2010/11 £000s		2011/12 £000s
20,290	Interest payable and similar charges	19,993
8,920	Pension interest cost and expected return on pensions assets	6,220
(257)	Interest receivable and similar income	(153)
(118)	Income & expenditure in relation to investment Property and changes in their fair value	(250)
28,835	**Total**	**25,810**

10 Taxation and Non Specific Grant Income

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

2010/11 £000s		2011/12 £000s
(84,655)	Council Tax Income	(85,127)
(76,762)	National Non Domestic Rates	(69,168)
(28,036)	Non Ringfenced Government Grants	(23,830)
(13,892)	Capital Grants and Contributions	(14,087)
(203,345)	**Total**	**(192,212)**

11 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12.

2010/11 £000s		2011/12 £000s
	Credited to Taxation & Non Specific Grant Income	
	Non-Ringfenced Government Grants	
0	Local Services Support Grant	(320)
0	Council Tax Freeze Grant	(2,130)
(16,889)	Area Based Grant	0
(11,147)	Revenue Support Grant	(21,380)
(28,036)		(23,830)
	Capital Grants and Contributions	
(4,157)	Standards Fund	(7,210)
(1,001)	Local Transport Plan	(2,719)
(148)	Local Transport Plan Integrated Transport Uplift	(698)
(87)	S106 Contributions	(621)
(623)	Flood Defences	(545)
0	Community Capacity	(535)
(803)	Housing Growth Point Grant	(376)
(46)	Big Lottery	(369)
0	Aim Higher – Short Breaks Service	(230)
(13)	Heritage Lottery	(215)
0	Local Area Agreement Performance Reward Grant	(137)
(495)	Single Programme	(104)
(1,242)	Nexus	(93)
(376)	Single Housing Investment Pot	(19)
(1,513)	English Partnerships	0
(952)	Playsite Pathfinder Programme	0
(901)	SureStart	0
(487)	Football Foundation Grant	0
(214)	Mental Health Grant	0
(104)	Social Care Grant	0
(17)	Department for Transport	0
(713)	Other Grants (individually under £0.100m)	(216)
(13,892)		(14,087)
(41,928)	**Total**	**(37,917)**

2010/11 £000s		2011/12 £000s
	Credited to Services	
(111,364)	Dedicated Schools Grant	(131,371)
(35,325)	Mandatory Rent Allowances Benefit Grant	(38,109)
(28,525)	Rent Rebates Benefit Grant	(30,759)
(18,079)	Council Tax Benefit Grant	(17,814)
(14,737)	Post 16 Education Grant	(12,537)
0	Early Intervention Grant	(8,742)
0	External Care – Learning Disability	(6,624)
(5,135)	Private Finance Initiative	(5,135)
(17,671)	Standards Fund Grant	(4,483)
0	Pupil Premium Grant	(2,361)
0	Employability Programme	(1,873)
(1,924)	Housing Benefit Administration Grant	(1,820)
(16,238)	Future Jobs Fund	(1,794)
(390)	Sea Change Grant	(1,556)
(1,881)	Single Housing Investment Pot	(1,319)
(1,417)	Supporting People Grant	(1,109)
(1,138)	Social Care Reform Grant	(650)
0	New Homes Bonus	(586)
(493)	Youth Justice Board Grant	(576)
(977)	School Sports Co-ordinator Allocation	(345)
0	Local Area Agreement Grant	(342)
0	Music Grant	(262)
(331)	Initial Teacher Training	(256)
0	Childrens Social Care Workforce	(245)
(137)	Homelessness Grant	(215)
0	Warm Homes Healthy People	(185)
(301)	European Regional Development Fund Grant	(185)
0	Additional Grant for Schools	(177)
0	Referendum	(160)
0	Blue Badge Grant (Department of Health)	(157)
(90)	European Social Fund	(153)
(125)	North East Improvement & Efficiency Partnership	(142)
(195)	14-19 Entitlement (Diploma Grant)	(132)
0	District Drainage	(115)
(201)	Young Peoples Partnership Grant	(114)
(6,929)	Sure Start Grant	0
(4,793)	School Standards Grant	0
(1,277)	School Standards Grant Personalisation	0
(1,060)	Tyne Gateway Children in Poverty	0
(594)	Local Transport Plan	0
(493)	Think Family Grant	0
(487)	Seed Corn Grant	0
(370)	Social Work Remodelling	0
(235)	Lawn Tennis Association Grant	0
(225)	Staying Put Pilot	0
(223)	Targeted Mental Health in Schools	0
(172)	Youth Crime Action Plan	0

2010/11 £000s		2011/12 £000s
	Credited to Services(contd)	
(140)	Dementia Grant	0
(122)	Stroke Services	0
(117)	Youth Opportunities Fund	0
(110)	Local Area Agreement Pump Priming Grant	0
(4,157)	Other Grants (individually under £0.100m)	(1,060)
(278,178)	**Total**	**(273,463)**

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

31 March 2011 £000s		31 March 2012 £000s
	Capital Grants Receipt In Advance	
(1,204)	Section 106 Agreements	(778)
(797)	Local Area Agreement Performance Reward Grant	(471)
(70)	Commuted Sum – St Peters Road Landscaping	(70)
(48)	Developers Contributions to Play Sites	(48)
(144)	Single Programme	(39)
(3,854)	Standards Fund	0
(1,556)	Sea Change Grant	0
(105)	Big Lottery Fund	0
(21)	Warm Zones	0
(7,799)	**Total**	**(1,406)**

12 Officers Remuneration

This disclosure note is split into two categories; employees and Senior Officers. Table 1 shows employees whose remuneration, excluding employer’s pension contributions, was £50,000 or more. Table 2 sets out details of Senior Officers (by post title) whose salary is between £50,000 and £150,000. Table 3 details Senior Officers whose salary is £150,000 or more a year. Senior Officers are excluded from Table 1.

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

Table 4 provides details of exit packages. The packages included within each band are those that have been agreed by the Council i.e. those packages for which the Council is demonstrably committed. The agreement may be legal, contractual or constructive at the end of the financial year. The costs include all relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

Table 1

2010/11		2011/12				
Number of Employees	**Remuneration Band**	**APT&C**	**LEA Teachers**	**VA Teachers**	**Trust Teachers**	**Total**
93	£50,000 - £54,999	29	22	1	43	**95**
55	£55,000 - £59,999	3	20	4	8	**35**
13	£60,000 - £64,999	6	10	2	5	**23**
9	£65,000 - £69,999	5	2	0	2	**9**
12	£70,000 - £74,999	1	0	0	2	**3**
5	£75,000 - £79,999	0	4	1	1	**6**
4	£80,000 - £84,999	1	1	0	4	**6**
3	£85,000 - £89,999	0	0	0	4	**4**
2	£90,000 - £94,999	0	0	0	1	**1**
0	£95,000 - £99,999	0	1	0	0	**1**
1	£100,000 - £104,999	0	0	0	0	**0**
0	£105,000 - £109,999	0	0	0	1	**1**
197	**Total**	**45**	**60**	**8**	**71**	**184**

The above figures include any payments made to individuals in respect of Job Evaluation and redundancy payments. These payments are included as per The Code's definition of remuneration. This table does not include those senior officers detailed in Tables 2-3 below.

APT&C – Administrative, Professional, Technical & Clerical
LEA – Local Education Authority
VA – Voluntary Aided

Table 2

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

2011/12

Post Holder Information (2011/12)	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (eg Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Strategic Director of Finance & Resources*	125,655	0	0	0	125,655	17,969	**143,624**
Strategic Director of Children, Young People and Learning	125,600	0	0	0	125,600	17,961	**143,561**
Strategic Director of Community Services	117,250	0	0	0	117,250	16,767	**134,017**
Head of Access & Inclusion	129,645	0	0	0	129,645	11,840	**141,485**
Head of Education, Enterprise & Economy	122,015	0	0	0	122,015	12,884	**134,899**
Head of Adult Social Care	90,100	0	0	0	90,100	12,884	**102,984**
Head of Legal, Governance and Commercial Services	89,754	0	0	0	89,754	12,835	**102,589**
Head of Regeneration, Development & Regulatory Services	86,019	0	0	0	86,019	12,301	**98,320**
Head of North Tyneside Homes	82,800	0	0	0	82,800	11,840	**94,640**
Head of Environmental Services	82,800	0	0	0	82,800	11,840	**94,640**

Post Holder Information (2011/12)	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (eg Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Strategic Manager, Human Resources and Organisational Development	82,507	0	0	0	82,507	11,799	**94,306**
Head of Safeguarding	80,900	0	0	0	80,900	11,569	**92,469**
Head of Finance	79,500	0	0	0	79,500	11,357	**90,857**
Head of Customer and Cultural Services	79,500	0	0	0	79,500	11,369	**90,869**
Head of Commissioning and Resources	79,195	0	0	0	79,195	11,325	**90,520**
Total	**1,453,240**	**0**	**0**	**0**	**1,453,240**	**196,540**	**1,649,780**

*This post during 2011/12 also had the responsibility as Head of Paid Service, during 2010/11 this responsibility was previously held by the Chief Executive.

In addition to the officers outlined above, an interim Strategic Director participated in Strategic Leadership Team activities. For 2011/12 the cost of this was £154,336 (£123,647 2010/11).

2010/11

Post Holder Information (2010/11)	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (eg Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Acting Deputy Chief Executive (Strategic Director of Children, Young People & Learning)	138,160	0	0	83	138,243	20,862	**159,105**
Strategic Director of Community Services	117,250	0	0	83	117,333	17,705	**135,038**
Strategic Director of Finance & Resources	108,950	0	0	83	109,033	16,451	**125,484**
Head of Regeneration, Development & Regulatory Services ***	98,330	0	0	83	98,413	14,848	**113,261**
Head of Legal, Governance & Commercial Services	90,100	0	0	0	90,100	13,605	**103,705**
Head of Adult Social Care	90,100	0	0	0	90,100	13,605	**103,705**
Head of Environmental Services	86,848	0	0	0	86,848	13,114	**99,962**
Head of Customer & Cultural Services	79,500	0	0	83	79,583	12,005	**91,588**
Head of North Tyneside Homes	82,800	0	0	0	82,800	12,503	**95,303**
Head of Access & Inclusion	82,800	0	0	0	82,800	12,503	**95,303**

Post Holder Information (2010/11 contd)	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (eg Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Acting Strategic Director of Children, Young People & Learning (Head of Education, Enterprise & Economy)	103,295	0	0	0	103,295	15,597	**118,892**
Head of Commissioning & Resources	79,500	0	0	0	79,500	12,005	**91,505**
Head of Preventative & Safeguarding Services	80,500	0	0	0	80,500	12,156	**92,656**
Head of Finance*	6,625	0	0	0	6,625	1,000	**7,625**
Head of Human Resources/ Strategic Human Resources Manager ****	82,800	0	0	0	82,800	12,503	**95,303**
Head of Business Management**	91,497	0	0	0	91,497	11,826	**103,323**
Head of Investment & Regeneration**	80,445	0	0	0	80,445	10,259	**90,704**
Head of Economy & Employment**	98,887	0	0	83	98,970	7,852	**106,822**
Head of Serving Communities**	67,023	0	0	0	67,023	12,217	**79,240**
Total	**1,665,410**	**0**	**0**	**498**	**1,665,908**	**242,616**	**1,908,524**

*Post filled 1 March 2011
** Posts deleted during 2010/11 as part of Senior Management restructure in October 2010
*** Post holder was Acting Strategic Director of Development until 31 December 2010
**** Job title changed as part of Senior Management restructure in October 2010

Table 3

This table sets out the remuneration disclosures for Senior Officers whose **salary** is more than £150,000 per year.

In 2011/12 the Council did not have a permanent employee fulfilling the role of the Chief Executive. This duty was undertaken by an individual paid through a recruitment agency. The cost of this was £107,315 during 2011/12.

2010/11

Post Holder Information	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (eg Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive - John Marsden	196,021	0	0	0	196,021	28,690	224,711

Table 4

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

Exit package cost band (including special payments) (a)	Number of compulsory redundancies (b)		Number of other departures agreed (c)		Total number of exit packages by cost band (b) + (c)		Total cost of exit packages in each band £000s	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - 20,000	0	1	164	38	164	39	1,087	340
£20,001 - £40,000	0	1	31	20	31	21	861	586
£40,001 - £60,000	0	1	8	4	8	5	380	229
£60,001 - £110,000	0	0	8	3	8	3	740	248
Total	**0**	**3**	**211**	**65**	**211**	**68**	**3,068**	**1,403**

There is a provision for redundancy payments included within the Comprehensive Income and Expenditure Statement. Prior year periods include actual numbers and costs that were previously recognised as a provision. In respect of 2011/12, in addition to the above a provision of £1.767m has been set aside for future redundancy costs. See Note 31 for further details.

There is duplication in the number of posts where the redundancy and pension strain on the fund costs are recognised in different years. The number of packages shown for 2011/12 include 12 departures whose redundancy payments are shown in the 2010/11 figures whilst the pension strain on the fund costs are shown in 2011/12, meaning the total number of new packages agreed in 2011/12 was 56.

13 Members Allowances

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

2010/11 £000s		2011/12 £000s
481	Basic Allowances	480
166	Special Responsibility Allowances	165
46	Expenses	17
693	**Total**	**662**

14 Related Parties Transactions

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 Note 3 – Amounts Reported for Resource Allocation Decisions. Note 11 – Grant Income details grant income reported in the Comprehensive Income & Expenditure Statement.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 13. During 2011/12, the Council had no material dealings with companies in which one or more members have an interest. However, the Council paid grants and other sums totalling £2.031m to voluntary and other statutory bodies in which 32 members had declared an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest open to public inspection at Legal and Democratic Services, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY.

Officers – During 2011/12 a senior officer from Children, Young People and Learning declared a pecuniary interest regarding a payment of £0.239m made by the Council to a regional body with an interest in learning and education.

Other public bodies – The Council has two pooled budget arrangements with North Tyneside Primary Care Trust. Details are outlined in Note 42.

Entities controlled or significantly influenced by the Council – The Council does not significantly influence any entities, however details of where the Council has an interest in companies are shown in Note 23.

15 Audit Costs

In 2011/12 the Council incurred the following fees relating to external audit and inspection:

2010/11 £000s		2011/12 £000s
304	Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor	275
45	Fees payable to the appointed auditor for the certification of grant claims and returns (relating to 2009/10)	52
4	Fees payable to the appointed auditor in respect of non audit services	0
353	Total fee payable to appointed auditor	327
36	Fees payable to the Audit Commission in respect of statutory inspection	0
389	**Total Audit Fee Payable**	**327**

16 Long Term Contracts – Service Concessions

The Service Concessions entered into by the Council are two Private Finance Initiative (PFI) Schemes – Schools for the Future and Street Lighting (joint with Newcastle City Council), and one Local Improvement Finance Trust (LIFT) to provide a Joint Service Centre at Dudley.

Schools PFI Scheme
2011/12 was the ninth year of a thirty year PFI contract for the construction, maintenance and operation of four schools in the borough. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Kajima North Tyneside Limited, took on the obligation to construct and maintain the plant and equipment required to operate the schools. The buildings and any plant and equipment installed in them will transfer to the Council for nil consideration at the end of the contract.

The schools involved in the scheme are Burnside Community High School, Coquet Park First School, Marine Park First School and Western Community Primary School. As Western Community Primary School is a Trust School, the building does not appear on the Balance Sheet.

Street Lighting PFI Scheme
2011/12 was the eighth year of a twenty five year PFI contract for the replacement, maintenance and operation of street lighting provision in the borough. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor took on the obligation to replace and maintain the assets

required to operate the street lighting across the borough. The assets will transfer to the Council for nil consideration at the end of the contract. The operator is Southern Electric Contracting.

Dudley Joint Service Centre (LIFT)
2011/12 was the fifth year of a twenty five year Local Improvement Finance Trust (LIFT) contract for the construction, maintenance and operation of a joint service centre at Dudley. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Newcastle & North Tyneside LIFTco took on the obligation to construct and maintain the building, plant and equipment required to operate the joint service centre. At the end of the twenty five year contract, the Council has the right to purchase the building, plant and equipment from the operator.

Property, plant and equipment
The assets used to provide the services listed above are recognised on the Council's balance sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 17.

Payments
The Council makes an agreed payment under each contract each year, all of which increase each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the contracts at 31 March 2012 (excluding any estimation of inflation and availability/performance deductions) are as detailed below:

	Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	Total £000s
Payable in 2012/13	4,361	1,438	3,003	8,802
Payable within 2-5 years	17,432	6,721	10,970	35,123
Payable within 6-10 years	21,762	8,836	11,302	41,900
Payable within 11-15 years	21,726	10,785	8,207	40,718
Payable within 16-20 years	10,836	13,715	3,825	28,376
Payable over 20 years	7,088	5,733	458	13,279
Total	**83,205**	**47,228**	**37,765**	**168,198**

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

2010/11 £000s		2011/12 £000s
49,852	Balance outstanding at start of year	48,581
(1,467)	Payments made during the year	(1,554)
196	Capital expenditure incurred in the year	201
48,581	**Balance outstanding at year-end**	**47,228**

During 2011/12 there have been no renewals or terminations of the above schemes, and no major works have taken place. There have been no material changes in the arrangements with operators of any of the schemes during the year.

Whitley Bay Joint Service Centre

In January 2012, the contract for Whitley Bay Joint Service Centre, which will be provided by the Local Improvement Finance Trust (LIFTco), was signed. The scheme will involve the construction of a £7.1m Joint Service Centre in Whitley Bay and will be managed by LIFTco. The scheme is expected to become operational in Spring 2013 at which time it will be included on the Council's Balance Sheet.

17 Property, Plant and Equipment

Movement on Balances – 2011/12

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Cost or Valuation									
Restated 1 April 2011	537,610	294,535	27,650	120,518	803	11,489	459	993,064	47,038
Additions	12,630	4,710	3,128	6,517	0	1,051	2,318	30,354	321
Revaluations increases/(decreases) recognised in the Revaluation Reserve	0	2,934	0	0	0	(1,555)	0	1,379	0
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(42,558)	(8,498)	0	0	0	(2,312)	0	(53,368)	0
Derecognition - Disposals	(555)	(93)	(6,713)	0	0	(510)	0	(7,871)	0
Derecognition - Other	0	(18,447)	0	0	0	(71)	0	(18,518)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	610	0	610	0
Other movements in Cost or Valuation	0	448	28	0	0	42	(518)	0	0
At 31 March 2012	**507,127**	**275,589**	**24,093**	**127,035**	**803**	**8,744**	**2,259**	**945,650**	**47,359**

2011/12 Contd	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Accumulated Depreciation & Impairments									
Restated 1 April 2011	(32,439)	(16,602)	(15,145)	(22,156)	(177)	(969)	0	(87,488)	(5,689)
Depreciation charge	(9,787)	(9,012)	(5,537)	(3,164)	(16)	(128)	0	(27,644)	(1,492)
Depreciation written out to the Revaluation Reserve	0	5,659	0	0	0	0	0	5,659	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	9,928	1,585	0	0	0	205	0	11,718	0
Impairment (losses)/ reversals recognised in the Revaluation Reserve	0	652	0	0	0	0	0	652	0
Impairment (losses)/ reversals recognised in the Surplus/Deficit on the Provision of Services	16,538	(643)	0	0	0	(42)	0	15,853	0
Derecognition – Disposals	19	5	6,713	0	0	0	0	6,737	0
Derecognition - Other	0	858	0	0	0	0	0	858	0
Other movements in Depreciation & Impairment	0	1	0	0	0	(1)	0	0	0
At 31 March 2012	**(15,741)**	**(17,497)**	**(13,969)**	**(25,320)**	**(193)**	**(935)**	**0**	**(73,655)**	**(7,181)**
Net Book Value									
At 31 March 2012	491,386	258,092	10,124	101,715	610	7,809	2,259	871,995	40,178
At 31 March 2011	505,171	277,933	12,505	98,362	626	10,520	459	905,576	41,349

Movement on Balances – 2010/11

Restated for Heritage Assets See Note 1 for more details	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Cost or Valuation									
1 April 2010	666,879	388,606	29,820	108,589	1,656	8,868	27,705	1,232,123	53,320
Transfer to Heritage Assets	0	(57)	0	0	(854)	0	0	(911)	0
Restated 1 April 2010	666,879	388,549	29,820	108,589	802	8,868	27,705	1,231,212	53,320
Additions	35,731	10,568	3,351	8,239	0	1,625	340	59,854	309
Revaluations increases/(decreases) recognised in the Revaluation Reserve	0	13,470	0	0	0	2,428	0	15,898	0
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(164,516)	(5,489)	0	0	0	(724)	0	(170,729)	(848)
Derecognition - Disposals	(484)	(7)	(3,043)	0	0	(2,058)	0	(5,592)	0
Derecognition - Other	0	(133,984)	(1,437)	0	0	(1,800)	0	(137,221)	(5,743)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(359)	0	(359)	0
Other movements in Cost or Valuation	0	21,428	(1,041)	3,690	0	3,509	(27,586)	0	0
At 31 March 2011	**537,610**	**294,535**	**27,650**	**120,518**	**802**	**11,489**	**459**	**993,063**	**47,038**

2010/11 Contd	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Accumulated Depreciation and Impairments									
1 April 2010	(15,932)	(19,503)	(12,476)	(19,294)	(324)	(527)	0	(68,056)	(5,458)
Transfer to Heritage Assets	0	0	0	0	164	0	0	164	0
Restated 1 April 2010	(15,932)	(19,503)	(12,476)	(19,294)	(160)	(527)	0	(67,892)	(5,458)
Depreciation charge	(9,944)	(9,923)	(7,157)	(2,862)	(16)	(230)	0	(30,132)	(1,606)
Depreciation written out to the Revaluation Reserve	0	2,149	0	0	0	3	0	2,152	0
Depreciation written out to the Surplus/ Deficit on the Provision of Services	15,932	1,353	0	0	0	128	0	17,413	1,039
Impairment (losses)/ reversals recognised in the Surplus/ Deficit on the Provision of Services	(22,511)	(1,055)	(116)	0	0	(659)	0	(24,341)	(5)
Derecognition – Disposals	16	0	3,043	0	0	151	0	3,210	0
Derecognition - Other	0	10,898	1,040	0	0	97	0	12,035	341
Other movements in Depreciation & Impairment	0	(521)	521	0	0	68	0	68	0
31 March 2011	(32,439)	(16,602)	(15,145)	(22,156)	(176)	(969)	0	(87,487)	(5,689)

2010/11 Contd	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infra-structure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets included in Property, Plant & Equipment £000s
Net Book Value									
At 31 March 2011	505,171	277,933	12,505	98,362	626	10,520	459	905,576	41,349
At 31 March 2010	650,947	369,046	17,344	89,295	642	8,341	27,705	1,163,320	47,862

The following statement shows progress of the Council's rolling programme for the revaluation of Property, Plant & Equipment. The basis for valuation is set out in the Statement of Accounting Policies (page 114).

	Council Dwellings £000s	**Other Land & Buildings £000s**	**Surplus Assets £000s**	**Total £000s**
Valued at historical cost		429		429
Valued at fair value as at:				
2008/09		58,951	6,060	65,011
2009/10		70,958	1,045	72,003
2010/11		70,168	527	70,695
2011/12	507,127	75,083	1,112	583,322
Gross Book Value	**507,127**	**275,589**	**8,744**	**791,460**

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

	£000s
Net Book Value at 31 March 2012	1,271,840
Social Housing Adjustment	(780,454)
Net Book Value after Adjustment for Social Housing	**491,386**

The Council was responsible for managing 15,496 dwellings at 31 March 2012 compared with 15,522 at 31 March 2011. The net reduction of 26 includes 30 properties sold and a net increase of 4 properties due to a change of use. The number of voids included in the above figures as at 31 March 2012 stands at 412 (of which 260 relate to the sheltered PFI Scheme). The stock is made up as follows:

1 April 2011		31 March 2012
	Low Rise Flats	
1,784	- 1 Bed	1,783
1,021	- 2 Bed	1,020
125	- 3+ Bed	125
	Medium Rise Flats	
484	- 1 Bed	484
1,143	- 2 Bed	1,138
105	- 3+ Bed	105
	Houses and Bungalows	
1,563	- 1 Bed	1,564
3,129	- 2 Bed	3,123
5,791	- 3 Bed	5,778
377	- 4+ Bed	376
15,522	**Total**	**15,496**

VALUATION CERTIFICATE

LAND AND PROPERTY HELD BY NORTH TYNESIDE COUNCIL

PREAMBLE:

The freehold and leasehold properties which comprise the Council's portfolio have been valued as at 1 April 2011, by the Council's internal Chartered Surveyors, either myself or staff under my supervision. The valuations of properties recorded on the Asset Register have been componentisised and carried out on the undermentioned bases but not fully in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The departures from the manual are as follows.

1. Properties have been inspected and valued by members of Strategic Property under my supervision.

2. In some instances, properties having a value of less than £20,000 have been recorded at a de minimis value.

3. Valuations of Council residential dwellings are based on their market values assuming vacant possession and their continued residential use but discounted by a prescribed rate to reflect their social housing use.

4. A four year programme of property re-valuations is in progress, therefore not all properties have updated valuations. Properties not revalued this year would have been last valued in either 2008, 2009 or 2010.

The reasons for the departures from the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors arise from practicality in relation to the volume of work involved and available staff resources and, in the case of residential dwellings, published guidance notes.

Valuations of properties regarded by the Authority as operational are based on market value and undertaken by comparable and investment methods of valuation for the existing use or, where this could not be assessed because there was no market for the subject asset, by depreciated replacement cost method.

Valuations of properties regarded by the Authority as non - operational are based on market value and undertaken by comparable and investment methods of valuation for their existing use.

Variations to properties between 1 April 2011 and 31 March 2012 (acquisitions, disposals and enhancements) have been valued at the date the change occurred.

A further detailed approach is provided within the Valuation Methodology supplied.

VALUATION CERTIFICATE:

I certify that the properties in this report have been inspected by me (subject to paragraph 1 above), that I valued the properties (subject to paragraph 1 above) and prepared this report, and that I am not disqualified from reporting on the properties.

I also certify that the re-valuations carried out during represent my opinion of the value of the properties affected.

Paul Green BSc (Hons) MRICS

For and on behalf of:

North Tyneside Council
Quadrant
The Silverlink North
Cobalt Business Park
North Tyneside
NE27 0BY

Tel: (0191) 643 6516

Date of Report: 13 June 2012

18 Heritage Assets

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

	Arts & Sculptures £000s	Monuments & Memorials £000s	Total £000s
Cost or Valuation			
1 April 2010	550	196	746
Additions	0	4	4
Impairment Losses(reversals) recognised in the Surplus or Deficit on the Provision of Services	0	(4)	(4)
Depreciation	(14)	(11)	(25)
31 March 2011	536	185	721
Cost or Valuation 1 April 2011	536	185	721
Additions	26	69	95
Depreciation	(13)	(12)	(25)
31 March 2012	549	242	791

Art & Sculptures

The Arts & Sculptures are reported on the Balance Sheet at depreciated historical cost. This incorporates the Arts on the Riverside sculptures including the Tyne Anew sculpture commissioned by the American artist Mark Di Suvero. The Council holds around 200 pieces of art in its collection. The collection has been valued for insurance purposes at £0.122m. Individually none of the pieces have significant value and have not been included on the Balance Sheet.

Monuments & Memorials

The Council is responsible for maintaining a number of monuments and war memorials across the borough. Some of these are privately owned and therefore are not included on the Balance Sheet. Where there is no information on the current value of the war memorials they are not included on the Balance Sheet. The monuments currently included have now been classified as Heritage Assets. These include Collingwood Monument, Tynemouth Drinking Fountain and the Holocaust Memorial Garden, all are held at depreciated historical cost.

Where Heritage Assets remain valued at depreciated historical cost, the Council is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefit derived.

Civic Regalia

The Council holds a number of individual items that collectively have a value of £0.207m (valued 2009 by Anderson & Garland). The majority of these items are below the de-minimis level, whilst the remaining items are not of material value and have not been included on the Balance Sheet.

Assets held by Tyne & Wear Archives & Museums

The Tyne & Wear Archives & Museum Services (Joint Committee) run both the Segedunum Roman Wall & Museum and the George Stephenson Railway Museum on behalf of the Council. The Joint Committee hold a number of exhibits on behalf of the Tyne & Wear Authorities. They have only provided valuations for the Art Collection of which North Tyneside Council have none. The other collections are currently not valued due to a number of factors such as the lack of information on purchase price, the unavailability of comparable market values and the diverse nature of the assets held.

19 Summary of Capital Expenditure and Sources of Finance

2010/11 £000s		2011/12 £000s
412,817	**Opening Capital Financing Requirement**	**452,441**
	Capital Investment	
59,858	Property, Plant & Equipment	30,354
0	Investment Properties	52
541	Intangible Assets	387
0	Heritage Assets	95
95	Assets Held for Sale	0
23,323	Revenue Expenditure Funded from Capital Under Statute	17,530
0	HRA Self Financing	128,193
0	LIFTCo (PFI Scheme)	110
83,817		**176,721**
	Sources of Finance	
(5,484)	Capital Receipts	(6,093)
(25,914)	Government Grants and Other Contributions	(25,695)
(1,835)	Direct Revenue Contributions	(1,425)
(10,960)	Minimum Revenue Provision	(13,581)
(44,193)		**(46,794)**
452,441	**Closing Capital Financing Requirement**	**582,368**
	Explanation of Movements in Year	
17	Increase/ (Decrease) in underlying need to borrow (supported by Government financial assistance)	(5,529)
40,868	Increase in underlying need to borrow (unsupported by Government financial assistance)	9,509
0	HRA Self Financing	128,193
394	Movement in Assets acquired under Finance Leases	(644)
(1,655)	Movement in Assets acquired under PFI or similar Contracts	(1,602)
39,624	**Increase/(Decrease) in Capital Financing Requirement**	**129,927**

20 Capital Commitments

Council approved the General Fund Capital Plan and the Housing Capital Plan for 2012-2022 on 1 March 2012. The current contractually committed schemes contained within the approved plan comprise:

	£000s
Central Services	1,300
Cultural & Related Services	3,943
Environment & Regulatory Services	86
Children's & Education Services	1,067
Housing Services	1,317
Highways & Roads	54
	7,767

Major schemes within the above totals include:

	£000s
Excellent Parks	3,670
Education & Schools	1,067
HRA Housing Services	985

21 Investment Property

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

2010/11 £000s		2011/12 £000s
(106)	Rental income from investment property	(110)
5	Direct operating expenses arising from investment property	0
(101)	**Net (gain)/loss**	**(110)**

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 repairs, maintenance or enhancement.

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

2010/11 £000s		2011/12 £000s
1,549	Balance at start of year	1,505
	Additions:	
0	Subsequent Expenditure	52
(60)	Disposals	0
16	Net gains/(losses) from fair value adjustments	140
1,505	**Balance at end of year**	**1,697**

22 Intangible Assets

The carrying amount of intangible assets is amortised on a straight line basis over its useful life. Due to the nature of these assets the useful life is currently 3 years. The amortisation of £0.752m charged to revenue in 2011/12 was charged to the Information Technology administration cost centre and then absorbed as an overhead cost across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

2010/11 £000s		2011/12 £000s
	Balance at start of year:	
1,251	Gross carrying amounts	1,792
(335)	Accumulated amortisation	(752)
916	Net carrying amounts at start of year	1,040
	Additions:	
541	Purchases	387
(417)	Amortisation for the period	(440)
1,040	**Net carrying amount at end of year**	**987**
	Comprising:	
1,792	Gross carrying amounts	1,705
(752)	Accumulated amortisation	(718)
1,040		**987**

23 Long Term Investments

31 March 2011 £000s		31 March 2012 £000s
	Long Term Investments:	
520	£1 Ordinary shares in Newcastle Airport Local Authority Holding Company Ltd	520
0	Kier North Tyneside Limited – 200 £1 A ordinary shares	0
520		**520**

Newcastle Airport Local Authority Holding Company Ltd

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

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% share of Newcastle International Airport. This involved the creation of a new company, NIAL Holdings Ltd which the LA7 owned 51%. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Ltd, a company wholly owned by the seven authorities. North Tyneside Council has a material interest in Newcastle Airport Local Authority Holding Company Ltd. 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. North Tyneside Council has a shareholding of 1,214 shares representing a 12.14% interest in the company. The shares are not held for trading outside of the LA7.

At the time of the acquisition of the new shares, the net worth of NIAL Holdings Limited was £134.000m and the Council's share of this valuation (12.14% of 51%) was £8.297m. The valuation of NIAL Holdings Limited is reviewed annually. A full independent valuation was carried out in May 2010 which valued the shareholding at £0.520m based upon the discounted cash flow method. There has been no significant change in external factors since the valuation that would materially affect the value of the shareholding.

The Local Authority shareholders received £95.000m in cash for the 49% shareholding in NIAL Holdings and an additional £100.000m issued by the Company in the form of short and long-term loan notes. The latter payments are in recognition of the value built up in NIAL over previous years. £25.000m long-term loan notes are being paid in ten annual instalments, starting in 2003/04, of which the Council will receive £3.025m. The remaining payment is due in 2012/13 and is recognised within the Short Term Debtors, see Note 27. North Tyneside Council's 12.14% shareholding in Newcastle Airport Local Authority Holding Company Ltd is an effective shareholding of 6.2% Newcastle International Airport Ltd (and other group companies NIAL Group Limited and NIAL Holdings Ltd).

The principal activity of Newcastle International Airport Ltd (Registered No 04184967) is the provision of landing services for both commercial and freight operators. There have been no trading transactions between the Council and NIAL during the year.

Dividends paid for year ended 31 December 2011, amounted to £nil. The total dividend payable for year ended 31 December 2010 was nil. There are no outstanding balances owed to or from NIAL at the end of the year. NIAL Group Ltd made a loss before tax of £2.884m and a profit after tax of £1.404m for the year ended 31 December 2011 (loss of £4.823m before tax and a loss after tax of £1.786m for year ended 31 December 2010).

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

Kier North Tyneside Limited

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

Kier North Tyneside Limited was incorporated on 8 June 2009, and started a contract with the Council on 6 September 2009 which runs to 31 March 2019. Between 1 April 2011 and 31 March 2012, Kier North Tyneside Limited invoiced the Council £32.139m (net of VAT) for completed works and services.

In respect of revenue works, the Council paid monthly cash-flow payments to Kier North Tyneside Limited of £11.581m in respect of service streams from April 2011 through to March 2012. At 31 March 2012 the Council owed Kier North Tyneside Limited £1.198m in respect of cash-flow service streams. Other service streams within the contract are based on monthly invoices, the balance outstanding to Kier North Tyneside Limited in respect of these as at 31 March 2012 was £2.081m net of VAT.

A full set of audited accounts for Kier North Tyneside Limited are available for their accounting period ended 30 June 2012. These can be obtained from Head of Finance, Kier North Tyneside Limited, Block C, Harvey Combe, Killingworth, Newcastle Upon Tyne NE12 6UB.

24 Long Term Debtors

31 March 2011 £000s		31 March 2012 £000s
34	Housing Association	34
698	Car Loans	533
303	Airport Loan Notes	0
5	Dangerous Buildings	4
9	Works in Default	9
0	ICT Licences	43
160	LIFT Company	271
1,209	**Total**	**894**

Long term loan notes of £25.000m were issued by NIAL Holdings PLC, of which the Council's share was £3.025m. This is being repaid in instalments over ten years with the final instalment being paid in 2012/13.

25 Assets Held for Sale

2010/11 £000s		2011/12 £000s
4,430	Balance outstanding at start of year	3,532
	Assets newly classified as held for sale:	
386	Property, Plant & Equipment	0
(303)	Impairment losses	0
	Assets declassified as held for sale:	
0	Property, Plant & Equipment	(610)
(981)	Assets sold	(1,816)
3,532	**Balance outstanding at year-end**	**1,106**

26 Inventories

	Consumable Stores £000s	Maintenance Materials £000s	Total £000s
Balance at 1 April 2010	563	25	588
Movement in year	0	5	5
Balance at 31 March 2011	**563**	**30**	**593**
Balance at 1 April 2011	563	30	593
Movement in year	19	67	86
Balance at 31 March 2012	**582**	**97**	**679**

27 Short Term Debtors

This table shows the amounts owed to the Council for which payments have not been received by 31 March 2012, but which should be repaid within one year.

31 March 2011 £000s		31 March 2012 £000s
15,326	Central Government Bodies	6,023
1,022	Other Local Authorities	701
3,569	NHS Bodies	2,084
100	Public Corporations and Trading Funds	470
16,226	Other Entities and Individuals	18,984
36,243	**Total**	**28,262**

This year the Council set aside a sum of £7.968m (£8.394m 2010/11) to cover bad and doubtful debts. Of this £3.282m (£3.177m 2010/11) relates to the General Fund, £1.687m (£1.863m 2010/11) relates to the Housing Revenue Account and £2.999m (£3.354m 2010/11) relates to the Collection Fund.

28 Cash and Cash Equivalents

31 March 2011 £000s		31 March 2012 £000s
165	Cash held by the Council	162
7,042	Schools Cash at Bank	7,519
(5,972)	Bank Current Accounts	(6,055)
9,600	Short term deposits	1,600
10,835	**Total**	**3,226**

29 Short Term Borrowing

31 March 2011 £000s		31 March 2012 £000s
(25,579)	Public Works Loans Board (PWLB)	(25,406)
(26,416)	Market Loans (including other local authorities)	(23,398)
(51,995)	**Total**	**(48,804)**

30 Short Term Creditors

The table below shows an analysis of the Council's creditors as at the 31 March 2012.

31 March 2011 £000s		31 March 2012 £000s
(10,094)	Central Government Bodies	(10,289)
(237)	Other Local Authorities	(999)
(259)	NHS Bodies	(278)
0	Public Corporations and Trading Funds	(129)
(28,792)	Other Entities and Individuals	(26,539)
(39,382)	**Total**	**(38,234)**

31 Provisions

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

	Long Term		Short Term		
	Estimated Insurance Liabilities (a) £000s	Waste Payments £000s	Equal Pay (b) £000s	Other Provisions (c) £000s	Total £000s
Balance at 1 April 2010	(2,260)	(1,539)	(13,159)	(570)	(17,528)
Additional provisions made in 2010/11	(640)	0	(5,287)	(684)	(6,611)
Amounts used in 2010/11	0	1,539	8,447	560	10,546
Balance at 31 March 2011	**(2,900)**	**0**	**(9,999)**	**(694)**	**(13,593)**
Totals		**(2,900)**		**(10,693)**	
Balance at 1 April 2011	(2,900)	0	(9,999)	(694)	(13,593)
Additional provisions made in 2011/12	(427)	0	(5,551)	(1,374)	(7,352)
Amounts used in 2011/12	0	0	422	188	610
Balance at 31 March 2012	**(3,327)**	**0**	**(15,128)**	**(1,880)**	**(20,335)**
Totals		**(3,327)**		**(17,008)**	

(a) Provision for Estimated Insurance Liabilities

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

(b) Provision for Equal Pay

In 2009/10 the Council reached an agreement to settle a substantial number of claims from employees relating to equal pay issues. Further claims have continued in 2010/11 and 2011/12, and a further agreement was reached in April 2012. As this new agreement was finalised after year-end, the physical settlement payments were not made in 2011/12. As at 31 March 2012 around 600 cases were outstanding, along with an estimate of 500 additional cases to be lodged based on prior years. The estimated total cost of these claims is £15.128m and it is anticipated the payments will be made during 2012/13.

(c) Other Provisions

These include:

• Redundancy Costs £1.767m – as part of the budget setting process, it was agreed a number of posts would be made redundant. The provision is to cover the potential redundancy costs arising from this exercise which are expected to be paid during 2012/13; and

• Her Majesty Revenue & Customs (HMRC) £0.112m – relates to a potential fine to HMRC in respect of underpaid tax and National Insurance contributions as a result of a HMRC audit, consultations are still ongoing with HMRC regarding this matter, although settlement is expected during 2012/13.

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

32 Long Term Borrowing

The Council's total outstanding debt repayable over 12 months as at 31 March 2012 is a principal of £402.943m. The following table analyses the debt by lender and maturity:

31 March 2011 £000s		31 March 2012 £000s
	(a) by lender category	
(264,750)	Public Works Loan Board (PWLB)	(392,943)
(20,000)	Lenders Option Borrower's Option (LOBO) – Europaise Hypothekenbank	(10,000)
(284,750)		(402,943)
	(b) by maturity	
(30,000)	Maturing between 1 and 2 years	(30,000)
(78,100)	Maturing between 2 and 5 years	(73,100)
(42,750)	Maturing between 5 and 10 years	(37,750)
(133,900)	Maturing more than 10 years	(262,093)
(284,750)		(402,943)

33 Long Term Creditors

The table below shows an analysis of the Council's creditors as at the 31 March 2012.

31 March 2011 £000s		31 March 2012 £000s
0	Central Government Bodies	(25)
(27)	NHS Bodies	(13)
(3,342)	Other Entities and Individuals	(4,643)
(3,369)	**Total**	**(4,681)**

34 Transferred Debt

The table below shows an analysis of the Council's transferred debt as at the 31 March 2012. This represents the amount of debt attributable to North Tyneside Council by Newcastle City Council following boundary changes as a result of Local Government Reorganisation (in 1974).

31 March 2011 £000s		31 March 2012 £000s
(416)	Other Short Term Liabilities	(404)
(3,302)	Other Long Term Liabilities	(3,170)
(3,718)		**(3,574)**

35 Useable Reserves

31 March 2011 £000s		31 March 2012 £000s
(13,028)	General Fund Balances (See Note 36)	(13,330)
(26,153)	Earmarked Balances (See Note 36)	(23,336)
(4,005)	Housing Revenue Account	(4,299)
(4,890)	Capital Receipts Reserve	(4,210)
0	Major Repairs Reserve	0
(4,295)	Capital Grants Unapplied	(8,489)
(52,371)	**Total Useable Reserves**	**(53,664)**

35 (a) General Fund Balances including Earmarked Balances

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payment should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the 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. Note 36 provides more details on the Council's reserves and balances position.

35 (b) Housing Revenue Account Balance

The 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 or (where in deficit) that is required to be recovered from tenants in future years. The Housing Revenue Account Income and Expenditure Statement is shown on pages 103-109.

35 (c) Capital Receipts Reserve

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

35 (d) Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at year end. See page 106 for details of the reserve.

35 (e) Capital Grants Unapplied

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

36 Reserves & Balances

	Balance 1 April 2011 £000s	Transfers out 2011/12 £000s	Transfers in 2011/12 £000s	Balance 31 March 2012 £000s
General Fund Balances				
School Balances	(6,424)	0	(302)	(6,726)
General Fund	(6,604)	0	0	(6,604)
Total General Fund Balances	**(13,028)**	**0**	**(302)**	**(13,330)**
General Reserves				
Insurance	(6,147)	1,547	(255)	(4,855)
Strategic Reserve	(7,380)	1,382	(58)	(6,056)
Schools PFI Lifecycle costs (capital)	(1,833)	13	(283)	(2,103)
Education PFI	(1,293)	0	(234)	(1,527)
Section 117	(533)	0	0	(533)
Dudley & Shiremoor Joint Service Centres	(862)	0	(209)	(1,071)
Street Lighting PFI	(527)	0	(138)	(665)
Building Control	(113)	5	(42)	(150)
Equality & Diversity	(48)	48	0	0
Fish Quay Properties Ringfenced	(190)	115	(104)	(179)
Fenwick Eccles Maintenance	0	18	(189)	(171)
Feasibility Study	(112)	71	0	(41)
Health & Safety	(37)	5	0	(32)
Hackney Carriages	(8)	0	(42)	(50)
Adult Social Care Procurement	(658)	0	(342)	(1,000)
Waste Provision	(389)	206	(198)	(381)
Dudley PFI Lifecycle costs (capital)	(127)	0	(44)	(171)
Area Forums	(65)	65	0	0
Communities & Local Government Bond Bank	(30)	0	(5)	(35)
Local Safeguarding Childrens Board	0	0	(16)	(16)
Whitley Lodge Area Action Plan	0	0	(11)	(11)
ANEC	0	0	(10)	(10)
Wallsend Town Centre	0	0	(7)	(7)
Big Society Community Investment	0	0	(7)	(7)
Solar PV Risk Fund	0	0	(225)	(225)
Solar PV Green Fund	0	0	(150)	(150)
Direct Access Units – Furniture	(138)	24	0	(114)
Total General Reserves	(20,490)	3,499	(2,569)	(19,560)

	Balance 1 April 2011 £000s	Transfers out 2011/12 £000s	Transfers in 2011/12 £000s	Balance 31 March 2012 £000s
Grant Reserves				
Department of Work & Pensions Reward Grant	(2,978)	2,778	0	(200)
Dedicated Schools Grant	(789)	789	(2,095)	(2,095)
Winter Pressures	(700)	700	0	0
European Social Fund Funding	(267)	157	(18)	(128)
Entry to Employment	(156)	156	0	0
Housing Growth Point	(122)	61	0	(61)
Social Work Remodelling	(119)	119	0	0
Winter Maintenance	0	433	(433)	0
New Homes Bonus	0	0	(427)	(427)
Employability Programme	0	0	(109)	(109)
Children's Social Care Workforce	0	0	(104)	(104)
Other Grants (individually under £0.100m)	(532)	439	(559)	(652)
Total Grant Reserves	(5,663)	5,632	(3,745)	(3,776)
Total Reserves	**(26,153)**	**9,131**	**(6,314)**	**(23,336)**

	Balance 1 April 2010 £000s	Transfers out 2010/11 £000s	Transfers in 2010/11 £000s	Balance 31 March 2011 £000s
General Fund Balances				
School Balances	(5,252)	0	(1,172)	(6,424)
General Fund	(6,602)	0	(2)	(6,604)
Total General Fund Balances	**(11,854)**	**0**	**(1,174)**	**(13,028)**
General Reserves				
Insurance	(6,449)	479	(177)	(6,147)
Strategic Reserve	(8,922)	4,064	(2,522)	(7,380)
Schools PFI Lifecycle costs (capital)	(1,557)	7	(283)	(1,833)
Education PFI	(1,133)	0	(160)	(1,293)
Section 117	(626)	95	(2)	(533)
Dudley & Shiremoor Joint Service Centres	(653)	0	(209)	(862)
Street Lighting PFI	(496)	0	(31)	(527)
Building Control	(298)	185	0	(113)
Equality & Diversity	(113)	65	0	(48)
Fish Quay Properties Ringfenced	(97)	58	(151)	(190)
Feasibility Study	(73)	31	(70)	(112)
Health & Safety	(73)	36	0	(37)
Hackney Carriages	(5)	0	(3)	(8)
Adult Social Care Procurement	0	0	(658)	(658)
Waste Provision	0	0	(389)	(389)
Dudley PFI Lifecycle costs (capital)	0	0	(127)	(127)
Area Forums	0	0	(65)	(65)
Communities & Local Government Bond Bank	0	0	(30)	(30)
Direct Access Units – Furniture	(138)	0	0	(138)
Total General Reserves	(20,633)	5,020	(4,877)	(20,490)
Grant Reserves				
Supporting People Grant	(828)	828	0	0
Area Based Grant	(348)	348	0	0
Learning Skills Grant	(139)	139	0	0
Housing Growth Point	(133)	133	(122)	(122)
European Social Fund Funding	(94)	94	(267)	(267)
Winter Pressures	0	0	(700)	(700)
Department of Work & Pensions Reward Grant	0	0	(2,978)	(2,978)
Entry to Employment	(4)	4	(156)	(156)
Social Work Remodelling	0	0	(119)	(119)
Dedicated Schools Grant	0	0	(789)	(789)
Other Grants (individually under £0.100m)	(314)	311	(529)	(532)
Total Grant Reserves	(1,860)	1,857	(5,660)	(5,663)
Total Reserves	**(22,493)**	**6,877**	**(10,537)**	**(26,153)**

Purpose of main General Reserves

Reserve	Purpose
Insurance Reserve	Risks covered by the reserve are fire, employer & third party liability, contract guarantee bonds, motor cars, personal accident.
Fish Quay Properties	Ring-fenced reserve required by grant provider such that any surplus rental income must be used for this area.
Street Lighting PFI	Set up to equalise cash flows relating to the Council's street lighting PFI Scheme.
Section 117	Reserve for the repayment of income collected from individuals in receipt of Section 117 services following the court appeal ruling that these services should be viewed as continuing care and should be jointly funded by Health & Local Government and as such should be provided free.
Education PFI	Established to provide a mechanism which takes account of project cash-flows over a 30-year period to enable the yearly equalisation of the additional costs of the PFI schools.
Hackney Carriages	Ring-fenced reserve set up at the request of the Hackney Carriages and Private Hire Trade representatives whereby any surplus from fees is reinvested in the service.
Building Control	Reserve set up to comply with the accounting requirements of the Building (Local Authority Charges) Regulations 1998.
Feasibility Study	Set up to fund feasibility studies of potential capital schemes.
Strategic Reserve	Established to address future potential significant external pressures on the Council's budget.
Dudley & Shiremoor Joint Service Centres	Established to provide a mechanism which takes account of project cash-flows over a 25-year period to enable the yearly equalisation of the additional costs of the Joint Service Centre.
Adult Social Care Procurement	Established to implement the Adult Social Care Procurement Plan for 2011-13.
Health & Safety	Set up to support Health & Safety training for all council employees.
Equality & Diversity	Set up to support Equality & Diversity training for all council employees.
Schools PFI Lifecycle costs	Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the contract.
Dudley PFI Lifecycle costs	Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the contract.
Direct Access Units	A furniture reserve to fund a rolling programme of refurbishments to the Direct Access Units & Dispersed Units.

Purpose of main Grant Reserves

Reserve	Purpose
Housing Growth Point	To allow Local Authorities to invest in the essential services required to accompany the building of new homes, from transport links and schools to the regeneration of town centres and the provision of parks and other green spaces.
European Social Fund Funding	Supporting young people aged 14-19 and increasing their participation in learning through locally defined and delivered interventions focusing on provision to support progression into mainstream learning, work to prevent young people disengaging, support for young people during periods of learning transition.
Winter Pressures	Monies received from Health to allow Adult Services to develop re-ablement services linking into Community Services, Primary Care Trust, Foundation Trusts and GP Consortia.
Department of Work & Pensions Reward Grant	To support the creation of jobs and the employment of long term unemployed young people on Jobseekers Allowance and long term claimants of out of work benefits in areas of high unemployment.
Entry to Employment	A programme which helps young people aged 16-19 who have left school with no formal qualifications to either find employment or encourages them to get into further education.
Social Work Remodelling	Grant used to offer support to newly qualified social workers in their first year of employment, supporting social workers who have successfully completed the Newly Qualified Social Work (NQSW) year, supporting front line social work managers, recruitment and retention of social workers and reshaping the delivery of social work services.
Dedicated Schools Grant	Ring fenced grant that can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008.
Supporting People Grant	Reserve to manage the reduction of Supporting People Grant in future years.
Area Based Grant	A general grant allocated by central government directly as additional revenue funding.
Learning Skills Grant	A grant to assist the Council in funding and planning education and training for over 16 year olds.
Waste Provision	A reserve established to manage the future costs of waste provision.
New Homes Bonus	A grant to encourage the delivery of affordable sustainable housing

37 Unuseable Reserves

31 March 2011 £000s		31 March 2012 £000s
(52,948)	Revaluation Reserve	(56,729)
(520)	Available for Sale Reserve	(520)
(407,144)	Capital Adjustment Account	(237,748)
133	Financial Instruments Adjustment Account	250
(609)	Deferred Capital Receipts Reserve	(304)
324,170	Pensions Reserve	424,210
(104)	Collection Fund Adjustment Account	(12)
3,255	Unequal Pay Back Pay Account	2,265
4,236	Accumulated Absences Account	5,360
(129,531)	**Total Unuseable Reserves**	**136,772**

37(a) Revaluation Reserve

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

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

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

2010/11 £000s		2011/12 £000s	
(51,802)	**Balance at 1 April**		(52,948)
(18,336)	Upward revaluation of assets	(14,381)	
286	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	8,056	
(18,050)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/ Deficit on the Provision of Services		(6,325)
1,417	Difference between fair value depreciation and historical cost depreciation	1,679	
15,487	Accumulated gains on assets sold or scrapped	865	
16,904	Amount written off to the Capital Adjustment Account		2,544
(52,948)	**Balance at 31 March**		**(56,729)**

37(b) Available for Sale 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:

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

2010/11 £000s		2011/12 £000s
(520)	**Balance at 1 April**	(520)
0	Upward revaluation of investments	0
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
(520)	**Balance at 31 March**	**(520)**

37(c) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The Adjustments between Accounting Basis and Funding Basis under Regulations Statement (Note 2) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11 £000s		2011/12 £000s	
	Capital Adjustment Account		
(706,502)	**Balance at 1 April**		(407,144)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
54,806	Charges for depreciation & impairment of non current assets	34,338	
153,317	Revaluation losses on Property, Plant & Equipment	17,761	
417	Amortisation of intangible assets	440	
23,323	Revenue expenditure funded from capital under statute	17,530	
(3,941)	Revenue expenditure funded from capital under statute (Grant Funded)	(6,398)	
128,609	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	20,611	
356,531			84,282
(16,904)	Adjusting amounts written out of the Revaluation Reserve		(2,544)
339,627	Net written out amount of the cost of non current assets consumed in the year		81,738
	Capital financing applied in the year:		
(5,484)	Use of the Capital Receipts Reserve to finance new capital expenditure	(6,093)	
(10,197)	Use of the Major Repairs Reserve to finance new capital expenditure	(10,026)	
(9,597)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(7,142)	
(2,179)	Application of grants to capital financing from the Capital Grants Unapplied Account	(2,128)	
(10,960)	Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(13,581)	
0	HRA Self Financing Settlement	128,193	
(1,835)	Capital expenditure charged against the General Fund & HRA balances	(1,425)	87,798
(17)	Movements in the market value of investment Property debited or credited to the Comprehensive Income & Expenditure Statement		(140)
(407,144)	**Balance at 31 March**		**(237,748)**

37(d) Financial Instruments Adjustment Account

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

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

2010/11 £000s		2011/12 £000s	2011/12 £000s
1	**Balance at 1 April**		133
(251)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(207)	
383	Proportion of discounts received in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	324	
132	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		117
133	**Balance at 31 March**		**250**

37(e) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The 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 employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the 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.

2010/11 £000s		2011/12 £000s
403,380	**Balance at 1 April**	324,170
14,370	Actuarial (gains) or losses on pensions assets and liabilities	104,380
(63,530)	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	24,690
(30,050)	Employer's pensions contributions and direct payments to pensioners payable in the year	(29,030)
324,170	**Balance at 31 March**	**424,210**

37(f) Deferred Capital Receipts Reserve

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

2010/11 £000s		2011/12 £000s
(916)	**Balance at 1 April**	(609)
307	Transfer to the Capital Receipts Reserve upon receipt of cash	305
(609)	**Balance at 31 March**	**(304)**

37(g) 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.

2010/11 £000s		2011/12 £000s
(143)	**Balance at 1 April**	(104)
39	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	92
(104)	**Balance at 31 March**	**(12)**

37 (h) Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

2010/11 £000s		2011/12 £000s
7,701	**Balance at 1 April**	3,255
(2,989)	Cash settlements paid in year	0
0	Reversal of amounts posted to the Unequal Pay Back Pay Account following capitalisation direction received	(990)
3,255	**Balance at 31 March**	**2,265**

37(i) 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.

2010/11 £000s		2011/12 £000s	2011/12 £000s
5,328	**Balance at 1 April**		4,236
(1,134)	Adjustment to the accrual required for 2010/11	1,149	
42	Adjustment to the debtor in respect of leave & flexi taken in advance	(25)	
(1,092)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1,124
4,236	**Balance at 31 March**		**5,360**

38 Contingent Liabilities

In April 2012, the Council reached an agreement to settle a substantial number of claims from employees relating to equal pay issues in respect of previous years. Where the settlements have not been paid the liability has been recognised in the accounts and a provision set aside on the Balance Sheet for the estimated cost, including a provision for additional claims expected in 2012/13 under this agreement. However, the potential for further such claims in 2012/13 beyond those provided for remains. While prudent and reasonable assumptions on the claims expected in year have been made, it is not possible to exclude the possibility of further claims, or the amounts involved in any related settlements. No specific provision beyond that detailed has therefore been made for any further liability arising against the Council for such additional future potential claims.

The Council has given an undertaking to underwrite up to £0.750m of the costs of detailed intrusive survey works to be undertaken by short listed bidders in connection with the preparation of final submissions for the Quality Homes for Older People Project. This expenditure would only be incurred in the event of the procurement process for the PFI Project becoming abortive as a result of external funding or PFI credit becoming no longer available, or the Council resolving to abort the procurement process for the project.

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

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

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

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

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

In March 2012 a Supreme Court judgement was made regarding the Employers' Liability Policy trigger relating to mesothelioma claims, in respect of insurance policies the Council (and other local authority employers) had with Municipal Mutual Insurance Limited (MMI). This judgement results in a potential liability for the Council if MMI trigger the "claw back" scheme for any claims settled from the period the Council was insured through MMI. The value of claims and the rate of clawback have not been confirmed therefore no specific provision has been made for this claim.

39 School Balances

	Schools with Surpluses £000s	Schools with Deficits £000s	Net Surplus £000s
Balance at 1 April 2011	(6,946)	522	(6,424)
Net (underspend)/overspend during year	12	(314)	(302)
Balance at 31 March 2012	(6,934)	208	(6,726)

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

40 Trust Funds

The Council administers several trust funds relating to specific services. These are varied in nature and relate principally to legacies left over a period of years. All funds are invested in accordance with the terms of the trust deeds. The funds do not represent assets of the Council and are not included in the Balance Sheet. The principle funds are:

31 March 2011 £000s		31 March 2012 £000s
24	Westmoorland and Forest Hall War Memorial Institute	3
22	Heward Trust	22
42	Wallsend Civic Hall	42
7	Others	7
95	**Total**	**74**

41 Deployment of Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2011/12 are as follows:

	Central Expenditure £000s	Individual Schools budget £000s	Total £000s
Final DSG for 2011/12			(131,371)
Brought forward from 2010/11			(789)
Agreed budgeted distribution in 2011/12	(8,079)	(124,081)	(132,160)
Actual Central Expenditure	7,495	0	7,495
Actual ISB deployed to Schools	0	122,570	122,570
Carry forward to 2012/13	**(584)**	**(1,511)**	**(2,095)**

42 Health Act 1999 Pooled Funds and similar arrangements

The Council has two separate pooled budget arrangements under section 31 of the Health Act 1999. They are both joint working relationships between health and social care.

Intermediate Care

The purpose of the partnership is:

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

The partners are North Tyneside Council and North Tyneside Primary Care Trust (the Council is the host partner). The gross expenditure is £1.733m, income £0.012m leaving net expenditure of £1.721m, with the Council's contribution being £1.177m.

Joint Loan Store

The purpose of the partnership is:

- The continued provision of a Loan Equipment Service as outlined in the Department of Health's Guide to Integrating Community Equipment Services to residents of North Tyneside;
- To provide premises to house a Loan Equipment Service;
- To offer appropriate training to staff and service users in the use of all equipment supplied in the service;

- To implement an IT system capable of tracking equipment, assisting with recycling, stock control and delivery scheduling;
- To offer a "one stop shop" for community equipment; and
- To increase the number of people benefiting from community equipment services.

The partners are North Tyneside Council and North Tyneside Primary Care Trust (the Council is the host partner). The gross expenditure is £1.232m, income £0.055m leaving net expenditure of £1.177m, with the Council's contribution being £0.635m.

43 Financial instruments

Financial Instruments Balances

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

	Long-term		Current	
	31 March 2011 £000s	31 March 2012 £000s	31 March 2011 £000s	31 March 2012 £000s
Financial liabilities at amortised cost:				
Loans	284,750	402,943	51,995	48,804
PFI Schemes	47,228	45,790	1,353	1,438
Finance Leases	2,067	1,452	678	616
Total Financial Liabilities	334,045	450,185	54,026	50,858
Loans and receivables	0	0	230	218
Available-for-sale assets	520	520	0	0
Total Investments	520	520	230	218

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

Financial liabilities: £5.636m (2010/11 £5.838m).

The Council also holds a number of long-term debtors, some of which meet the definition of financial instruments. Note 24 sets out the total balance at the year-end of £0.784m (2010/11 £1.209m) of which £0.580m (2010/11 £1.049m) relates to financial instruments. These are held at amortised cost.

Financial instruments gains and losses

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

	2011/12			
	Financial Liabilities	Financial assets		Total
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s	£000s
Interest on loans	(16,664)	0	0	(16,664)
Interest on PFI Schemes	(3,095)	0	0	(3,095)
Interest on Finance Leases	(98)	0	0	(98)
Total Interest Payable	(19,857)	0	0	(19,857)
Net gain/(loss) for the year	**(19,857)**	**0**	**0**	**(19,857)**

	2010/11			
	Financial liabilities	Financial assets		Total
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s	£000s
Interest on loans	(16,823)	0	0	(16,823)
Interest on PFI Schemes	(3,182)	0	0	(3,182)
Interest on Finance Leases	(124)	0	0	(124)
Total Interest Payable	(20,129)	0	0	(20,129)
Net gain/(loss) for the year	**(20,129)**	**0**	**0**	**(20,129)**

Fair value of assets and liabilities at amortised cost

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

- Estimated interest rates at 31 March 2012 for loans/receivables based on the market rate for an instrument with the same duration;
- No early repayment or impairment is recognised;
- The fair value of trade and other receivables and payables is taken to be the invoiced or billed amount. Cash at bank and overdrawn amounts are held at the nominal value, as disclosed on the face of the balance sheet. These are not included in the financial instruments information included below; and
- The fair value of the PFI and Finance Leases is taken to be the same as the carrying value as the interest rate applied is driven from the overall calculation of the unitary charge in the operators' models. This calculation takes into account wider factors applying to the contract therefore it is not considered appropriate to apply an interest rate from a simple loan over a comparable contract term.

The fair values are calculated as follows:

	31 March 2012	
	Carrying amount £000s	Fair value £000s
PWLB loans	418,349	494,917
Lender option borrower option loan	20,160	20,290
Market loans (including other local authorities)	13,238	13,068
Total Financial liabilities	**451,747**	**528,275**

	31 March 2011	
	Carrying amount £000s	Fair value £000s
PWLB loans	290,329	330,483
Lender option borrower option loan	20,160	23,477
Market loans (including other local authorities)	26,256	26,325
Total Financial liabilities	**336,745**	**380,285**

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

	31 March 2012	
	Carrying amount £000s	Fair value £000s
Fixed rate investments	218	218

	31 March 2011	
	Carrying amount £000s	Fair value £000s
Fixed rate investments	230	230

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

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

Nature and extent of risks arising from financial instruments

The 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; and,
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock 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 the Treasury Management Team, under policies approved by Council in the 'Treasury Management and Annual Investment Strategies'. This provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit rate risk and the investment of surplus cash. The annual treasury management strategy is available on the Council's website.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the Council's minimum credit requirements. This is assessed using information on these institutions provided by our external Treasury Management advisors. The Council has a policy of not lending more than £20.000m of its surplus funds to any one institution.

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

	31 March 2012 £000s	Historical experience of default %	Historical experience adjusted for market conditions 31 March 2012 %	Estimated maximum exposure to default and uncollectability £000s
Deposits with financial institutions (principal)	0	0	0	0
Customers (gross)*	36,230	0	0	7,968

*The amount shown as being due from customers is the gross debtors figure. Based on our experience of debt management, it is prudent to make a bad debt provision for debt that may not be collectable. The method of calculating the appropriate provision is based on an analysis of the specific debt rather than a general percentage. The calculation of the provision takes into account the age of the debt for the General Fund and Collection Fund, and the value of the debt for the HRA. At 31 March 2012, this provision is £7.968m and the debtor included in the Balance Sheet is net of this provision.

The Council does not generally allow credit for its debtors. Trade debtors account for £6.895m of the gross debtors balance disclosed above. £2.495m of the trade debtors balance is more than one month, i.e. past its due date, and can be analysed as follows:

31 March 2011 £000s		**31 March 2012 £000s**
949	1-3 months	709
369	3-6 months	646
222	6-12 months	205
977	Over 1 year	935
2,517	**Total**	**2,495**

No credit limits were exceeded during the financial year ended 31 March 2012 and the Council does not expect any losses from non-performance by any of its counterparties in relation to investments/deposits. No exposure is expected in relation to deposits with financial institutions.

Liquidity risk

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

The maturity analysis of the financial loans is as follows:

31 March 2011 £000s		**31 March 2012 £000s**
51,995	Less than 1 year	48,804
30,000	Between 1 and 2 years	30,000
78,100	Between 2 and 5 years	73,100
42,750	Between 5 and 10 years	37,750
133,900	More than 10 years	262,093
336,745		**451,747**

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

Market risk

Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;

- Borrowings at fixed rates – the fair value of the borrowings will fall;

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and,

- Investments at fixed rates – the fair value of the assets will fall.

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

The Council has a number of strategies for managing interest rate risk. The policy is to keep a maximum of 30% of its borrowings in variable rate loans, although there are no such loans at present. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposures to losses. The risk is ameliorated by the fact that a proportion of government grant payable, relating to supported borrowing, will normally move with the prevailing interest rates or the 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 and monitoring of the annual budget. The budget is monitored bi-monthly during the year which allows any adverse changes to be accommodated. The analysis will also advise on whether new borrowing taken out is fixed or variable. Councils are required to disclose the impact of interest rate changes on their financial assets and liabilities. Whilst there is provision in the Treasury Management Strategy for variable loans, no such loans were in place during 2011/12.

According to this investment strategy, as at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2012 £000s
Change in fair value of fixed rate investments	0
Decrease in fair value of fixed rate borrowings liabilities (which does not have an impact on the Comprehensive Income and Expenditure Statement)	46,902

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

Price risk

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

The Council does hold an investment in Newcastle Airport Local Authority Holding Company Ltd. As there is no active market for these assets they are held as available-for-sale assets and valued at cost less impairment.

Foreign exchange risk

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

44 Cash held on behalf of third parties

The Council held £0.077m as at 31 March 2012 (£0.318m in 2010/11) on behalf of third parties. This amount has been excluded from the Council's cash balance as at the year-end.

45 Notes to the Cash Flow - Revenue Activities

This statement is the reconciliation between the net surplus/ deficit on the Comprehensive Income & Expenditure Statement to the revenue activities net cash flow from operating activities.

2010/11 £000s		2011/12 £000s	2011/12 £000s
(208,905)	Surplus/(Deficit) for the year		(166,955)
	Non Cash Transactions		
54,806	Depreciation	34,338	
153,317	Impairment and downward valuations	17,761	
417	Amortisation	440	
413	Increase/(Decrease) in Interest Creditors	(202)	
(4,541)	Increase/(Decrease) in Creditors	(386)	
761	(Increase)/Decrease in Debtors	3,284	
(5)	(Increase)/Decrease in Inventories	(86)	
(93,585)	Pension Liability	(4,340)	
(775)	Contributions (to)/from Provisions	1,613	
(3,160)	Provision for Equal Pay	5,129	
128,610	Carrying amount of non-current assets sold	20,611	
10	Carrying amount of short and long term investments sold	0	
(17)	Movement in Investment Property Values	(140)	
236,251			78,022
	Adjustments for items included in the net deficit on the provision of services that are investing or financing activities		
(17,832)	Capital Grants credited to surplus or deficit on the provision of services	(20,484)	
0	Net adjustment from the sale of short and long term investments	12	
(6,829)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,200)	
(24,661)			(26,672)
2,685	**Net Cash Inflow/(Outflow) from operating Activities**		(115,605)

46 Notes to the Cash Flow – Operating Activities (Interest)

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

2010/11 £000s		2011/12 £000s
257	Ordinary Interest Received	153
257	Interest Received	153
(20,290)	Interest charge for year	(19,993)
(5,425)	Opening Creditor	(5,838)
5,838	Closing Creditor	5,636
(19,877)	Interest Paid	(20,195)

47 Notes to the Cash Flow – Operating Activities (Investing Activities)

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

2010/11 £000s		2011/12 £000s	2011/12 £000s
(59,859)	Property, Plant & Equipment purchased	(30,354)	
(636)	Other Capital Payments	(644)	
1,050	Add back new Finance Leases (non cash flow item)	0	
196	Add back PFI assets (non cash flow item)	202	
(8,576)	Opening Capital Creditors	(1,908)	
1,908	Closing Capital Creditors	1,274	
(65,917)	Purchase of Property, Plant & Equipment, investment property and intangible assets		(31,430)
7,135	Proceeds from the sale of Property, Plant & Equipment, investment property and intangible assets		6,505
23,882	Capital Grants Received	14,113	
23,882	Other receipts from Investing Activities		14,113
(34,900)	**Total Cash Flows from Investing Activities**		**(10,812)**

48 Notes to the Cash Flow – Financing Activities

2010/11 £000s		2011/12 £000s	2011/12 £000s
66,000	Cash receipts of short and long term borrowing		161,204
(76)	Council Tax and NNDR Adjustments		5,981
(45,116)	Repayment of short and long term borrowing		(46,144)
(974)	Payments for the reduction of finance lease liability	(678)	
(1,467)	Payments for the reduction of PFI liability	(1,555)	
(2,441)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(2,233)
18,367	**Total Cash Flows from Financing Activities**		**118,808**

49 Exceptional Items

2011/12 HRA Self Financing Loans Exceptional Item

As part of the arrangements for the introduction of HRA Self Financing, the Council had to finance a payment of £128.193m to the Treasury on the 28 March 2012. This payment was financed by borrowing from the Public Works Loan Board (PWLB).

2010/11 HRA Impairments and downwards valuations Exceptional Item

The Council housing value has been impaired as a result of the five-year review of the discount factor used in the valuation of Council Housing. The discount set by CLG increased from 63% to 49% and has created an impairment charge of £148.585m and is shown within the Local Authority Housing (HRA) line on the Comprehensive Income & Expenditure Statement.

50 Post Balance Sheet Events – Events after the Reporting Period

Procurement of Business Package and Technical Package Partners

On 14 November 2011 Cabinet approved the commencement of an European Union procurement exercise to identify preferred bidders for each of the Business Package and Technical Package.

The Business Package comprises of the following 6 workstreams – Finance, Procurement, Revenue & Benefits, Information Communications Technology, Customer Services and Human Resources.

The Technical Package comprises of the following 4 workstreams – Engineering Services, Consumer Protection, Planning and Property Services.

At its meeting of 13 August 2012, following consideration of the concerns and recommendations raised by Overview and Scrutiny Committee at a meeting on 6 August 2012, Cabinet approved the appointment of the preferred bidders for each package.

Following the expiry of the Alcatel period on 3 September 2012, these preferred bidder appointments have been confirmed. The Council and the preferred bidders are currently in continued negotiation, working towards a service commencement date of 1 November 2012.

Whilst there are no financial implications for the 2011/12 financial year, this will be a major transaction with up to 800 staff transferring to the new partner organisations so is disclosed in these financial statements.

Housing Revenue Account – Income & Expenditure Statement for year ended 31 March 2012

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

2010/11 £000s		Note	2011/12 £000s	2011/12 £000s
	Expenditure			
11,204	Repairs & Maintenance		12,302	
12,079	Supervision and Management		10,695	
3,907	HRA Subsidy Payable	6	7,089	
241	Rents, Rates, Taxes and other charges		240	
221	Contribution to Bad Debt Provision	4	186	
181,449	Capital Charges, Depreciation and Impairment of non current assets	7/8/12	26,248	
	Exceptional Item – HRA Self Financing	13	128,193	
209,101	Total Expenditure			184,953
	Income			
(44,680)	Dwelling rents (Gross)		(48,019)	
(571)	Non-dwelling rents (Gross)		(669)	
(1,749)	Charges for services and facilities		(2,008)	
(2,896)	Contributions towards expenditure		(2,956)	
(49,896)	Total Income			(53,652)
159,205	**Net cost of HRA services as included in the Comprehensive Income & Expenditure Statement**			**131,301**
367	HRA services' share of Corporate & Democratic Core			361
2,280	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services			2,339
161,852	**Net (Income)/Expenditure for HRA Services**			**134,001**
	HRA Share of the operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
(939)	(Gain) or loss on sale of HRA non-current assets			(1,111)
6,793	Interest payable and similar charges			7,037
(18)	Interest and investment income			(18)
257	Pensions interest cost and expected return on pensions assets	9		133
(102)	Capital Grants and Contributions			(72)
167,843	**(Surplus)/Deficit for the year on HRA Services**			**139,970**

2010/11 £000s		Note	2011/12 £000s	£000s
	Movement on the HRA Statement			
(2,940)	Balance on the HRA at the end of the previous year			(4,005)
167,843	(Surplus)/ Deficit for the year on the HRA Services			139,970
(168,908)	Adjustments between accounting basis and funding basis under statute			(140,615)
(1,065)	Net (increase)/decrease before transfers to or from Reserves			(645)
0	Transfers to or (from) Reserves			351
(1,065)	(Increase)/Decrease in year on the HRA			(294)
(4,005)	**Balance on the HRA at the end of the year**			**(4,299)**

Notes to the Housing Revenue Account

1 Housing Stock

The Council was responsible for managing 15,496 dwellings at 31 March 2012 compared with 15,522 at 31 March 2011. The net reduction of 26 includes 30 properties sold and a net increase of 4 properties due to a change of use. The number of voids included in the above figures as at 31 March 2012 stands at 412 (of which 260 relate to the Sheltered PFI Scheme).

The stock is made up as follows:

1 April 2011		31 March 2012
	Low Rise Flats	
1,784	- 1 Bed	1,783
1,021	- 2 Bed	1,020
125	- 3+ Bed	125
	Medium Rise Flats	
484	- 1 Bed	484
1,143	- 2 Bed	1,138
105	- 3+ Bed	105
	Houses and Bungalows	
1,563	- 1 Bed	1,564
3,129	- 2 Bed	3,123
5,791	- 3 Bed	5,778
377	- 4+ Bed	376
15,522	**Total**	**15,496**

2 Balance sheet Valuation

The net balance sheet value of property within the HRA (valued in accordance with government guidance) is as follows:

1 April 2011 £000s		31 March 2012 £000s
	Operational Assets:	
505,171	Houses	491,386
2,479	Land & Buildings	3,274
503	Other	580
508,153		**495,240**

3 Vacant Possession

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

1 April 2011 £000s		31 March 2012 £000s
1,276	Vacant Possession Value of HRA Dwellings	1,231

The vacant possession value and balance sheet value of dwellings within the HRA reflect the economic cost to government of providing council housing at less than open market rents.

4 Rent Arrears and Bad Debt Provision

Overall rent arrears have reduced by £0.160m during 2011/12, from £2.524m at 31 March 2011 to £2.364m at 31 March 2012. These figures include rent, service charge and water charge arrears.

The provision for bad debt required at 31 March 2012 is £1.687m compared with £1.863m at 31 March 2011, a reduction of £0.176m. Bad debts of £0.362m were written off during the year, and a contribution of £0.186m was made:

	£000s
Opening Provision for Bad Debt at 1 April 2011	1,863
Bad debts written off during 2011/12	(362)
Additional contributions to bad debt provision during year	186
Provision for Bad Debts at 31 March 2012	**1,687**

5 Major Repairs Reserve

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

	£000s
Balance as at 1 April 2011	0
Depreciation transferred into MRR	(10,026)
Amount transferred to HRA (re depreciation in excess of Major Repairs Allowance MRA)	
Financing of HRA capital expenditure:	
Houses	10,026
Balance as at 31 March 2012	**0**

6 HRA Subsidy

HRA Subsidy of £7.089m was paid over to Communities and Local Government (CLG) in 2011/12, compared to payments of £3.907m the previous year. There were a number of factors contributing to the differences. As has been the case for a number of years the Guideline Rent increase outstripped increases in Management and Maintenance Allowances and the MRA. This, allied to a reduction in the Consolidated Rate of Interest (CRI) which was a symptom of prevailing economic conditions, effectively resulted in significant increases in the levels of subsidy paid over to CLG in 2011/12.

Due to the introduction of HRA Self-Financing from 1 April 2012, the 2011/12 financial year represents the last year of HRA Subsidy, which will be abolished as part of the changes introduced under The Localism Act 2011. The breakdown of subsidy payable is as follows:

2010/11 £000s		2011/12 £000s
(25,022)	Management and Maintenance	(25,035)
(10,197)	Major Repairs Allowance	(10,026)
(6,528)	Charges for Capital	(6,243)
45,667	Guideline Rent Income	48,439
1	Interest on Receipts	0
0	Self Financing Interest Adjustment	(46)
(14)	Previous year adjustment	0
3,907	**Subsidy Paid**	**7,089**

7 Housing Capital Expenditure and Financing

Capital expenditure of £13.660m was spent on HRA during 2011/12.

2010/11 £000s		2011/12 £000s
35,542	Houses	13,491
157	Revenue Expenditure Funded from Capital under Statute	169
35,699		13,660

This was financed as follows:

2010/11 £000s		2011/12 £000s
10,197	Major Repairs Reserve	10,026
1,835	Revenue Contribution	1,412
23,565	Borrowing	2,150
102	Contributions in Advance	72
35,699		**13,660**

Total Gross Capital Receipts:

2010/11 £000s		2011/12 £000s
1,272	Houses	1,775
0	Other	168
159	Land	175
1,431		**2,118**

8 Depreciation for HRA Assets

The charges for depreciation within the HRA for 2011/12 were as follows:

2010/11 £000s		2011/12 £000s
	Operational Assets:	
9,944	Houses	9,787
198	Other	161
55	Land & Buildings	78
10,197		**10,026**

9 Pension Costs

In accordance with IAS19 – Retirement Benefits, the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. Note 7 to the Core Financial Statements provides further details on Pension Costs.

The amounts charged to the HRA for 2011/12 in accordance with IAS19 were as follows:

2010/11 £000s		2011/12 £000s
257	Allocated to Services	183
1,968	Pension Interest Costs	1,854
(1,711)	Expected Return on Pensions Assets	(1,721)
(514)	Movement on Pension Reserve	(316)

10 Furniture Reserve

A Furniture Reserve was created during 2006/07 to fund a rolling programme of refurbishments to the Direct Access Units and Dispersed Units. This fund is held on the Balance Sheet, to be drawn down and replenished as appropriate from the furniture charges collected from each of the units. During 2011/12 £0.023m was drawn from the fund and no further contributions were added to fund future refurbishments. There has been a fundamental review of service provision and the attached supporting people funding. The service has been reconfigured to reflect a new service offering and there will be a significant future refurbishment required which this reserve will help to fund.

	2011/12 £000s
Balance as at 1 April 2011	138
2011/12 Drawdown to fund spend	(23)
2011/12 Additional contributions to fund	0
Balance as at 31 March 2012	**115**

11 Solar PhotoVoltaic(PV)

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

In addition EON paid upfront an agreed sum of £0.150m which will be used to create a Green Fund to fund sustainable works to other Council housing which could not benefit from solar PV. This Green Fund will be supplemented annually with the roof rental payments to provide a regular stream of income for green works. Each year, once suitable works have been identified and agreed by the Mayor and Cabinet, the funding will be drawn down to finance the necessary works.

In addition EON also paid upfront an agreed amount of £0.250m in lieu of a parent company guarantee. The Council has set aside a risk pot against future potential ‘compensation events’ identified in the contract.

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

12 Impairments/Reverse Impairments/Downward Revaluations

The total value of impairments for the financial year in respect of council dwellings and other property within the HRA is £16.053m (£171.095m in 2010/11).

13 Exceptional Item – HRA Self Financing Loans

As part of the arrangements for the introduction of HRA Self Financing, the Council had to finance a payment of £128.193m to the Treasury on the 28 March 2012. This payment was financed by borrowing from the Public Works Loan Board (PWLB).

Collection Fund Statement for year ended 31March 2012

2010/11 £000s	Income	Note	2011/12 £000s	2011/12 £000s
	Council Tax:			
(77,105)	Council Tax		(77,645)	
(17,871)	Council Tax Benefits		(17,661)	
(94,976)				(95,306)
(47,727)	Non Domestic Rates	2		(56,016)
(142,703)	**Total Income**			(151,322)
	Expenditure			
	Precepts and Demands:	3		
84,602	North Tyneside Council Demand		85,191	
5,331	Northumbria Police Authority Precept		5,368	
4,660	Tyne & Wear Fire & Rescue Authority Precept		4,693	
94,593				95,252
	Distribution of Collection Fund Surplus to Preceptors	4		
6	Northumbria Police Authority		2	
5	Tyne & Wear Fire & Rescue Authority		2	
11				4
	Non Domestic Rates:	2		
47,492	Payment to National Pool		55,784	
235	Cost of Collection Allowance		232	
47,727				56,016
92	Contribution to North Tyneside Council from 2010/11 Collection Fund Surplus	4		29
213	Allowance for Non Payment of Council Tax	5		(398)
111	Council Tax Write Offs			522
142,747	**Total Expenditure**			151,425
44	(Surplus)/Deficit for 2011/12			103
(160)	(Surplus) as at 1 April 2011			(116)
(116)	**(Surplus) as at 31 March 2012**	**4**		**(13)**

Notes to the Collection Fund

General

This statement represents the transactions of the Collection Fund, which is a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administrating collection are accounted for in the General Fund. Collection Fund balances relating to North Tyneside Council are consolidated into the Council's Balance Sheet with the surplus/deficit relating to the Council is shown in the Collection Fund Adjustment Account.

1 Council Tax

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

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Northumbria Police Authority, the Tyne & Wear Fire & Rescue Authority and the Council, for the forthcoming year, and dividing this by the Council Tax base, (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: (64,147 in 2011/12). This basic amount of council tax for Band D property (£1,484.90 in 2011/12) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax Base Calculation

Band	Properties	Less Discounts at 25%	Less 2nd Home Discount Adjustments	Total Properties	Proportion of Band D Equivalent	Band D Equivalent
A*	192	(17)	0	175	5/9	97
A	47,701	(6,289)	(25)	41,387	6/9	27,591
B	14,354	(1,347)	(10)	12,997	7/9	10,109
C	17,758	(1,270)	(9)	16,479	8/9	14,648
D	7,054	(385)	(6)	6,663	9/9	6,663
E	3,042	(129)	(1)	2,912	11/9	3,559
F	1,011	(44)	(1)	966	13/9	1,396
G	345	(24)	0	321	15/9	535
H	11	(3)	0	8	18/9	16
	91,468	**(9,508)**	**(52)**	**81,908**		**64,614**

*Band A - Entitled to Disabled Relief Reduction.

	Band D Equivalents	Collection Rate	Council Tax Base
Tax Base Calculation	64,614	99.20%	64,097
Add Payments in Lieu			50
2011/12 Council Tax Base			64,147

2 National Non Domestic Rates (NNDR)

NNDR is organised on a national basis. The multiplier (the rate in the £) is set annually by Central Government. For 2011/12, the standard rates multiplier was set at 43.3 pence in the £ and the small business multiplier was set at 42.6 pence in the £.

The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into an NNDR pool administered by the Government. Central Government redistributes the sums paid into the pool back to Local Authorities' General Funds.

Business Rates are based on the rateable value of the property, which is set by the Valuation Officer and revalued on a regular basis.

The Council's non-domestic rateable value at 31 March 2012 was £149,532,952 (£149,591,142 in 2010/11).

The NNDR income figure of £56.016m in the 2011/12 Collection Fund Accounts reconciles with the 2011/12 opening rates charge of £63.512m as follows:

	2011/12 £000s
NNDR Income	(56,016)
Adjustments to Charges	1,239
Exemptions	(2,304)
Discretionary and Hardship Relief	(5,789)
Write Offs	(12)
Adjustments to Arrears	21
Bad Debt Provision	(791)
Interest on Refunds	(27)
General Fund Discretionary Relief	167
2011/12 Opening Charge	**(63,512)**

3 Precepts and Demands

The following Authorities made significant Demands and Precepts on the Collection Fund:

2010/11 £000s		2011/12 £000s
84,602	North Tyneside Council Demand	85,191
5,331	Northumbria Police Authority Precept	5,368
4,660	Tyne & Wear Fire & Rescue Authority Precept	4,693
94,593		**95,252**

4 Distribution of Collection Fund Surplus

The Collection Fund Surplus brought forward into 2011/12 must be repaid to the Council's General Fund, the Northumbria Police Authority and Tyne & Wear Fire and Rescue Authority.

The following amounts were distributed to preceptors as part of the Collection Fund Surplus brought forward into 2011/12:

2010/11 £000s		2011/12 £000s
6	Northumbria Police Authority Precept	2
5	Tyne & Wear Fire & Rescue Authority Precept	2
11		4

A surplus of £0.029m was transferred to the General Fund in 2011/12 to reduce Council Tax levels for the year. An estimate of the surplus as at 31 March 2012 was taken into account in determining the council tax level for 2012/13.

The surplus on the Collection Fund of £0.013m as at 31 March 2012 will be transferred to the Council's General Fund and major precepting authorities for distribution.

5 Allowance For Non Payment of Council Tax

The Council Tax bad debt provision is reviewed on an annual basis, against the level of arrears. For 2011/12 the bad debt provision has been reduced by £0.398m to £3.352m compared to £3.750m in 2010/11. The North Tyneside Council element decreased from £3.354m in 2010/11 to £2.999m in 2011/12.

2011/12 Statement of Accounting Policies

1 General Principles

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

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit (England) Regulations 2011.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (The Code) and the Service Reporting Code of Practice 2011/12 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 Regulations.

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

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 unless the difference is immaterial; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where

debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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 three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4 Exceptional items

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the 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. Generally, the majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions in the year in which they are identified, and are accounted for accordingly.

6 Estimation Techniques

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

7 Charges to Revenue for Non-Current Assets

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

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

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

Similarly, depreciation, impairment and amortisations charged to the Housing Revenue Account, are replaced by the Major Repairs Allowance (the amount provided by central government as a proxy for depreciation) with any excess depreciation moved to the Capital Adjustment Account.

8 Employee Benefits

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

<u>Termination Benefits</u>
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 appropriate service 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

appropriate the Council will seek to utilise capitalisation directives to allow statutory redundancy payments to be capitalised.

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.

In respect of previous years, Strain on the Fund costs have been paid to the Tyne and Wear Pension Body in one instalment and are recognised in the Comprehensive Income and Expenditure Statement over 3 to 5 years.

Post Employment Benefits (Retirement 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 (Tyne and Wear Pension Fund), administered by South Tyneside Council.

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

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 were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.
The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Tyne and Wear 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; and

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

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

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

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- Past service cost – the increase in liabilities 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;
- 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;
- 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;
- 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;
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited or credited to the Pensions Reserve; and
- Contributions paid to the Tyne and Wear Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the 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.

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

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.

9 Events After the Reporting Period

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

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

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

10 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 (maximum 10 years) when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the 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.

If the Council makes loans to voluntary organisations at less than market rates, these are known as soft loans. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain 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.

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 (eg, 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. Equity shares with no quoted market prices are based on an independent appraisal of company valuations.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. 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).

11 Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

12 Government Grants and Contributions

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

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

- 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 there is reasonable assurance that the conditions attached to the grant or contribution will be satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

13 Heritage Assets

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

Recognition and Measurement
Assets have been valued at cost or insurance valuation if this information is readily available. Where this information is not available, and cannot be obtained at a cost which is commensurate with the benefits to the users of the accounts, the asset has not been recognised in the Balance Sheet. Disclosure has been made in Note 18 to the Core Financial Statements in respect of heritage assets not recognised.

Impairment
The carrying amounts of heritage assets are reviewed where there is evidence of impairment. Any impairment is recognised and measured in accordance with the Council's general policy on impairment shown in accounting policy 21.

Disposals
Disposal proceeds are disclosed separately and accounted for in accordance with the statutory accounting requirements relating to capital receipts shown in accounting policy 21.

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

14 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 (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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 services in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant services in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

15 Interests in Companies and Other Entities

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

16 Inventories

Inventories are shown in the accounts at the lower of cost and net realisable value.

17 Investment Property

Investment Property 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 Property are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment Property 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.

18 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 the 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 its 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.

19 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.

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. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

<u>The Council as Lessor</u>

Finance Leases
The Council has not entered into any finance leases as lessor.

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 relevant service (Other Operating Expenditure) line in the Comprehensive Income and Expenditure Statement. Rental income is recognised on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

20 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12* (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 multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

21 Property, Plant and Equipment

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

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

The 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 (ie, 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.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost;
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);and
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every four years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. 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 as follows:

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

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

De- Minimis Levels
The use of a de-minimis level for capital expenditure means that assets below the de-minimis level are charged to the revenue account ie the asset is not included in the balance sheet unless it is part of an overall project costing more than the de-minimis level.

The de-minimis levels used are £0.020m for land, buildings and infrastructure and £0.006m for equipment.

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 as follows:

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

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).

Deprecation is calculated on the following bases:

- Council Dwellings – Major Repairs Allowance (MRA) is used as a proxy for depreciation;
- Other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (generally 30-60 years);

- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset (generally 3-10 years); and
- Infrastructure – straight-line allocation over 40 years.

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

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

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

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

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

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

Amounts received for a disposal in excess of £0.010m are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the 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.

Trust and Academy Schools
Land and buildings transferred to a foundation trust or academy are removed from the Council's balance sheet in the year that the transfer takes place.

22 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 normally pass to the Council at the end of the contracts, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment (See Note 17).

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

23 Provisions, Contingent Liabilities and Contingent Assets

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 instance, 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 (eg 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.

Provision for Back Pay Arising from Unequal Pay Claims
The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made. The Council received a capitalisation directive to allow equal pay compensation payments and provisions to be capitalised during 2011/12.

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.

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.

24 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. The nature of the Council's main reserves and balances are shown in note 36 to the Core Financial Statements. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

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

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

25 Value Added Tax (VAT)

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

26 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the 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 there is no impact on the level of Council Tax.

27 Collection Fund Statement

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

<u>National Non-Domestic Rates (NNDR)</u>
NNDR income is not the income of the Council rather it is the income of central Government for which the Council acts as the billing agent. NNDR debtor and creditor balances are not included in the Council's Balance Sheet. Included in the Council's Balance Sheet is the amount of cash collected from NNDR taxpayers that has not yet been paid to the Government or has been overpaid to the Government on the Balance Sheet date.

28 Carbon Reduction Commitment (CRC) 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 ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the cost of the Council's services and is apportioned to services on the basis of energy consumption.

2011/12 Annual Governance Statement

1.0 Scope of Responsibility

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

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

North Tyneside Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code can be found on our website or can be obtained from Legal Services. This Statement explains how North Tyneside Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication the Annual Governance Statement (AGS).

2.0 The purpose of the governance framework

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

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

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

The governance framework has been in place at North Tyneside Council for the year ended 31 March 2012 and up to the date of approval of the Annual Report and Statement of Accounts.

3.0 The governance framework

The key elements of the systems and processes that comprise the Council's governance arrangements are described below. These are split into the 6 core principles from the Good Governance Standard.

3.1 <u>Focusing on our purpose as a Council and outcomes for our Residents</u>

3.1.1 *Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users – this should be clearly communicated, both within the organisation and to external stakeholders*

- The North Tyneside Strategic Partnership (NTSP) provides a framework for partners to influence the Council's activity. A residents' survey is conducted annually and the re-established Residents Panel has been consulted on a variety of topics and issues.

- The Council continues to monitor the Sustainable Community Strategy which has 4 priorities:
  - Regeneration;
  - Quality of Life;
  - Best Start in Life; and,
  - Sense of Place

- The Council Strategic Plan presents the Council's priorities and outlines the main work programmes the Council intends to deliver over the next three years to achieve its ambitions. This includes a wide range of engagement activities with our stakeholders.

- North Tyneside Council is committed to being a resident - focused Council. One key requirement for achieving this is to ensure that residents' views are gathered and considered during the annual Council Strategic Plan and Budget Setting process. The Council Strategic Plan and Budget Engagement Strategy for 2012/13 will continue the stepped improvements to the process which we make each year. The Budget Engagement Summary Report provides a comprehensive summary of the outcomes of the budget engagement process and how the information provided by those individuals involved in the engagement events has been used in formulating the 2012-2015 Council Strategic Plan and Budget Setting process together with details of the various engagement activities.

- An Annual Report is published each autumn, detailing the Council's activities and achievements, including its financial position and performance for the previous financial year. This is included in the Council's 'Widening Horizons' magazine, which is distributed to all households in the borough.

3.1.2 *Reviewing the Council's vision and its implications for the Council's governance arrangements*

- The Council is subject to audit by internal and external auditors and independent agencies.

- The Council Strategic Plan presents the Council's priorities and outlines the main work programmes the Council intends to deliver over the next three years to achieve its ambitions.
- All operational and financial risks identified as part of the annual Budget Setting Process are added to the appropriate Risk Register. These are continually assessed and monitored.
- The Financial Strategy is updated annually.

3.1.3 *Measuring the quality of service for users, ensuring services are delivered in accordance with the Council's objectives and ensuring that they represent the best use of resources*

- An annual postal survey with 2,500 residents is carried out.
- A young person's survey is carried out to ensure the view of the young people are measured.
- Each quarter performance and risk reporting is undertaken against the Council Plan. This is monitored by the Senior Leadership Team and Cabinet.

3.2 <u>Members and officers have clearly defined roles and responsibilities that enable them to work together to achieve a common purpose</u>

3.2.1 *Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication*

- The Council's Constitution sets out the roles and responsibilities of Members and Officers.
- The Scheme of Delegation sets out the basis upon which decisions are made and who has the proper authority to make them.
- Supporting the Constitution are documents such as Financial Regulations, Standing Orders, Codes of Conduct – these documents are regularly updated to ensure that they are fit for purpose.

3.3 <u>Promoting High Standards of Conduct and behaviour and values for the Council</u>

3.3.1 *Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff*

- Codes of Conduct are in place for Members and Officers.
- The Council's Standards Committee has responsibility for dealing with complaints about Members, in conjunction with the Standards Board for England.
- Staffing conduct matters are dealt with through the Disciplinary Procedure.
- A Register of Interest, Register of Gifts and Hospitality and a Register of Declarations of Interest (for Members) are maintained to ensure officers and Members alike are prevented from being influenced by prejudice, bias or conflicts of interest.

3.4 Decision Making is transparent and subject to effective scrutiny and risk management

3.4.1 *Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks*

- The Constitution, Financial Regulations and Standing Orders are reviewed and updated on a regular basis. These clearly set out the decision making process and assign responsibility accordingly.
- The Council has written procedures in place covering financial and administrative matters, as well as Human Resource policies and procedures.
- There are clear and comprehensive budgeting systems in place together with a robust system of budgetary control, including formal reporting bi-monthly to Cabinet and monthly to Senior Leadership Team.

3.4.2 *Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities*

- The Council has in place an Audit Committee. This is chaired by an independent person and is a cross-party committee. The committee meets on a regular basis – at least quarterly.
- The terms of reference for the Audit Committee state that they will receive the information necessary to undertaken an annual review of the effectiveness of the Council's system of internal control, will agree the methodology for the preparation of the AGS, and will monitor the action plan prepared to address issues identified in the AGS.

3.4.3 *Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful*

- The Constitution, Financial Regulations and Standing Orders clearly set out the decision making process and assign responsibility accordingly.
- All Council and Cabinet reports are approved by the Monitoring Officer, the Section 151 Officer and the Senior Manager for Policy & Partnership (who has responsibility for Community Engagement.)
- The Standards Committee and Audit Committee ensure high standards of conduct and oversee issues relating to governance and internal control.
- The Overview and Scrutiny Committee produce an annual report detailing the work that they have carried out during the year.
- The Council has developed risk management systems (including systems of internal control and an effective internal audit function). These arrangements ensure compliance with applicable statutes, regulations and relevant statements of best practice.

3.4.4 *Whistle-blowing and arrangements for receiving and investigating complaints from the public*

- The Council has an established Whistle Blowing Policy, which sets out how Members and Officers can raise their concerns in confidence.
- The Council has a complaints procedure which sets out how members of the public can lodge a complaint relating to services provided by the Council.

3.5 <u>Developing the capacity and capability of members and officers to be effective</u>

3.5.1 *Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training*

- The Council has a Members' training programme whereby the development needs of Members are identified through Strategic Training, Statutory Training and Personal Development Plans.
- The Council have adopted a Corporate Learning & Development Plan.
- There is a Corporate Induction programme for all new starters including newly elected Members.
- Individual Performance Reviews for officers identify learning and development needs.

3.6 <u>Engaging with local people and other stakeholders</u>

3.6.1 *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*

- The Council has an Engagement Framework which lets people know how they can get involved. The Council uses various different methods of engagement including: public events, electronic voting, question time panels, workshops, surveys, focus groups and the Residents' Panel. Engagement is undertaken on both Corporate and Service specific issues.
- The North Tyneside Strategic Partnership provides a framework for partners to influence Council activity. A Sustainable Community Strategy is also in place.

3.6.2 *Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Council's overall governance arrangements*

- A Governance of Partnerships Handbook has been developed, based on the Audit Commission report and other good practice examples. All Heads of Service are responsible for ensuring compliance.
- The Handbook is used in conjunction with the Council's External Partnerships Arrangements Handbook.

4.0 Review of effectiveness

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

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

- **The Council** - The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports document the financial, legal and operational implications of the decisions to be made. Reports are reviewed to ensure there are no governance issues identified. The Elected Mayor, the Chief Executive and Chair of Council have signed this document.

- **The Cabinet** - The Cabinet is responsible for ensuring that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports document the financial, legal and operational implications of the decisions made. The findings of the AGS are reported to and discussed with the Elected Mayor.

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

- **Chief Finance Officer** – The Chief Finance Officer (CFO) has statutory duties in relation to the financial administration and stewardship of the Council arising from Section 151 of the Local Government Act 1972. The CFO this year has also completed a governance statement which outlines the governance arrangements that are required to ensure she is able to carry out her responsibilities effectively. This statement is based on 'The Role of the Chief Finance Officer' produced by CIPFA.

- **Monitoring Officer** – The Monitoring Officer has responsibility for promoting and maintaining high standards of conduct and reporting any actual or potential breaches of the law or maladministration to the full Council and/or to the cabinet as set out Section 5(1) of the Local Government and Housing Act 1989.

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

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

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

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

- **Standards Committee** - The Standards Committee is currently responsible for the promotion of ethical standards within the Council, helping to secure adherence to the Members' Code of Conduct, monitoring the operation of the Code within North Tyneside, undertaking, in conjunction with the Monitoring Officer, investigations into breaches or alleged breaches of the Code. The Council is developing new arrangements for the handling of Complaints received relating to Member behaviour in accordance with the requirements of the Localism Act 2012. These will be approved by full Council by the statutory deadline of 1 July 2012.

- **Internal Audit** – Internal Audit plays a key role in the assessment of the control environment, although part of the Council's overall control framework, Internal Audit is not a substitute for effective internal control. The Chief Internal Audit or provides an annual summary of the results and conclusions of the years work, this report includes an opinion on areas that are deemed to be included within the AGS.

- **Risk Management Groups** – Risk Management is undertaken at operational and strategic level and is also a key element of managing our projects and partnerships. The Council's Senior Leadership Team take an active part in ensuring that strategic risks are identified and managed taking into consideration the Council Priorities. Those strategic risks that are exceptional in nature are managed at Corporate Level and are owned by the Chief Executive and Strategic Directors. All risks are reviewed on a regular basis by the relevant risk management group to ensure that they are being managed effectively, with progress reported to Senior Management and the Audit Committee.

- **Directorate Arrangements** - Each directorate is responsible for maintaining effective governance arrangements for its operations. Directors sign a

Statement of Assurance annually, confirming the governance arrangements that are in place and identifying any areas requiring additional controls.

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

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

5.0 Overall assessment of Governance Arrangements in place

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

The annual report produced by the Chief Internal Auditor has been reviewed and there are no significant governance issues that were identified.

As a result of reviewing the evidence outlined in sections 3 and 4, the Senior Leadership Team have taken the view that as a whole, the governance arrangements in operation during 2011/12 within the Council were adequate.

5.1 Outlook

As a result of reviewing the evidence outlined in sections 3 and 4, together with the assurance statements from each Director and the Chief Finance Officer, some issues were identified that will need to be monitored during 2012/13. These issues relate to the changing nature of the Council and local government as a whole, with the Council's approach to governance of partnership arrangements being a key feature. If the Council failed to address this challenge properly it may result in future governance issues. The following sections outlines the key areas below.

5.1.1 During 2012/13, in addition to existing partnership arrangements, the Council anticipates a number of services being delivered through new partnership arrangements. The Council will need to ensure that, whilst it continues to embed governance arrangements in existing partnerships such as Kier North Tyneside Limited appropriate governance arrangements are put in place that enable the required services to be delivered satisfactorily, whilst also achieving and sustaining value for money.

5.1.2 The Council continues to explore opportunities arising through the change in the way services are delivered in the public sector. An example of the options available to Council are those set out in the report to Cabinet 16 April 2012 "Community Based Trust and Trading Options". The Council will need to ensure that it is fully conversant in all areas concerning potential delivery vehicles and the impact on governance arrangements.

5.1.3 There is a shift in responsibilities within the public sector for example - the diversity of school provision through the new Trusts and Academies, Health Care Provision (including the transfer of Public Health from the Primary Care Trust to local authority control) and also the third sector partners. The Council will need to ensure that any impact these changes may have on how its services are provided, are fully understood and planned for.

5.1.4 The Council needs to continue to ensure that it is able to deliver the 2012/13 budget, whilst incorporating the delivery of Change, Efficiency and Improvement (CEI) programme in the context of reduced resources. Effective monitoring of the CEI programme will need to continue in a timely manner and all areas of the Council taking ownership of the programme. The issues set out in paragraph 5.1.1 through to 5.1.3 all concern aspect of partnership governance and form a significant consideration in respect of the CEI programme delivery.

5.1.5 Advice received on the application of the current legislation in relation to the decision-making roles of the Executive (the Mayor and Cabinet) and Council necessitates a review of the Constitution to ensure decision-making processes are robust and that appropriate training for Council Members and officers is provided.

5.1.6 The Council will need to ensure that any changes as a result of the implementation of the Welfare Reform Act are implemented appropriately, are fully understood and planned for.

6.0 SIGNATURES

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

Signed:

... ………………………………………………	…………………………………………
Mrs Linda Arkley	**Graham Haywood**
Elected Mayor	**Chief Executive**
Date: 27 September 2012	**Date: 27 September 2012**

…………………………………………………..
Frank Lott
Chair of Council

Date: 27 September 2012

I confirm that the Audit Committee (at its meeting 30 May 2012) was satisfied on the basis of the information available to it, that the Annual Governance Statement 2011/12, which is required, under the Regulations governing the audit of local government accounts, has been prepared and approved after due and careful enquiry.

…………………………………………………..
Andrew Curry
Chair of the Audit Committee

Date: 27 September 2012

Glossary of Terms

A

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

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

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

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

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

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or;
- the actuarial assumptions have changed.

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

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

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

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

Audit Commission: statutory body which overseas the conduct of local authority statutory audits.

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

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

B

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

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

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

Best Value: government initiative, which replaces Compulsory Competitive Tendering and places a duty on local authorities to achieve economy, efficiency, effectiveness and quality of service delivered to local people. This is achieved by finding out the needs of local people and meeting these needs. To challenge, compare, consult and compete in service provision and to seek continuous improvement with performance targets benchmarking against the best.

Billing authority: a local authority responsible for collecting National Non Domestic Rates and Council Tax i.e. metropolitan councils, unitary councils, London Boroughs, district councils and the City of London. North Tyneside Council is a billing authority.

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

C

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

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

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

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

Capitalised: transferred from revenue to capital.

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

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

CIPFA: The Chartered Institute of Public Finance and Accountancy.

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

Collection Fund: a statutory fund which has to be maintained by a billing authority separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax, Non-Domestic Rates and Community Charge 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 relating to North Tyneside Council are consolidated into the Council's Consolidated Balance Sheet within the Collection Fund Adjustment Account.

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

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

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

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

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

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

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

Contingent liabilities: 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.

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

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

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

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

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

Council Tax Benefit: financial assistance available to adults on a low income that are liable for Council Tax. The majority of the cost to the Council of these benefit payments is reimbursed by central Government grant.

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

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

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

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

D

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

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

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

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

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

E

Earmarked reserves: these reserves represent the monies set aside that can only be used for a specific usage or purpose.

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

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

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

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

Exceptional items: are ones that are material in terms of the Council's overall expenditure for example expenditure in respect of emergencies or large-scale redundancies.

Expected Rate of Return on Pensions Assets: This is an actuarially calculated estimate of the return on the scheme's investment assets during the year.

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

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

F

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

Finance Lease: a lease that transfers substantially all the risk and rewards of ownership of a fixed asset to the body leasing the asset.

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

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

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

G

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

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

H

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

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

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

I

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

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

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

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

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

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

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

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

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

L

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

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

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

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

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

Long Term Assets: tangible assets which have value to the Council for more than one year, e.g. land, buildings, equipment.

M

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

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

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

N

National Non-Domestic Rates (NNDR): a tax levied on business properties. It is organised on a national basis, with the levy on businesses being based on a notional rate in the pound set by the government multiplied by the rateable value of the premises occupied. This multiplier is set annually by central Government, and comprises of a standard rates multiplier and a small business multiplier. NNDR is collected by billing authorities on behalf of central government and then redistributed by central Government on the basis of population.

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

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

Non Current Asset: assets which have value to the Council for more than one year eg land, buildings, equipment.

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

O

Operating Lease: a type of lease where the ownership of the asset remains with the lessor and rental payments are recorded against services in the Comprehensive Income & Expenditure Statement.

P

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

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

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

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

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

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

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

R

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

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

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

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

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

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

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

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

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

S

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

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

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

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

T

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

U

Unuseable Reserves: reserves earmarked for specific accounting treatments which are not available to fund general expenditure.

Useable Reserves: reserves that can be applied to fund expenditure or reduce local taxation.