

# Narrative Report 2024/25



## 1. Introduction

The accounts of such a large and diverse organisation as Newcastle City Council are by their nature both technical and complex. This report provides an explanatory narrative to key elements of the statements and sections in the accounts and also provides a summary of the Council's financial performance for 2024/25 and its future financial prospects.

This report provides the reader with:

- A guide to the different financial statements within the Statement of Accounts
- An overview of the activities and significant matters which occurred during the year
- A summary of the Council's financial performance during the year ended 31 March 2025 and its financial position at that date
- A look ahead to 2025/26 and beyond

## 2. Revenue Financial Summary 2024/25

At the end of quarter 4, the council reported an underspend of £0.6 million against the agreed 2024/25 net revenue budget of £281.2 million. There were pressures in Children & Families directorate (£6.3 million), in Adult Social Care & Prevention directorate (£0.7 million), and Investment and Growth (£0.4 million).

**Table 1 – outturn by directorate**

<b>Directorate: (all figures in £m)</b>	<b>Budget</b>	<b>Actuals</b>	<b>Reported Variance</b>
Deputy Chief Executive	4.425	4.390	(0.035)
Adult Social Care & Prevention	124.536	125.238	0.702
Children & Families	83.204	89.535	6.331
City Operations, Neighbourhoods & Regulatory Services	50.102	47.625	(2.477)
Housing & Communities	4.922	4.057	(0.865)
Investment & Growth	13.661	14.046	0.385
Public Health Service	0.974	0.974	0.000
Chief Finance Officer Directorate	6.896	6.066	(0.829)
Workforce & Development	3.264	2.590	(0.674)
JTC Levy	18.937	18.937	0.000
Corporate Items / Reserves	(29.725)	(32.833)	(3.108)
<b>TOTAL</b>	<b>281.194</b>	<b>280.624</b>	<b>(0.570)</b>

Key factors to note from this outturn position are as follows:

### Adult Social Care & Prevention Services

Adult Social Care & Prevention directorate includes Community Support, Care & Support, Prevention, and Quality, Strategy & Innovation. Revenue budgets across the directorate are reporting a deficit of £0.7 million this year. This is due mainly to the following services:

- Community Support, which is reporting a pressure of £3.6 million due mainly to demand in relation to learning disability, physical disability and older people commissioned services. The increase in budget pressure is mainly within nursing care, residential care and home care. Pressure in the system over the winter period has resulted in increased use of externally commissioned temporary and emergency residential placements and other support.
- Care & Support, which is reporting an underspend of £0.9 million due mainly to staffing vacancies.
- Prevention, which is reporting an underspend of £1.2 million due mainly to staffing vacancies.
- Quality, Strategy & Innovation is reporting an underspend of £0.8 million due to staffing vacancies

### Chief Finance Officer

Chief Finance Officer directorate includes Audit, Risk & Insurance, Finance, Property Services, Procurement & Payments and Revenues & Benefits. Revenue budgets across the directorate are reporting an underspend of £0.8 million this year. This is due mainly to underspends against staffing budgets.

### Children & Families

Children and Families directorate includes the following services – Children's Social Care, Education, and Early Help & Family Support. Revenue budgets across the directorate are reporting a pressure of £6.3 million this year. This is due to the following services:

- Children's Social Care, which is reporting a pressure of £3.9 million due mainly to increased costs of providing services to children in care, especially external residential placements and external fostering placements, and increased costs of staffing of in-house residential services.
- Education, which is reporting a pressure of £2.5 million due mainly to increasing demand and increases in contractual rates for SEN transport and increases in the statutory casework demand for the Education Psychology Service.

### City Operations, Neighbourhoods & Regulatory Services

City Operations, Neighbourhoods & Regulatory Services directorate includes the following services – Community Hubs & Libraries, Democratic Services, Facilities Services & Civic Management, Local Services (including Repairs Service), Car

Parking, Operations (including Construction Service) and Regulatory Services as well as support services such as Business Management and ICT. Revenue budgets across the directorate are reporting an underspend position of £2.5 million this year. This is due mainly to the following services:

- Parking Services which is reporting an overspend due to underachievement of income target of £0.3m.
- Local Services which is reporting an underspend of £0.7 million due to higher than forecasted income against grounds maintenance, trade waste and cleansing services.
- Facilities Services and Civic Management has an underspend of £2.0 million due to higher than budgeted income received against cleaning and caretaking contracts, school meals and bereavement services.
- Operations, which is reporting an overspend of £1.7 million due to under recovery of £1.3 million against the Construction Service income target, and £0.6 million against increasing costs of vehicle replacement, higher material costs for SLA vehicles and an unachievable vehicle sales target. There are pressures of £0.3 million against Building Control. There is an over recovery of income of £0.3 million from energy feed in tariffs due to better performance of energy units as well as an underspend of £0.2 million from Safe Newcastle due to recovery of staff costs from grants received.
- ICT, which is reporting an underspend of £0.9 million mainly due to underspends against staffing budgets and over-achievement of SLA income.

### Deputy Chief Executive

The Deputy Chief Executive directorate includes the following services – Communications, Climate Change, Communities, Education & Skills, Legal Services and Policy & Performance. Revenue budgets across the directorate are reporting a breakeven position. This includes the following variances:

- Legal Services, which is reporting an overspend of £0.4 million due to overspends against employee costs resulting from significant increases in legal work across the organisation. A review of how the Council commissions and resources legal work is being mobilised.
- Climate Change Strategy, which is reporting an underspend of £0.2 million due to a reduction in supplies and services.
- Communication Services, which is reporting an underspend of £0.2 million due to underspends against staffing budgets.

### Housing & Communities

Housing & Communities directorate includes the following services – Housing Services, Housing Capital, Fairer Housing Unit, Home Ownership Team and Regeneration Housing. Revenue budgets across the directorate are reporting an underspend of £0.9 million this year. This is due to:

- Head of Housing Services, which is reporting an overspend of £0.1 million due mainly to survey and disrepair costs for damp and mould.

- Fairer Housing Unit, which is reporting an underspend of £0.1 million due to a repayment of outstanding debt for Byker District Heating system.
- Regeneration Housing, which is reporting an underspend of £0.1 million due to underspends against staffing budgets.
- Active Inclusion, which is reporting an underspend of £0.8 million due to underspends against staffing budgets and additional grant income.

### Investment & Growth

Investment and Growth directorate includes the following services – Capital Investment and Growth, Development Management, Transport, and Museums, Arts & Culture. Revenue budgets across the directorate are reporting an overspend this year of £0.4 million. This is due mainly to the following services:

- Transport, which is reporting an overspend of £0.3 million due to overspends against the Traffic Signals Service.
- Development Management, which is facing a pressure of £0.2 million due to a reduction in planning application fees.

### Workforce & Development

Workforce & Development directorate includes Human Resources, Occupational Health, Health & Safety, Organisational Development, People & Policy and Employability. Revenue budgets across the directorate are reporting an underspend of £0.7 million. This is due mainly to underspends against staffing budgets.

### Public Health

Public Health directorate includes the Public Health Service. Revenue budgets across the directorate are reporting an underspend against Public Health Grant of £0.1 million against the agreed budget. This will be returned to the ringfenced Public Health Reserve. There are no significant variances at a service level to highlight.

### Corporate items / reserves

Corporate items consists of a range of centrally managed budgets such as treasury management, historic pensions costs, severance costs and insurance costs. We are reporting an overall underspend of £3.1 million on these budgets as set out in Table 2.

**Table 2 – breakdown of corporate items underspend**

<b>Corporate items: (all figures in £ million)</b>	<b>Outturn</b>
Treasury Management underspend	(5.477)
Business Rates Levy Surplus	(0.758)
Shortfall against Property Portfolio income target	2.182
Violet Close incident	0.945
<b>TOTAL</b>	<b>(3.108)</b>

The following is a brief description of each item set out in the above table:

- Treasury management underspend – this mainly comprises interest receivable on external investments;
- Business rates levy account surplus – one-off refund from the government administered national business rates levy account announced as part of the final local government finance settlement;
- Shortfall against Property Portfolio income target – this is mainly due to voids in specific office buildings such as Partnership House and Higham House; and
- Violet Close Incident – one off costs relating to the incident at Violet Close.

### 3. Guide to the Statement of Accounts

The Statement of Accounts sets out the financial performance of the Council for the year ended 31 March 2025 and its financial position at that date. They have been prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code requires that the accounts give a true and fair view of the financial position of the Council. In line with the Code, suitable accounting policies have been applied, and where necessary prudent judgements and estimates have been made.

The accounts feature four main financial statements:

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

The purpose of each of the above statements is described at the end of this report. The actual statements are contained within the accompanying Statement of Accounts document, which also includes detailed notes providing further explanation in relation to specific amounts and balances.

The main statements are supplemented by four further sections:

- Explanatory Notes to the Core Statements
- Housing Revenue Account (HRA)
- Collection Fund
- Group Financial Statements

These statements and accounts collectively provide a comprehensive view of the Council's financial position during the period to which they relate.

The Council seeks to make best possible use of resources available with regard to economy, efficiency and effectiveness. This responsibility is shared by Members and officers of the Council along with the Chief Finance Officer having a specific role in ensuring the adequacy of resources and proper financial administration. The City Council agreed at the meeting in March 2025 the medium-term plan for the period 2025/26 to 2027/28. The accompanying Statement of Accounts looks back at our performance over the past year (2024/25). Reviewed together they provide the reader with an understanding of the financial position of the Council.

Key points to note from the Statement of Accounts are as follows:

- Our net revenue expenditure in 2024/25 was £280.6m (2023/24 £262.4m). When compared with the net revenue budget of £281.2m (2023/24 £262.1m), this represents an underspend of £0.6m (2023/24 overspend of £0.3m).
- The General Fund unearmarked reserve has increased by £0.6m to £18.1m (£17.5m 31 March 2024) due to the underspend on the net revenue budget.
- Net assets/total reserves increased during the year from £1,209.9m to £1,336.5m.
- General Fund earmarked reserves decreased from £181.1m to £169.1m. Note 32 to the accounts gives a full breakdown of these reserves.
- Total capital investment during the year was £149.2m (£141.9m in 2023/24) through the capital programme.

#### **4. Revenue Financial Summary 2024/25**

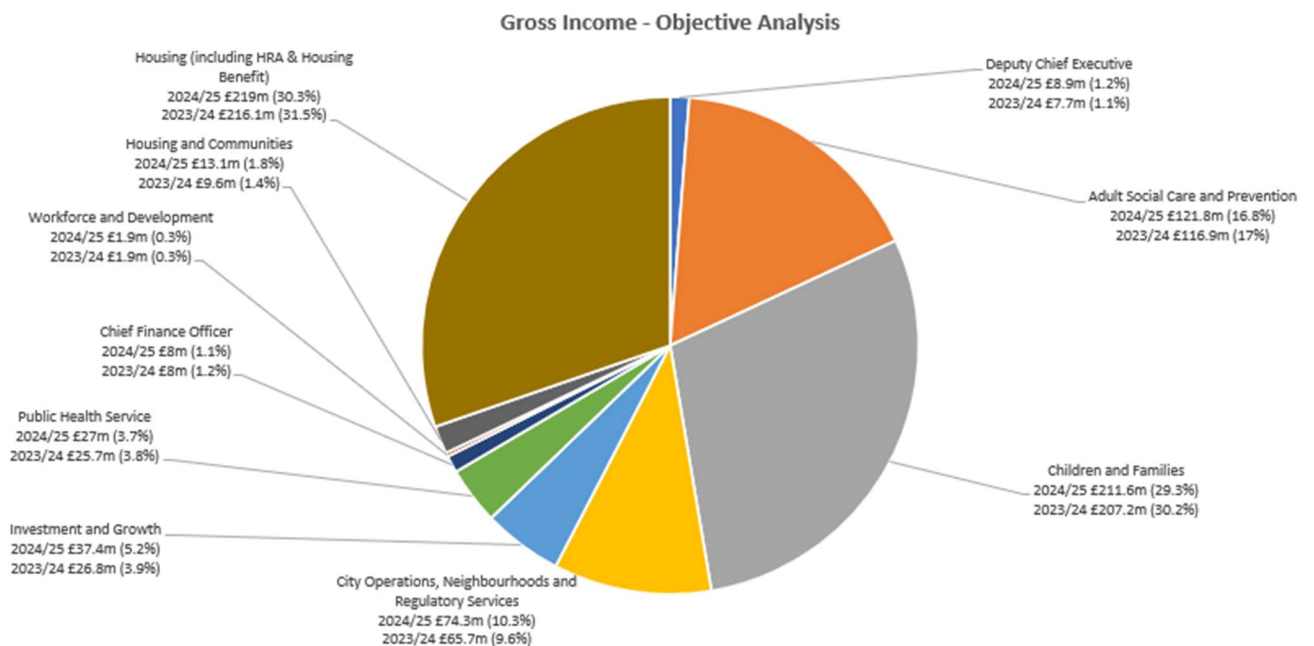
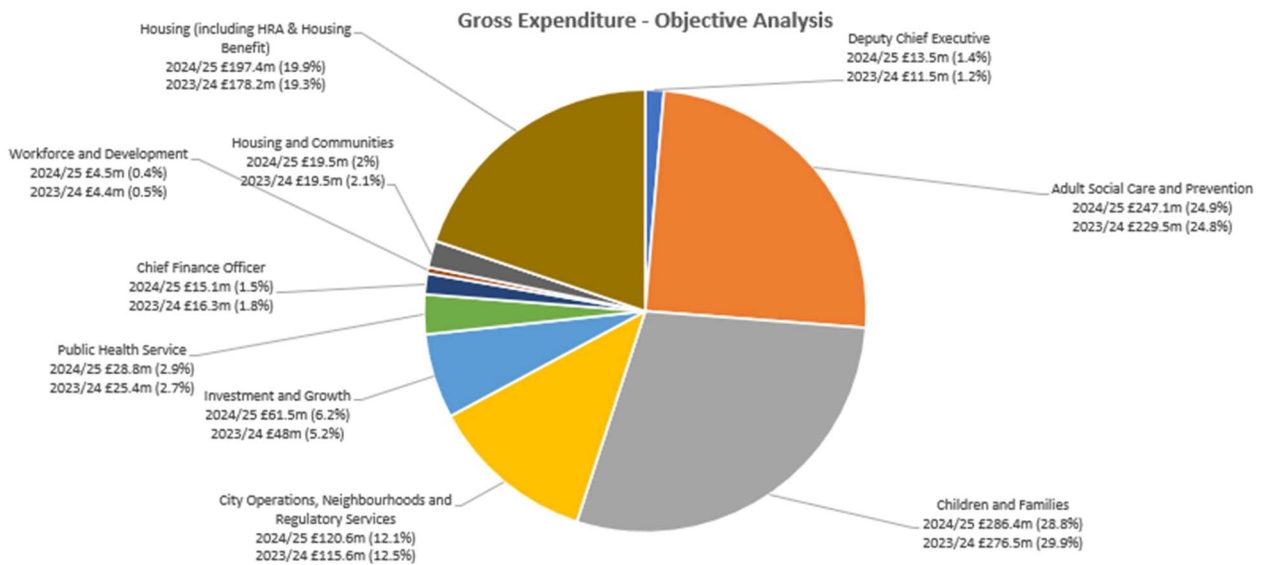
Revenue expenditure covers the cost of the Council's day to day operations and contributions to and from reserves.

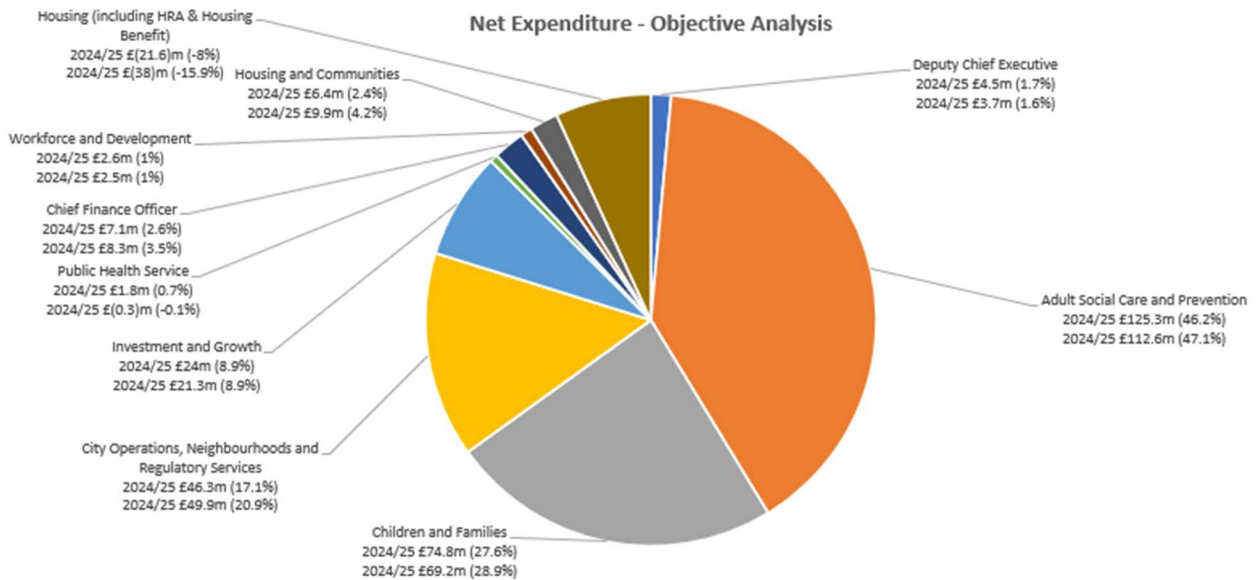
Within the accompanying Statement of Accounts document, the Comprehensive Income and Expenditure Statement (CIES, page 12) sets out the Council's financial position for the year before taking account of statutory adjustments required to be made to the accounts. The Movement in Reserves Statement (MIRS, page 11) reflects these statutory adjustments and shows how the financial performance for the year has impacted on the Council's reserves.

The gross cost of services during the year was £965.5m (£954.0m in 2023/24) and this is shown within the CIES on page 12 of the Statement of Accounts. This

includes both General Fund services and the Housing Revenue Account (HRA). After deducting specific grants and income from fees and charges, the net cost of services was £219.1m (£248.4m in 2023/24) which again is shown within the CIES on page 12 of the Statement of Accounts.

The breakdown of gross expenditure, gross income and net expenditure (General Fund) between the different service areas is shown in the following charts and corresponds to the Comprehensive Income and Expenditure Statement presentation. Corporate costs have been excluded from the analysis on the basis that this includes technical pension adjustments:





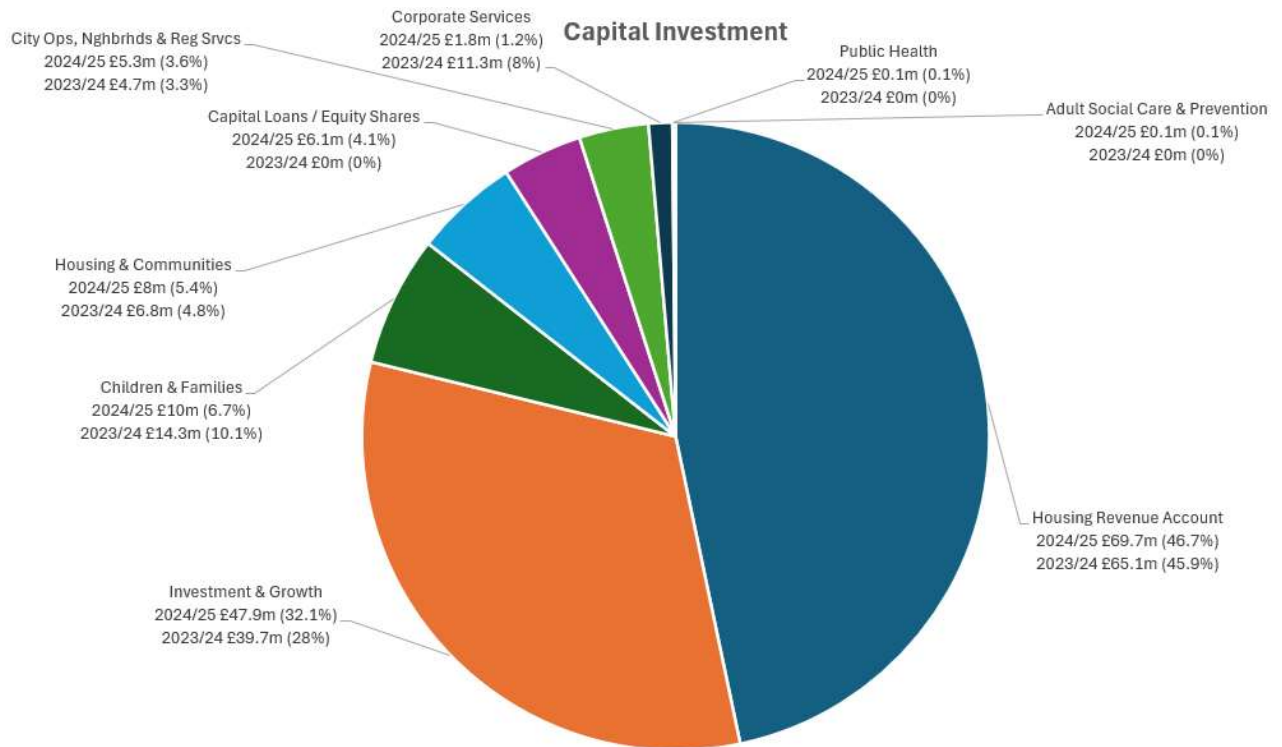
Revenue expenditure covers the cost of the Council’s day to day operations and contributions to and from reserves. This expenditure is offset by various types of income received by the Council.

The net cost of service of £219.1m (£248.4m in 2023/24) which can be seen on page 12 of the Statement of Accounts was funded from a range of sources including Revenue Support Grant, Business Rates and Council Tax. The average band D Council Tax for 2024/25 for the Council (excluding parish precepts) was £2,292.04 (£2,180.51 in 2023/24), with an average Council Tax per dwelling (excluding precepts) of £1,252.07 (£1,190.38 in 2023/24). This ranked the Council as the 284<sup>th</sup> lowest out of 296 local authorities for the average Council Tax amount per dwelling (283<sup>rd</sup> lowest of 296 local authorities in 2023/24).

The Comprehensive Income and Expenditure Statement on page 12 of the Statement of Accounts shows a net surplus for the year of £126.6m (2023/24 net surplus of £96.4m) which is after re-measurement of the defined benefit pension liability and revaluations of property. These charges are reversed out through the Movement in Reserves Statement (MIRS, page 11) so they do not have any impact on the underlying level of resources available to the Council.

## 5. Capital Investment

Capital investment during the year totalled £149.2m (£141.9m in 2023/24). This consisted of £143.0m (£141.9m in 2023/24) direct capital expenditure incurred by the Council and £6.2 (£Nil in 2023/24) capital expenditure via long-term capital loans to third parties. An analysis of capital investment by Directorate and funding source are shown in the following charts:



The significant capital projects / programmes with spend over £1.0m by Directorate were as follows (figures in brackets represent total capital investment, which is funded from a range of sources):

**Children & Families**

- Gosforth Park First (£1.4m)
- Gosforth Central Middle (£2.6m)

**City Operations, Neighbourhoods and Regulatory Services**

- ICT Technical Refresh (£1.4m)
- Vehicle Replacement Programme (£1.9m)
- Bereavement Infrastructure (£1.1m)

**Housing & Communities**

- Outer West Leisure Centre (£1.8m)
- Disabled Facilities Grants (£3.5m)
- West Benwell Terraces Groundworks (£1.8m)

**Investment & Growth**

- Road and Footpath Maintenance (£4.1m)
- Tyne Bridge and Central Motorway (£9.0m)
- Clean Air Zone (£2.4m)
- Transforming City Fund / Intelligent Transportation Systems (£4.1m)

- Northumberland Street Improvements (£6.8m)
- The Grainger Market LUF - Levelling Up Fund (£1.7m)
- River Tyne Restoration Facility Walker (£1.5m)
- North East Community Forest (£1.9m)

### **Housing Revenue Account**

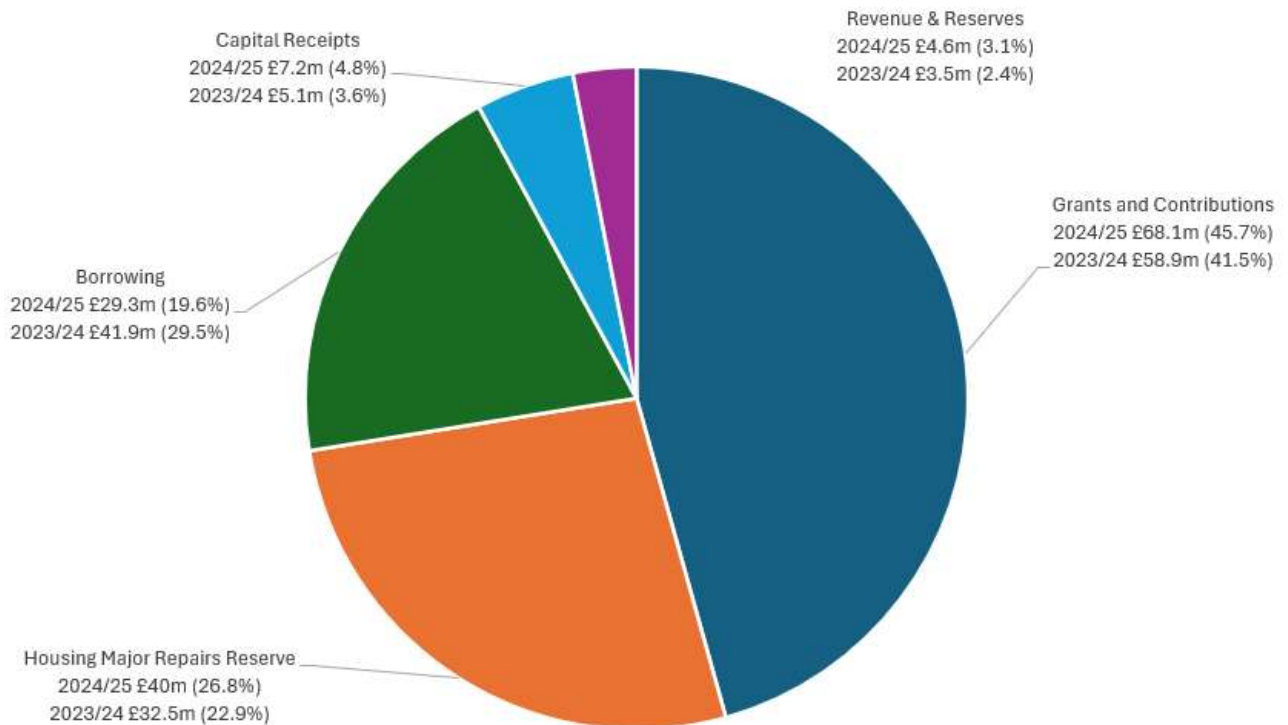
- Adaptations Programme (£2.8m) - installation of disabled adaptations to HRA properties
- Communal Upgrade Multis (£3.7m) – refurbishment of communal areas in low and mid-rise HRA block
- Social Housing Decarbonisation Fund: Benwell and Scotswood (£2.0m) - Environmental Works
- Social Housing Decarbonisation Fund: Ouseburn (£11.1m) - Asset Life extension
- Social Housing Decarbonisation Fund: Walker (£1.2m) - Asset Life extension
- Bathroom Replacement Programme (£4.1m)
- Fire Door Replacements (£1.9m)
- Kitchen Programme (£6.9m)
- Multi-Storey Roofing (£3.2m)
- Window & Doors replacement (£1.6m)
- Deerbush New Build Properties (£3.3m)
- Newbiggin Hall Redevelopment (£1.7m)
- Nithdale Close Newbuild (£1.4m)
- Stephenson Meadows acquisition at Callerton (£2.5m)
- Local Authority Housing Fund acquisitions (£2.3m)
- Pottery Bank Newbuild (£1.2m)

### **Capital Loans**

- Abri Trading Ltd – YHN transfer (£3.7m)

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

### Sources of Capital Financing



## 6. Housing Revenue Account (HRA)

The HRA Income and Expenditure Account on page 138 of the Statement of Accounts sets out the financial position for the year before taking account of statutory adjustments required to be made to the accounts. The Statement of Movement on the Housing Revenue Account on page 139 reflects these statutory adjustments and shows how the financial performance for the year has impacted on HRA reserves.

The HRA Income & Expenditure Statement shows a net surplus for the year of £14.4m (net surplus of £32.2m in 2023/24).

## 7. Treasury Management

The Balance Sheet on page 13 shows external borrowing of £698.0m as at 31<sup>st</sup> March 2025, which is split between short term borrowing (£11.7m) and long-term borrowing (£686.3m). This compares to total external borrowing of £728.0m as at 31<sup>st</sup> March 2024 (£22.5m short term borrowing and £705.4m long term borrowing). External borrowing is within our agreed Treasury Management authorised limit of £938.8m (excluding PFI).

The Balance Sheet also shows that there were short term external investments at 31<sup>st</sup> March 2025 of £5.1m which represented £5.1m invested with other local authorities and similar bodies generating a fixed interest return. The Council maintained its investments in line with the limits agreed by City Council in March 2024 (updated in December 2024) throughout the year.

## 8. Debtors

The Balance Sheet on page 13 shows short term debtors of £122.1m as at 31<sup>st</sup> March 2025 compared to £128.1m at the end of the previous year. These balances are analysed in more detail in Note 21 on page 73.

## 9. Income Collection

The average band D Council Tax for 2024/25 for the Council (excluding parish precepts) was £2,292.04 (£2,180.51 in 2023/24), with an average Council Tax per dwelling (excluding precepts) of £1,252.07 (£1,190.38 in 2023/24). This ranked the Council as the 284<sup>th</sup> lowest out of 296 local authorities for the average Council Tax amount per dwelling (283<sup>rd</sup> lowest of 296 local authorities in 2023/24).

Council Tax collection is 96.85% (2023/24 at 97.09%); this remains the highest collection rate in the core cities benchmarking group.

Business Rates collection is 98.45% (2023/24 98.52%); this remains the highest collection rate in the core cities benchmarking group.

During 2024/25, 99.29% of housing rents due in the year were collected against a target of 98.65%. The Financial Inclusion Team helped customers claim £2.47m in entitled benefits and gave advice to 883 customers, which has positively impacted on exceeding the collection target.

Rent collection has not been impacted by the cost of living and energy crisis as there has been effective targeted help for customers from our Making Living Easier Fund, and the Household Support Fund (HSF). The number of tenants on Universal Credit has increased to 12,793 due to the DWP's Managed Migration which will continue in 2025/26.

The Income Collection team work towards the Council's policy of no evictions into homelessness, which contributes to better representing Newcastle's values of alleviating poverty and responding to the challenges residents face from the cost of living crisis. The Income Collection and Financial Inclusion Team aim to understand and support residents to sustain their tenancy. We aim to focus on prevention at the earliest stage by identifying, assessing and referring residents when they first need help, not when they are at crisis point. By doing this we aim to improve vulnerable people's wellbeing by stabilising their housing and financial situation so that they can thrive and have the building blocks to live happily and successfully.

Sundry debt collection in 90 days at the end of March 2025 was 86.1% which is an increase on the position in March 2024 (81.4%).

When measuring the collection rate to date (includes invoices paid outside of 90 days), the result at the end of March 2025 was 96.6% (March 2024 was 96.2%). This indicates that debtors are paying, but later than 90 days, possibly paying other Priority debts such as utility bills before their Sundry debt invoices. Unlike Priority debts, we have little power to enforce the recovery of Sundry debt.

Recovery activity will continue to focus on contacting sundry debtors who are not yet 90 days overdue (e.g. outbound contact using Voicescape) to assist us in achieving the 92% collection target.

## 10. School Balances

Individual school balances at the end of the year totalled £7.2m compared to £9.9m at the end of the previous year. These balances will change year on year as schools utilise or increase their balance. Balance levels also change where a school converts to an academy and the retained balance transfers on conversion. Schools hold balances to mitigate against a range of financial risks or to provide for planned large items of one-off expenditure. Schools holding balances need to be able to illustrate that the balance is held for a specific purpose and will be spent within a defined timescale and have been approved by governors. This process is monitored and subject to annual review by the Schools Forum.

Schools also hold balances to address anticipated funding shortfalls, to mitigate against known cost pressures and forecast variations in pupil numbers.

## 11. Pension Costs

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

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

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

When assets and liabilities at year-end are compared this results in a surplus or deficit. At the end of the year there was a pension fund deficit of £40.5m and this is disclosed on the Balance Sheet on page 13. This compares with a deficit of £46.7m at the end of 2023/24. The level of deficit or surplus can vary year on year due to the assumptions made by the pension fund actuary in determining the discount factor used when assessing the fund. This can significantly change the fair value of fund liabilities. The deficit as at 31<sup>st</sup> March 2025 takes into account the national judgements on McCloud and Guaranteed Minimum Pensions (GMP). The actuary valuation is influenced by a number of wider economic factors. Note 29 to the accounts on page 79 provides further analysis and disclosure of the Pension Fund Liability.

The sustainability of public sector pension schemes is dependent on the funds ability to generate returns (hence the use of equities in the main which tend to outperform other asset classes over the longer term) sufficient to cover the future payments to

pensioners. There are a number of factors that cause volatility in the valuation of the pension assets and liabilities which are used by the fund actuary to calculate the accounting values on the fund as follows:

- Equities (shares) which can be very volatile in the short term. This could lead to significant movements in the asset values between years but in the long-term equity values generally increase.
- Bond yields can also be very volatile. A decrease in bond yields will increase the value of the liabilities but this is marginally offset by an increase in the fund assets.
- Pension fund liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to an increase in the pension funds liabilities.
- Life expectancy is increasing which means that the future liabilities are increasing in line with the expectations of pension payments to existing and future pensioners.

Assumptions are made by the actuary on all of the above based on information available to them from the pension fund and national data. Being a funded scheme means that any deficits must be picked up by the employers within the fund based on a tri-annual valuation.

## **12. Material Items of Income and Expenditure**

During 2024/25 the following material item of income/expenditure warranted separate disclosure, as detailed below and in Note 6 on page 33.

Pension Liability:

On an annual basis, each member of the Tyne and Wear Pension Fund is required to re-measure its liability to the fund and account for any changes in its accounts. The changes are determined by an Actuary who makes assumptions that cover average life expectancy, inflationary factors affecting pension increases, the ability of investments to generate returns and salary increases which increase member contributions. The change identified is charged against the Pension Reserve with the corresponding entry being recognised in the CIES.

In 2024/25, the pension adjustment recognised in the CIES as a result of the actuarial report is an increase in the pension liability of £33.8m (2023/24 net increase of £104.1m).

Further details can be found in Note 29.

Provisions:

A Collection Fund NDR provision is held in respect of alteration of lists and appeals.

In 2024/25, there was a draw down from the provision of £9.7m in respect of appeals paid out and a net reduction to the provision of £7.6m (2023/24 draw down of £6.0m and net addition of £4.0m)

Further details can be found in Note 25.

#### Asset Transfers:

There were no disposal of assets of material value during 2024/25 (also none in 2023/24).

There were two additions over £5m, which was Tyne Bridge Restoration at £9.6m and Northumberland Street improvements, at £7.4m (2023/24 one addition totalling £5.1m).

#### Material Asset Revaluations:

There was one material (over £5m) revaluation change in 2024/25 relating to council dwellings (Beacon 453) a revaluation loss of £5.448m.

Further details can be found in Note 16 and 18.

#### Impairment Losses on Third Party Loans:

Following a review of the risk (as required under accounting standards, IFRS9) associated with the loans the Council has provided to third parties over a number of years (taking account the current economic situation), an impairment charge was made to the CIES in 2024/25 of £2.1m (2023/24 £6.1m).

#### Subsumption of external entities into the pension fund:

The following entities were subsumed into the councils membership of the Tyne and Wear Pension fund. The details can be seen in the table below.

Transferring Employer	Transfer Date	Assets (£M)	Liabilities (£M)
Urban Green Newcastle	28-Feb-25	1.8	1.30
Your Homes Newcastle	30-Jun-24	206.1	148.9
Newcastle Theatre Royal Trust	28-Jun-24	16.3	12.0

#### Acquisition of hotel:

The Council took over ownership of a 140 lease for the Crowne Plaza hotel in the city in March 2025. This was for a purchase price (via a credit bid) of £13.8m and involved the writing off of amounts owed by the previous owners to the Council, which would not have been repaid of £39.5m. The new hotel owner, a Council owned company called Crossco (1467) Limited, took on £10.5m of the original debt. The expected profits from the operation of the hotel and the value of the hotel asset will fund the repayment of the new loan

of £10.5m and recover the balance of the written off loans (£29.0m) in the coming years. The new loan is on commercial terms to encourage economic growth within the city and is a 15-year maturity loan with an interest rate of 6.56%, equating to an annual interest charge of £0.7m per year.

#### Subsumption of YHN and Abri

During 2024-25, the Council brought Your Homes Newcastle (YHN) back in-house as part of a service transformation. This transfer of functions took effect from 1st July 2024.

### 13. Group Results

The Group Accounts included as part of the Statement of Accounts incorporate the results of Your Homes Newcastle Group (YHN and Abri), Newcastle Science Central Holdings Limited and Crossco (1467) Limited each as 100% subsidiary companies. Regenerate Newcastle Asset Co. Limited is consolidated as a 60% subsidiary and the Tynexe Group (Tynexe Limited, Tynexe Residential Limited and Tynexe Commercial Limited) are consolidated as a 50% subsidiary. New Tyne West Development Company LLP is consolidated as a joint venture holding. Full details of the group relationships can be found in the Group Introduction on page 150 of the Statement of Accounts.

The Group results show a surplus for the year of £97.2m (surplus of £91.6m in 2023/24). The net assets of the Group stood at £1,335.6m as at 31<sup>st</sup> March 2025 (£1,258.5m as at 31<sup>st</sup> March 2024).

Other entities which fall within the potential group boundary, but which are not consolidated into the Group Accounts as they are not considered to be material, are detailed within the Related Parties Note 15 within the Statement of Accounts.

### 14. Accounting Developments and critical judgements

In applying the accounting policies set out in Note 42 of the Statement of Accounts (Statement of Accounting Policies) the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Critical judgements in applying accounting policies are set out in Note 39 of the Statement of Accounts.

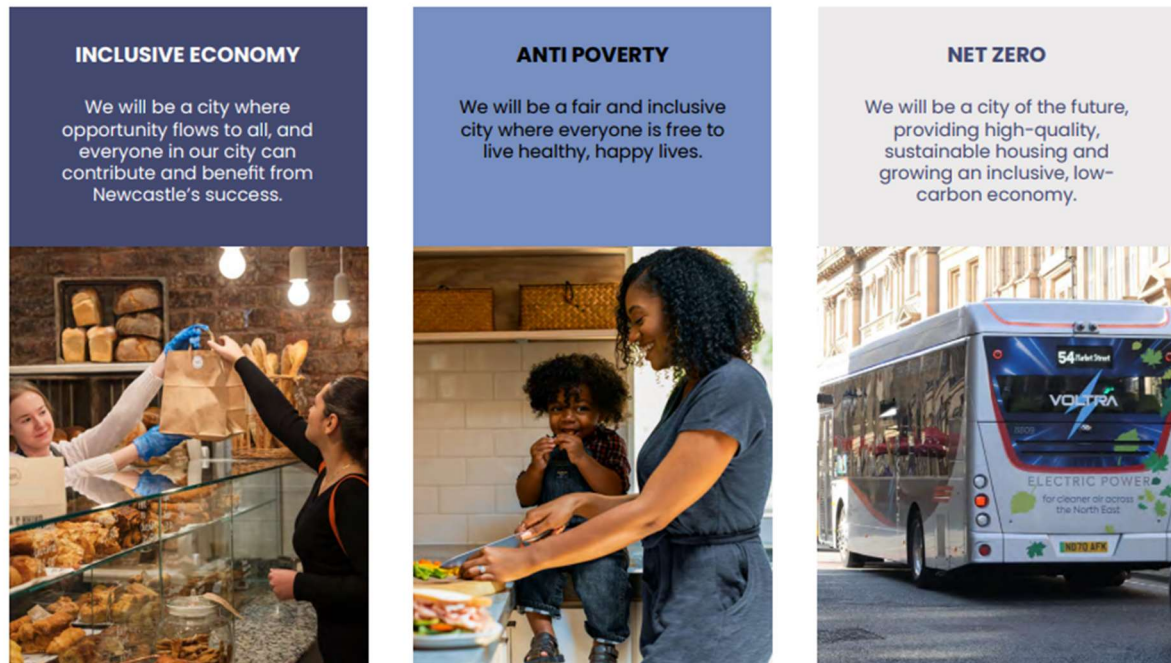
Assumptions made about the future and other major sources of estimation uncertainty are set out in Note 40 of the Statement of Accounts.

### 15. Financial Planning - Priorities

It is essential the Council is clear on our overarching priorities so that we can allocate resources accordingly.

The Council's overarching priorities of inclusive economy, anti-poverty and net zero are set out in the [Council Plan 2024-2027](#).

## OVERARCHING PRIORITIES FOR CHANGE



Our priorities are interdependent – progress in each directly impacts the other areas. This encourages a joined-up approach to policy and delivery within our city.

City Council is required to approve the council's budget, Council Tax and delivery plan each year. We also have a legal duty to set a balanced budget each year and are required to consult on our draft Council Tax and budget proposals prior to formal agreement by City Council. The proposals in our [medium-term financial plan for 2025-26 to 2027-28](#) were agreed by City Council at the [March 2025](#) meeting.

## 16. Looking Ahead / Economic Position / Going Concern

City Council agreed at the meeting in [March 2025](#) our medium-term financial plan (MTFP) for 2025-26 to 2027-28.

Between 2010 and 2025, the council has had to achieve savings of £381 million due to Government imposed funding cuts and cost pressures. We have sought to do this in a controlled manner and by taking a medium-term approach as far as possible. As well as meeting our legal responsibility to set a balanced budget, we have sought to achieve the following objectives through our medium-term financial planning process:

- Improving value for money;
- Maintaining financial resilience; and
- Managing significant financial risks.

Our medium-term plan is underpinned by the following key principles:

- Allocation of available resources in line with our priorities and to fulfil statutory duties and business critical requirements.
- Assessment of future resources and cost pressures in line with a mid-case scenario rather than a worst-case or best-case scenario – with key assumptions subject to sensitivity analysis.
- Prudent and planned use of reserves to fund permanent expenditure.
- Risk assessed level of reserves and balances to mitigate potential financial liabilities and commitments. Other reserves maintained to hold funding received but not yet spent.
- Maximisation of capital receipts from disposals where this is the most cost-effective option.
- Maximisation of external grant funding where this meets our priorities.
- Maximisation of fees and charges to fully recover the costs of providing discretionary services except when a specific decision has been made to subsidise these services in line with the council's priorities.
- Maximisation of income generated across all areas of the council and prompt collection of all amounts owed to us to minimise bad debts.
- Prudent use of our borrowing powers to undertake capital investment that is not funded by capital receipts, grants or contributions from third parties.
- Strategic approach to asset management across all asset types.
- Promotion of invest to save opportunities funded by prudential borrowing via risk-assessed business cases.
- Provision of revenue funding to invest in service transformation following development and approval of business cases.
- Effective management and forecasting of our day-to-day and longer-term cash flow requirements.
- Minimisation of treasury management risks, including smoothing out the debt maturity profile.
- Full integration of revenue and capital financial decision-making processes, to ensure the revenue implications of capital projects are accurately reflected in the medium-term plan and annual budget.
- Production of detailed implementation plans and risk assessments for all savings proposals.
- Sign off of all revenue budgets by the relevant senior manager before the start of the financial year.
- Regular monitoring of all revenue and capital budgets by the relevant manager and robust management action to address any unplanned variances that arise.

**Table 1 – estimated net revenue budget**

All figures in £ million	2025-26	2026-27	2027-28
Revenue Support Grant	34.0	34.0	34.0

Business rates (incl. grants)	109.4	111.6	113.8
Council Tax	149.7	155.7	162.0
<b>Net revenue budget</b>	<b>293.1</b>	<b>301.3</b>	<b>309.8</b>

As can be seen from Table 1, the net revenue budget is expected to be £293.1 million in 2025-26 and to increase to £309.8 million in 2027-28. However, as can be seen from Table 2 below, significant savings are required in all years due mainly to cost pressures.

**Table 2 – annual budget changes**

All figures in £ million	2025-26	2026-27	2027-28
Previous year's net revenue budget	281.2	293.1	301.3
Cost pressures	30.2	29.6	24.5
Choice	3.0	2.0	2.0
Annual savings required	(21.3)	(23.4)	(18.0)
<b>This year's net revenue budget</b>	<b>293.1</b>	<b>301.3</b>	<b>309.8</b>

Table 2 shows how the proposed change in the budget for each year is broken down by cost pressures, choice and savings required.

Appendix 7 of the MTFP details that the HRA has a budgeted deficit of £1.3 million in 2025-26. Whilst bringing YHN back into the council and aligning all housing-related services together has facilitated the achievement of initial savings totalling at least £0.9 million, further savings will be required in future years to address the ongoing pressures facing the HRA. The deficit budget in 2025-26 will require the utilisation of ringfenced HRA reserves. These reserves will need to be replenished in future years.

Table 3 sets out the planned capital investment for 2024-25 to 2027-28 between the General Fund and HRA.

**Table 3 – planned capital investment**

All figures in £ million	2024-25	2025-26	2026-27	2027-28
General Fund	86.0	112.7	80.0	80.0
HRA	72.7	71.2	50.0	50.0
<b>TOTAL</b>	<b>158.6</b>	<b>183.9</b>	<b>130.0</b>	<b>130.0</b>

Section 25 of the Local Government Act 2003 (the 2003 Act) requires that when the council is considering its budget and setting its Council Tax for the forthcoming financial year, the Chief Finance Officer should report to elected members on:

- The robustness of the estimates made for the purposes of the Council Tax requirement calculations; and
- The adequacy of the proposed financial reserves allowed for in the budget proposals.

Section 25 of the 2003 Act also requires elected members to have regard to this report when making their decisions in relation to the budget and the setting of Council Tax.

The results of the Chief Finance Officer's assessment is published as part of the medium-term financial plan (MTFP) for 2025-26 to 2027-28 agreed by City Council at the meeting in March 2025. The budget assumptions set out within this report have been assessed in the light of the Chief Finance Officer's responsibilities under section 114 of the Local Government Finance Act 1988 and his conclusion is that the council is not currently in a position where a section 114 notice is required. It should however be noted that the council is operating within extremely challenging financial circumstances and therefore the position will continue to be reviewed.

An assessment of future finances and cash flows to March 2027 has been undertaken with the conclusion that the preparation of accounts on a going concern basis remains appropriate.

## 17. The Statement of Accounts

The Statement of Accounts is set out in the accompanying document. They consist of the following statements that are required to be prepared under the Code of Practice:

### **Movement in Reserves Statement (Statement of Accounts page 11)**

This statement shows the movement during the year on the different reserves held by the Council, analysed into usable and unusable reserves. Usable reserves may be utilised to fund expenditure or reduce local taxation. This is subject to the requirement to maintain a prudent level of reserves or account for any statutory limitations on their use (e.g. the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). Unusable reserves have a specific legislative or accounting purpose and generally consist of timing differences between accounting requirements and the underlying resource position of the Council.

The 'Total Comprehensive Income & Expenditure' surplus or deficit is analysed in further detail on the Comprehensive Income and Expenditure Statement which is shown on page 12 of the Statement of Accounts.

The Movement in Reserves statement also shows discretionary transfers to / from earmarked reserves.

## **Comprehensive Income and Expenditure Statement (Statement of Accounts page 12)**

This statement shows the full cost of providing services during the year in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, which may be different from the cost of services in accounting terms.

The Comprehensive Income and Expenditure Statement on page 12 reflects the current Directorate reporting structure in order to report the service analysis on the basis of the organisational structure under which the local authority operates. The services contained within each Directorate heading are as follows:

### Deputy Chief Executive

- Communications and Engagement
- Policy and Performance
- Health Determinants Research Collaboration
- Inclusive Economy
- Legal
- Climate Change
- Transformation

### Adult Social Care and Prevention

- Care and Support
- Community Support
- Quality, Strategy and Innovation
- Prevention

### Children and Families

- Children's Social Care and Early Help
- Strategy and Commissioning
- Education

### City Operations, Neighbourhoods and Regulatory Services

- Facilities Services and Civic Management
- Public Safety and Regulation
- Operations
- Local Services and Waste Management
- Business Management
- ICT and Digital Transformation

### Housing and Communities

- Housing Services
- Support Services
- Policy and Commissioning
- Investment

### Investment and Growth

- Capital Investment and Growth
- Transport
- Planning
- Events, Culture and Tourism

### Public Health

- Fair and Healthy Childhoods
- Harm Reduction and Social Inclusion
- Public Health Literacy, Research and Development
- Quality Healthcare and Health Protection
- Wider Determinants and Wellbeing
- Epidemiology and Intelligence

### Chief Finance Officer

- Audit, Risk and Insurance
- Financial Accounting
- Financial Management
- Financial Strategy
- Revenues and Benefits
- Procurement and Payments
- Property Services

### Workforce and Development

- Employee Services
- Health and Safety
- Occupational Health
- Human Resources
- Organisational Development
- Employability
- People and Policy

### **Balance Sheet (Statement of Accounts page 13)**

The Balance Sheet shows the value of all assets and liabilities at the start and end of the year. The net assets of the Council (i.e. assets less liabilities) are matched by the Council's reserves.

### **Cash Flow Statement (Statement of Accounts page 14)**

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

### **Housing Revenue Account - HRA (Statement of Accounts pages 138 to 144)**

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

### **Collection Fund (Statement of Accounts pages 145 to 147)**

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

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

### **Group Financial Statements and Notes (pages 150 to 180)**

These statements report the financial picture of all activities conducted by the Council, including those delivered through partnership and separate undertakings owned by the Council.

## **18. Annual Governance Statement**

To accompany the Narrative Report and Statement of Accounts, the leadership of the Council prepares an Annual Governance Statement that sets out the principal arrangements that operate to ensure proper governance of the Council's affairs and the stewardship of resources at its disposal. It also outlines the principal arrangements that are in place to ensure that a sound system of internal control is maintained.

## 19. Statement of Responsibilities

A requirement from the *2024/25 Code of Practice on Local Authority Accounting in the United Kingdom* is that each local authority should provide a Statement of Responsibilities which sets out the responsibilities of the authority and the Chief Financial Officer in respect of the Statement of Accounts:

### The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts (England and Wales only)

### The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the *CIPFA/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:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code

The Chief Financial Officer has also:

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

## 20. Further Information Available to Council Tax Payers

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

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

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**Statement of  
Accounts  
2024/25**

Newcastle  
City Council 

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## Glossary



Abbreviations	The symbol 'k' following a figure represents thousand. The symbol 'm' following a figure represents million. The symbol 'bn' following a figure represents billion.
Accounting policies	Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.
Accruals	Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
Actuarial gains or losses (Pensions)	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise either because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions themselves have changed.
Amortise	To write off gradually and systematically a given amount of money within a specific number of time periods.
Assets	Items of worth which are measurable in terms of money.
Assets Held for Sale	Those assets, primarily long-term assets, that the Council wishes to dispose of through sale to others.
Balances	The total level of surplus funds the Council has accumulated over the years.
Budgets	A statement of the Council's forecast expenditure, that is, net revenue expenditure for the year.
Business Rates (NDR)	Rates which are levied on business properties.

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

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

Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.
Financial Instrument	A document (such as a cheque, draft, bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.
Financial Instruments Adjustment Account	The reserve records the accumulated difference between the financing costs included in the Comprehensive Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.
General Fund (GF)	The total services of the Council except for the Housing Revenue Account and the Collection Fund, the net cost of which is met by Council Tax, Government Grants and Business Rates (NDR).
Going Concern	The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.
Housing Revenue Account (HRA)	A separate account detailing the expenditure and income arising from the provision of Council dwellings.
Impairment	A reduction in the value of a fixed asset below its carrying amount on the balance sheet resulting from causes such as obsolescence or physical damage.
Intangible Assets	An asset that is not physical in nature, e.g. software licences.
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Investment Properties	Interest in land and buildings where construction work and development has been completed and the asset is held for its investment potential, any rental income being negotiated at arms length.
Lender's Option, Borrower's Option (LOBO's)	LOBO loans are loans agreed with a counter party, usually banks, for a fixed period and agreed interest rate. LOBO agreements have periodic option dates on which the lender can opt to change the interest on a loan. If this option is taken, Newcastle can either accept the change or repay the loan.

Liabilities	Any amounts owed to individuals or organisations which will have to be paid at some time in the future.
Liquid Resources	Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.
Local Services Support Grant	A grant from Government towards the cost of providing services.
Materiality	An item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.
Minimum Revenue Provision (MRP)	An amount charged by the Council to the Comprehensive Income & Expenditure Account, for debt redemption or for the discharge of other credit liabilities.
Movement in Reserves Statement	The statement shows the movement in the year on the different reserves held by the Council.
Net Book Value	The amount at which fixed assets are included in the balance sheet being the historical cost or current value less the cumulative amounts provided for depreciation.
Net Debt	The Council's borrowings less cash and liquid resources.
Operating Leases	Leases other than a finance lease.
Precept	The amount levied by the various joint authorities which is collected by the Council on their behalf.
Prior Period Adjustments	Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.
Property, Plant & Equipment (PPE)	Assets that yield benefits to the Council and the services that it provides for a period of more than one year. Examples include land, buildings and vehicles.
Provisions	These are sums set aside to meet liabilities or losses which have been incurred but where the amount and/or timing of such costs are uncertain.

Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of information available.
Prudential Borrowing	Borrowing undertaken by Local Authorities that is funded from their own resources. Local Authorities must demonstrate that such borrowing is affordable and does not put unnecessary strain on Council Tax or rent payers.
Public Works Loan Board	This is a Government agency which provides loans to Local Authorities at favourable rates.
Related Party Transactions	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. An example could be the purchase, sale, lease, rental or hire of assets between related parties.
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.
Reserves	These are sums set aside to meet possible future liabilities where there is no certainty about whether or not these liabilities will be incurred.
Residual Value	The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.
Revaluation Reserve	The reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors.
Revenue Expenditure	Expenditure on providing day-to-day services, for example employee costs and premises costs.
Revenue Expenditure Funded from Capital under Statute (REFCUS)	Expenditure which may be properly incurred, but which does not result in an asset owned by the Council, e.g. improvement grants.

Strain on the Fund	When an employee aged over 55 retires early as a result of redundancy, their employee and employer pension contributions stop. Pension benefits become payable earlier and will be paid for longer which creates a shortfall in the level of funding required to provide full pension benefits to the employee. Additional payments that must be made by the Council to the Local Government Pension Fund to compensate for this shortfall are known as 'Strain on the Fund' payments.
Supported Borrowing	Borrowing undertaken by Local Authorities that is funded by Central Government through grant.
Unusable Reserves	The Council cannot use this category of reserves to provide services. Includes reserves that hold unrealised gains and losses (e.g. revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulation'.
Usable Reserves	Those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
Useful Life	The period over which the Council will derive benefits from the use of a fixed asset.



## 2.0 Statement of Responsibilities for the Statement of Accounts



Newcastle  
City Council 

## 2.0 Statement of Responsibilities for the Statement of Accounts

### 2.1 The Council's Responsibilities

#### The Council is required:

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

#### 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 practices as set out in the CIPFA (Chartered Institute of Public Finance & Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

#### The Chief Finance Officer has also:

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

#### Certification of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Newcastle City Council at 31 March 2025 and its income and expenditure for the year ended 31 March 2025

Signed:



Mark Nicholson, Chief Finance Officer

Date: 23/2/26

#### Approval of the Accounts

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

Signed:



Councillor Lara Ellis, Chair of Constitutional Committee

Date: 23/2/26



## 3.0 - Core Financial Statements



Newcastle  
City Council 

## 3.0 Core Financial Statements and Explanatory Notes

### 3.1 Movement in Reserves Statement

	Usable Reserves									Unusable Reserves	Total Council Reserves
	Note	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Housing Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves		
		£000	£000	£000	£000	£000	£000	£000	£000		
<b>Balance at 1 April 2023</b>		(10,134)	(195,111)	(8,186)	(34)	(1,327)	(14,232)	(29,118)	(258,142)	(855,413)	(1,113,555)
<b>Movement in reserves during 2023-24</b>											
<b>Total Comprehensive Income &amp; Expenditure</b>		(48,944)	-	(32,231)	-	-	-	-	(81,175)	(15,175)	(96,350)
Adjustments between accounting basis & funding basis under regulations (Note 2)	2	55,465	-	36,503	-	(3,875)	(1,342)	(12,971)	<b>73,780</b>	(73,780)	-
<b>Net (Increase)/ Decrease before transfers to Earmarked Reserves</b>		6,521	-	4,272	-	(3,875)	(1,342)	(12,971)	<b>(7,395)</b>	(88,955)	<b>(96,350)</b>
<b>Transfers (to)/from Earmarked Reserves (Note 32)</b>		(13,962)	13,962	568	(568)	-	-	-	-	-	-
<b>(Increase)/Decrease in 2023-24</b>		(7,441)	<b>13,962</b>	<b>4,840</b>	(568)	(3,875)	(1,342)	(12,971)	<b>(7,395)</b>	(88,955)	<b>(96,350)</b>
<b>Balance at 31 March 2024 carried forward</b>		(17,575)	(181,149)	(3,344)	(602)	(5,202)	(15,576)	(42,089)	(265,536)	(944,368)	(1,209,904)
<b>Movement in reserves during 2024-25</b>											
<b>Total Comprehensive Income &amp; Expenditure</b>		(106,118)	-	(14,421)	-	-	-	-	(120,539)	(6,050)	(126,589)
Adjustments between accounting basis & funding basis under regulations (Note 2)	2	117,566	-	13,342	-	3,255	23	5,535	<b>139,720</b>	(139,720)	-
<b>Net (Increase)/ Decrease before transfers to Earmarked Reserves</b>		11,448	-	(1,079)	-	3,255	23	5,535	<b>19,182</b>	(145,770)	(126,588)
<b>Transfers (to)/from Earmarked Reserves (Note 32)</b>	32	(12,017)	12,017	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in 2024-25</b>		(569)	<b>12,017</b>	(1,079)	-	3,255	23	5,535	<b>19,182</b>	(145,770)	(126,588)
<b>Balance at 31 March 2025 carried forward</b>		(18,146)	(169,132)	(4,423)	(602)	(1,947)	(15,553)	(36,554)	(246,357)	(1,090,138)	(1,336,495)

## 3.2 Comprehensive Income and Expenditure Statement

2023/24				Note	2024/25		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
11,483	(7,736)	3,747	Deputy Chief Executive		13,457	(8,914)	4,543
229,512	(116,865)	112,647	Adult Social Care and Prevention		247,089	(121,778)	125,311
276,456	(207,237)	69,219	Children and Families		286,365	(211,603)	74,762
115,632	(65,687)	49,945	City Operations, Neighbourhoods and Regulatory Services		120,607	(74,323)	46,284
48,022	(26,765)	21,257	Investment and Growth		61,494	(37,449)	24,045
25,419	(25,732)	(313)	Public Health Service	1	28,809	(26,986)	1,823
16,336	(8,031)	8,305	Chief Finance Officer		15,067	(7,981)	7,086
4,374	(1,909)	2,465	Workforce and Development		4,473	(1,858)	2,615
85,391	(83,866)	1,525	Housing Benefit Payments		84,337	(83,238)	1,099
92,780	(132,255)	(39,475)	Local Authority Housing (Including HRA)		113,081	(135,775)	(22,694)
19,505	(9,560)	9,945	Housing and Communities		19,500	(13,108)	6,392
29,095	(20,005)	9,090	Corporate Costs		(28,813)	(23,363)	(52,176)
<b>954,005</b>	<b>(705,648)</b>	<b>248,357</b>	<b>Cost of Services</b>		<b>965,466</b>	<b>(746,376)</b>	<b>219,090</b>
27,184	(11,214)	15,970	Other Operating Expenditure	3	29,371	(10,735)	18,636
49,188	(29,381)	19,807	Financing & Investment Income & Expenditure	4	44,075	(22,294)	21,781
1,614	(366,923)	(365,309)	Taxation & Non-Specific Grant Income and Expenditure	5	1,882	(381,928)	(380,046)
	<b>(81,175)</b>		<b>(Surplus) / Deficit on Provision of Services</b>				<b>(120,539)</b>
	(80,825)		(Surplus)/Deficit on Revaluation of Non Current Assets	33			(58,253)
	-		(Surplus)/Deficit on Revaluation of Financial Assets held at Fair Value through Other Comprehensive Income	33			(8,507)
	(127,840)		Re-measurements of the defined benefit liability (asset)	33			(276,490)
	193,490		Restriction on use of defined benefit surplus	33			337,200
	<b>(15,175)</b>		<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(6,050)</b>
	<b>(96,350)</b>		<b>Total Comprehensive Income &amp; Expenditure (Surplus)/Deficit</b>				<b>(126,589)</b>

### 3.3 Balance Sheet

31 Mar 2024 £000		Note	31 Mar 2025 £000
1,802,455	Property, Plant & Equipment	16	1,935,112
110,607	Heritage Assets	17	110,607
78,940	Investment Property	18	76,445
313	Intangible Assets	-	405
18,901	Long Term Investments	19	27,408
86,152	Long Term Debtors	19	79,324
-	Pension Surplus	29	-
<b>2,097,368</b>	<b>Long Term Assets</b>		<b>2,229,301</b>
5,110	Short Term Investments	19	5,090
1,698	Assets Held for Sale	23	628
1,600	Inventories	-	2,128
128,080	Short Term Debtors	21	116,373
135,078	Cash and Cash Equivalents	22	111,930
<b>271,566</b>	<b>Current Assets</b>		<b>236,149</b>
-	Bank Overdraft	22	-
(22,542)	Short Term Borrowing	19	(11,650)
(132,136)	Short Term Creditors	24	(122,203)
(5,371)	Provisions	25	(9,693)
<b>(160,049)</b>	<b>Current Liabilities</b>		<b>(143,546)</b>
(142,812)	Long Term Creditors	19	(153,083)
(189)	Deferred Liabilities	19	(159)
(705,417)	Long Term Borrowing	19	(686,314)
(20,562)	Provisions	25	(8,387)
(83,262)	Grants Receipts in Advance	5	(96,936)
(46,740)	Pension Liability	29	(40,530)
<b>(998,982)</b>	<b>Long Term Liabilities</b>		<b>(985,409)</b>
<b>1,209,904</b>	<b>Net Assets</b>		<b>1,336,495</b>
(265,536)	Usable Reserves	31	(246,357)
(944,368)	Unusable Reserves	33	(1,090,138)
<b>(1,209,904)</b>	<b>Total Reserves</b>		<b>(1,336,495)</b>

#### Chief Finance Officer Certificate

I certify that the accounts set out on pages 10 to 181 give a true and fair view of the financial position of the City Council as at 31 March 2025.

Signed: Mark Nicholson, Chief Finance Officer



23/2/26

### 3.4 Cash Flow Statement

2023/24 £000		Note	2024/25 £000
81,175	Net (Deficit)/Surplus on the provision of services		120,539
319,789	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 35)	35	73,412
(368,023)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	35	(114,023)
<b>32,941</b>	<b>Net cash flows from Operating Activities</b>		<b>79,928</b>
78,209	Investing Activities	36	(76,568)
(56,389)	Financing Activities	37	(26,508)
<b>54,761</b>	<b>Net (Decrease)/Increase in cash and cash equivalents</b>		<b>(23,148)</b>
80,317	Cash and cash equivalents at the beginning of the reporting period		135,078
<b>135,078</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	22	<b>111,930</b>

### 3.5 Index of Explanatory Notes to the Core Financial Statements

Notes are listed in alphabetical order for ease of identification.

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### 3.6 Explanatory Notes to the Core Financial Statements

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The following notes offer more information for the readers of the accounts.

2024/25				2023/24			
Adjustments Between Funding and Accounting Basis	Adjustment for Capital Purposes	Net Change for Pension Adjustment	Other Differences	Net Expenditure Chargeable to The General Fund and HRA Balances	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to The General Fund and HRA Balances	Net Expenditure in the Comprehensive Income and Expenditure Statement
	49	49	(6)	4,451	Deputy Chief Executive	4,178	3,747
	(56)	171	(17)	125,213	Adult Social Care & Prevention	112,165	112,647
	10,049	361	(528)	64,880	Children & Families	52,192	69,219
	(5,256)	503	(51)	51,088	City Operations, Neighbourhoods	52,757	49,945
	3,401	122	(8)	20,531	Investment & Growth	22,690	21,257
	(799)	12	(1)	2,611	Public Health Service	227	(313)
	(576)	62	(6)	7,606	Chief Finance Officer (CFO)	8,569	8,305
	-	27	(3)	2,591	Workforce & Development	2,301	2,465
	(36,743)	-	-	37,842	Housing Benefit Payments	36,010	1,525
	31,195	-	-	(53,890)	Local Authority Housing (HRA)	(47,483)	(39,475)
	2,422	57	(8)	3,921	Housing & Communities	1,360	9,945
	(4,159)	(67,372)	(4)	19,359	Corporate Costs	19,543	9,090
	(473)	(66,008)	(632)	286,203	<b>Cost of Services</b>	264,509	248,357
	(57,205)	(910)	(5,675)	(275,839)	Other Income and Expenditure	(255,602)	(329,532)
	(57,678)	(66,918)	(6,307)	10,364	<b>General Fund and HRA Balance (Surplus)/Deficit</b>	8,907	(81,175)
				(202,669)	Opening GF and HRA Balance	8,907	
				10,364	Less/Plus (Surplus)/Deficit on GF and HRA Balance in year	(213,462)	
				(192,305)	<b>Closing GF and HRA Balance as at 31 March *</b>	(204,555)	

\* for a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For Financing and investment income and expenditure, the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

Items reported below are included within the Expenditure and Funding analysis within "Net Expenditure Chargeable to The GF and HRA Balances".

	Revenue from External Customers	
	2023/24	2024/25
	£000	£000
Deputy Chief Executive	(932)	(670)
Adult Social Care & Prevention	(28,008)	(27,205)
Children & Families	(18,144)	(19,375)
City Operations, Neighbourhoods & Reg Services	(55,693)	(60,692)
Investment & Growth	(14,785)	(14,986)
Public Health Service	(159)	(163)
Chief Finance Officer (CFO)	(1,296)	(1,455)
Workforce & Development	(781)	(956)
Local Authority Housing (HRA)	(124,805)	(132,697)
Housing & Communities	(7,560)	(3,512)
Corporate Costs	(19,132)	(25,020)
Other Income and Expenditure	(9,383)	(5,983)
<b>Total</b>	<b>(280,678)</b>	<b>(292,714)</b>

	Note	2023/24 £000	2024/25 £000
<b>Expenditure</b>			
Employee benefit expenses		293,599	257,049
Other services expenses		614,289	625,295
Depreciation, amortisation, impairment & REFCUS		68,185	101,527
Interest payments & investment expenditure	4	38,337	36,346
Precepts & levies	3	18,293	19,293
Payments to Housing Capital Receipts Pool	3	1	1
Loss / (Gain) on the disposal of non current assets	3	(2,324)	(658)
Government grant expenditure	5	1,614	1,944
<b>Total expenditure</b>		<b>1,031,994</b>	<b>1,040,797</b>
<b>Income</b>			
Fees charges and other service income		(373,438)	(390,073)
Interest and investment income	4	(18,530)	(14,565)
Income from Council Tax & non-domestic rates	5	(189,624)	(209,199)
Government grants and contributions	5	(531,577)	(547,499)
<b>Total income</b>		<b>(1,113,169)</b>	<b>(1,161,336)</b>
<b>(Surplus) / Deficit on the Provision of Service</b>		<b>(81,175)</b>	<b>(120,539)</b>

## 2 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2024/25	Note	Usable Reserves					Movement in Unusable Reserves £000
		General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments involving the Capital Adjustment Account:</b>	33						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Charges for depreciation and impairment of non current assets		(35,248)	(44,417)	-	-	-	79,665
Revaluation Gains/(Losses) on Property, Plant and Equipment		412	12,719	-	-	-	(13,131)
Movements in the fair value of Investment Properties		(4,146)	-	-	-	-	4,146
Amortisation of intangible assets		(64)	-	-	-	-	64
Capital grants and contributions applied		53,652	7,490	-	-	-	(61,142)
Revenue expenditure funded from capital under statute		(24,951)	-	-	-	-	24,951
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		(1,103)	(9,075)	-	-	-	10,178
Change in Fair Value of Financial Assets funded by Capital and classified as FVPL		(1,941)	-	-	-	-	1,941

2024/25	Note	Usable Reserves					Movement in Unusable Reserves £000
		General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment		50,446	231	-	-	-	(50,677)
Capital expenditure charged against the General Fund & HRA balance		4,331	271	-	-	-	(4,602)
<b>Adjustments involving the Capital Grants Unapplied Account:</b>	33						
Grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement		1,493	-	-	-	(1,493)	-
Application of grants to capital financing transferred to the Capital Adjustment Account		-	-	-	-	7,028	(7,028)
<b>Adjustments involving the Capital Receipts Reserve:</b>	33						
Transfer of cash sale proceeds credited as part of the Gain/(Loss) on disposal to the Comprehensive Income and Expenditure Statement		2,010	9,378	-	(11,388)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	-	-	7,180	-	(7,180)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		(1)	-	-	1	-	-

2024/25	Note	Usable Reserves					Movement in Unusable Reserves £000
		General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Transfer to/from Deferred Capital Receipts Reserve		(549)	(2)	-	-	-	551
Debt Redeemed Using Capital Receipts		-	-	-	4,230	-	(4,230)
Account for Finance Lease Disposal		-	-	-	-	-	-
<b>Adjustment involving the Major Repairs Reserve:</b>	33						
Use of the Major Repairs Reserve to finance new capital expenditure		-	-	40,000	-	-	(40,000)
Use of Major Repairs Reserve to redeem debt		-	-	-	-	-	-
Reversal of depreciation credited to the HRA		-	36,745	(36,745)	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>	33						
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		745	2	-	-	-	(747)
<b>Adjustments involving the Pensions Reserve:</b>	33						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(35,030)	-	-	-	-	35,030

2024/25	Note	Usable Reserves					Movement in Unusable Reserves £000
		General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Employer's pensions contributions and direct payments to pensioners payable in the year		40,010	-	-	-	-	(40,010)
Impact of acquisitions from group transfers in to Employer in 2024-25		61,940					(61,940)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>	33						
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		1,030	-	-	-	-	(1,030)
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from NDR income calculated for the year in accordance with statutory requirements		3,898	-	-	-	-	(3,898)
<b>Adjustment involving the Accumulated Absences Account (Note 33.8):</b>	33						
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		632	-	-	-	-	(632)
<b>Total Adjustments 2024-25</b>		<b>117,566</b>	<b>13,342</b>	<b>3,255</b>	<b>23</b>	<b>5,535</b>	<b>(139,720)</b>

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

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

Major Repairs Reserve controls the application of HRA depreciation. The MRR 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 amounts that have yet to be applied at the year-end.

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

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

2023/24	Note	Usable Reserves					Movement in Unusable Reserves £000
		General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Charges for depreciation and impairment of non current assets		(28,839)	(42,737)	-	-	-	71,576
Revaluation losses / gains on Property, Plant and Equipment		(6,099)	33,754	-	-	-	(27,655)
Movements in the fair value of Investment Properties		3,227	-	-	-	-	(3,227)
Amortisation of intangible assets		(55)	-	-	-	-	55
Capital grants and contributions applied		42,404	7,739	-	-	-	(50,143)
Revenue expenditure funded from capital under statute		(25,530)	-	-	-	-	25,530
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		(1,190)	(7,840)	-	-	-	9,030
Change in Fair Value of Financial Assets funded by Capital and classified as FVPL		(6,127)	-	-	-	-	6,127
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment		49,276	-	-	-	-	(49,276)
Capital expenditure charged against the GF & HRA balance		2,492	974	-	-	-	(3,466)
<b>Adjustments involving the Capital Grants Unapplied Account:</b>	33						

2023/24	Note	Usable Reserves					Movement in Unusable Reserves £000
		General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement		21,724	-	-	-	(21,724)	-
Application of grants to capital financing transferred to the Capital Adjustment Account		-	-	-	-	8,753	(8,753)
<b>Adjustments involving the Capital Receipts Reserve:</b>	33						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		1,918	8,238	-	(10,156)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	-	-	5,128	-	(5,128)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		(1)	-	-	1	-	-
Transfer to/ from Deferred Capital Receipts Reserve		1,200	(2)	-	-	-	(1,198)
Debt Redeemed Using Capital Receipts		-	-	-	3,685	-	(3,685)
Amount for Finance Lease Finance Disposal		-	-	-	-	-	-
<b>Adjustment involving the Major Repairs Reserve:</b>	33						
Use of the Major Repairs Reserve to finance new capital expenditure		-	-	32,500	-	-	(32,500)
Use of Major Repairs Reserve to redeem debt		-	-	-	-	-	-
Reversal of depreciation credited to the HRA		-	36,375	(36,375)	-	-	-

2023/24	Note	Usable Reserves					Movement in Unusable Reserves £000
		General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>	33						
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		792	2	-	-	-	(794)
<b>Adjustments involving the Pensions Reserve:</b>	33						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)		(38,490)	-	-	-	-	38,490
Employer's pensions contributions and direct payments to pensioners payable in the year		40,650	-	-	-	-	(40,650)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>	33						
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		986	-	-	-	-	(986)

2023/24	Note	Usable Reserves					Movement in Unusable Reserves £000
		General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from NDR income calculated for the year in accordance with statutory requirements		(1,921)	-	-	-	-	1,921
<b>Adjustment involving the Accumulated Absences Account:</b>	33						
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		(951)	-	-	-	-	951
<b>Total Adjustments 2023-24</b>		<b>57,386</b>	<b>36,503</b>	<b>(3,875)</b>	<b>(1,342)</b>	<b>(12,971)</b>	<b>(75,701)</b>

### 3 Other Operating Expenditure

	Note	2023/24 £000	2024/25 £000
Parish Council precepts		92	107
Levies		18,201	19,186
Payments to the Government Housing Capital Receipts Pool		1	1
(Profit)/Loss on the disposal of non current assets		(2,324)	(658)
<b>Total</b>		<b>15,970</b>	<b>18,636</b>

### 4 Financing and Investment Income and Expenditure

	Note	2023/24 £000	2024/25 £000
Interest payable and similar charges	19	41,066	35,282
Interest on defined benefit liability	29	(1,730)	(910)
Interest receivable and similar income	19	(16,800)	(13,655)
Income and expenditure in relation to investment properties and changes in their fair value	18	(8,804)	(1,002)
Impairment losses on Financial Instruments	19	6,075	2,066
<b>Total</b>		<b>19,807</b>	<b>21,781</b>

## 5 Taxation and Non-Specific Grant Income and Expenditure

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2024/25:

<b>Credited to Taxation and Non Specific Grant Income</b>	<b>Note</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>
Council Tax		(137,825)	(147,043)
Business Rates		(51,799)	(62,156)
Business Rates Top Up Grant		(24,403)	(25,555)
Non-Specific Government Grants Income		(95,890)	(102,531)
Non-Specific Government Grants Expenditure*		1,614	1,944
Capital Grants, Contributions and Donated Assets		(57,006)	(44,706)
<b>Total</b>		<b>(365,309)</b>	<b>(380,046)</b>

<b>Non-Specific Government Grants Detail</b>	<b>Note</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>
Revenue Support Grant		(31,177)	(33,243)
New Homes Bonus Grant		(2,240)	(1,854)
S31 Business Rates Reliefs		(26,593)	(30,718)
Social Care Support Grant		(27,341)	(35,673)
S106		(2,857)	-
Other Grants		(5,682)	(1,043)
<b>Total</b>		<b>(95,890)</b>	<b>(102,531)</b>

<b>Non-Specific Government Grants Expenditure Detail*</b>	<b>Note</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>
Other Grants		1,614	1,944
<b>Total</b>		<b>1,614</b>	<b>1,944</b>

Capital Grants, Contributions and Donated Assets Detail	Note	2023/24 £000	2024/25 £000
Outer West Leisure Centre		(2,417)	(1,896)
Placefirst Land E Deleval Rd		(5)	(1,836)
Social Housing Decarbonisation Fund (SHDF)		(2,741)	(3,472)
Grainger Market Levelling Up Fund (LUF) Project		(744)	(1,666)
Local Transport Plan - Highways Maintenance		(1,816)	(1,400)
Local Transport Plan - Integrated Transport Block		243	(2,762)
Northumberland St Improvements		(3,817)	(7,414)
RiverTyne Regen Infrastructure		-	(1,615)
Pothole Funding		(2,397)	(1,677)
Tyne Bridge Restoration		(2,147)	(8,796)
Other grants		(41,165)	(12,110)
Donated Heritage Assets		-	(62)
<b>Total</b>		<b>(57,006)</b>	<b>(44,706)</b>
Revenue Grants Credited to Services	Note	2023/24 £000	2024/25 £000
Dedicated Schools Grant		(125,156)	(132,296)
Mandatory Rent Rebates HRA		(33,512)	(35,884)
Mandatory Rent Allow Subsidy		(48,868)	(45,769)
Public Health Grant		(25,753)	(26,903)
Pupil Premium Grant		(6,975)	(6,058)
Troubled Families Grant		(1,405)	(1,670)
Asylum Seekers Children Grant		(980)	(1,136)
Housing Benefit Admin Grant		(1,250)	(1,184)
Primary School Meal Grant		(1,564)	(1,266)
Flexible Homeless Supp Grant		(958)	(1,035)
Improved Better Care Fund		(16,874)	(16,874)
Teachers Pay Grant		(967)	(1,378)
Teacher Pension Employer Grant		-	(1,799)
Rough Sleeping Initiative		(1,060)	(1,035)
Adult NTCA Grant		(3,245)	(3,512)
Holiday Activities & Food Prog		(1,728)	(1,681)
DWP Household Support Fund		(5,797)	(5,758)
Market Sustainability & Fair Cost of Care		(3,514)	(6,566)
Family Hubs Start for Life		(1,534)	(1,187)
Adult Social Care Discharge Fund		(2,366)	(3,943)
Supplementary Substance Misuse Treatment & Recovery Funding		(1,675)	(3,103)
Community Partnership Dev Fund		(107)	(1,026)
Core School Budget Grant		-	(1,802)
Private Finance Initiative Subsidy		(29,538)	(29,538)
Other Grants		(24,541)	(24,375)
<b>Total</b>		<b>(339,367)</b>	<b>(356,778)</b>

Capital Grants Credited to Services	Note	2023/24 £000	2024/25 £000
School Condition Allocation		-	(1,301)
Disabled Facilities Grants		(2,702)	(3,464)
Clean Air Fund		(1,215)	(1,826)
Intelligent Transportation Systems (ITS) - Transforming Cities Fund (TCF) Non-NCC		(2,676)	(1,705)
Intelligent Transportation Systems (ITS) 01b On- North East Comm Forest-Non NCC		-	(2,466)
Other grants		(751)	(1,895)
		(7,567)	(5,272)
<b>Total</b>		<b>(14,911)</b>	<b>(17,929)</b>

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

Grants Receipts in Advance	Note	2023/24 £000	2024/25 £000
<b><u>Revenue Grants</u></b>			
CIL / S106		(3,448)	-
Revenue Support Grant		-	(3,058)
Homes for Ukraine Scheme		(2,513)	(2,601)
Asylum Dispersal Grant		(1,270)	(1,480)
Other		(2,089)	(2,321)
<b><u>Capital Grants</u></b>			
Callerton & GP Academy Enabling		-	(3,916)
High Needs Provision Capital Allocations (HNPCA)		(6,505)	(6,117)
Food Waste Capital Grant		-	(2,224)
Disabled Facilities Grants		(2,716)	(2,583)
LUF Projects (Grainger Market, West Denton & City)		(4,123)	(4,668)
A186 Safer Roads Fund		(3,544)	(3,393)
Clean Air Zone		(8,785)	(6,959)
Local Transport Plan - Highways Maintenance		(2,982)	(3,465)
Local Transport Plan - Integrated Transport Block		(2,807)	(1,530)
NorthernAcc-CowhilltoOsborneRd		(2,201)	(2,201)
Tyne Bridge Restoration		-	(9,010)
s106 Balances		(30,362)	(34,523)
Other Grants		(9,917)	(6,887)
<b>Total</b>		<b>(83,261)</b>	<b>(96,936)</b>

## 6 Material Items of Income and Expenditure

During 2024/25 there were some material items within the Comprehensive Income and Expenditure Statement (CIES), these are detailed below:

### Pension Liability

On an annual basis, each member of the Tyne and Wear Pension Fund is required to re-measure its liability to the fund and account for any changes in its accounts. The changes are determined by an Actuary who makes assumptions that cover average life expectancy, inflationary factors affecting pension increases, the ability of investments to generate returns and salary increases which increase member contributions. The change identified is charged against the Pension Reserve with the corresponding entry being recognised in the CIES.

In 2024/25, the pension adjustment recognised in the CIES as a result of the actuarial report is an increase in the pension liability of £33.8m (2023/24 net increase of £104.1m).

Further details can be found in Note 29.

### Provisions

A Collection Fund NDR provision is held in respect of alteration of lists and appeals.

In 2024/25, there was a draw down from the provision of £9.7m in respect of appeals paid out, a net reduction to the provision of £7.6m and £8.9m reclassified (2023/24 draw down of £6.0m, net addition of £4.0m and amount reclassified £1.0m)

Further details can be found in Note 25.

### Asset Transfers

There were no disposal of assets of material value during 2024/25 (also none in 2023/24)

There was two additions over £5m, which was Tyne Bridge Restoration at £9.6m and Northumberland improvements, at £7.4m (2023/24 one addition totalling £5.1m )

### Asset Revaluations

There was one material (over £5m) revaluation change in 2024/25 relating to council dwellings (Beacon 453) with a revaluation loss of £5.448m.

Further details of asset revaluations can be found in notes 16 and 18.

### Impairment Losses on Third Party Loans

Following a review of the risk (as required under accounting standards, IFRS9) associated with the loans the Council has provided to third parties over a number of years (taking account the current economic situation), an impairment charge was made to the CIES in 2024/25 of £2.1m (2023/24 £6.1m). No loans have been written off in 2024/25 but the financial affairs of any third party organisations involved are being monitored frequently.

Further details can be found in Note 4.

### Subsumption of external entities into the pension fund

The following entities were subsumed into the councils membership of the Tyne and Wear Pension fund. The details can be seen in the table below.

Transferring Employer	Transfer Date	Assets (£M)	Liabilities (£M)
Urban Green Newcastle	28-Feb-25	1.8	1.3
Your Homes Newcastle	30-Jun-24	206.1	148.9
Newcastle Theatre Royal Trust	28-Jun-24	16.3	12

### Acquisition of hotel

The Council took over ownership of a 140 year lease for the Crowne Plaza hotel in the city in March 2025. This was for a purchase price (via a credit bid) of £13.8m and involved the writing off of amounts owed by the previous owners to the Council, which would not have been repaid of £39.5m. The new hotel owner, a Council owned company called Crossco (1467) Limited, took on £10.5m of the original debt. The expected profits from the operation of the hotel and the value of the hotel asset will fund the repayment of the new loan of £10.5m and recover the balance of the written off loans (£29.0m) in the coming years. The new loan is on commercial terms to encourage economic growth within the city and is a 15-year maturity loan with an interest rate of 6.56%, equating to an annual interest charge of £0.7m per year.

### Subsumption of YHN

During 2024-25 the Council transferred housing services from it's arms length management organisation Your Homes Newcastle (YHN) back in-house. The transfer of functions took effect from 1st July 2024.

## 7 Pooled Budgets

The Better Care Fund represents a collaboration between NHS England, the Integrated Care Board (ICB) for the North East and North Cumbria and Local Government. The Better Care Fund has been established by the Government to provide funding to local areas to support the integration of health and social care. It is a requirement of the Better Care Fund that the ICB for the North East and North Cumbria and the Council establish a pooled fund for this purpose. The partners work closely together to help local areas to plan and implement health and social care across Newcastle. NCC has the responsibility for both commissioning and providing social care services on behalf of the population of the city of Newcastle upon Tyne. The ICB for the North East and North Cumbria has the responsibility for commissioning health services pursuant to the National Health Service Act 2006 in the city of Newcastle upon Tyne.

\* Please note as of the 1st July 2022 the Integrated Care Board (ICB) for the North East and North Cumbria replaced and took over the responsibilities of the eight clinical commissioning groups (CCGs) in the region.

The aims and benefits of the pooled budget is to:

- a) Improve the quality and efficiency of Services.
- b) Meet National Conditions and Local Objectives.
- c) Make more effective use of resources through the establishment and maintenance of a pooled fund for revenue expenditure on the service.

Within the pooled budget there are 29 schemes included in the Better Care Fund Plan.

Improved Better Care Funding was first announced in the 2015 Spending Review and is paid as a direct grant to local government, with a condition that it is pooled into the Better Care Fund (BCF). The total allocation of the iBCF in 2024 to 2025 is £2.039 billion. The condition that the iBCF must be pooled into the Better Care Fund continued in 2024-25. iBCF funds 7 schemes and the grant is mainly used for:

- (1) Meeting Adult Social Care Needs;
- (2) Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready; and
- (3) Ensuring that the local social care provider market is supported.

The 2022 autumn statement announced that a further £600 million will be distributed in 2023 to 2024 and £1 billion in 2024 to 2025 through the BCF to support safe and timely discharge from hospital to home or an appropriate community setting. This builds on the £500 million injection into the BCF last year to speed the safe discharge of individuals over winter. In 2023 to 2024, the discharge fund will focus on growing social care capacity in ways that have the greatest possible impact on:

- (1) Reducing delayed hospital discharges.
- (2) Planning services sufficiently far in advance to enable providers to make appropriate workforce capacity plans.
- (3) Learning from evaluation of the impact of previous discharge funding improving.
- (4) Collaboration and information sharing across health and social care services.

Section 75 of the National Health Service Act 2006 gives the powers to Local Authorities and Integrated Care Boards to establish and maintain pooled funds from which expenditure on health and social care can be funded.

	2023/24 £'000	2024/25 £'000
<b>Expenditure from the pooled budget</b>		
<b>Better Care Fund and Improved Better Care Fund</b>		
Newcastle City Council - Revenue Spend	32,170	34,479
Newcastle City Council - Capital Spend	2,960	3,378
North East and North Cumbria Integrated Care Board (ICB)	16,982	19,374
<b>Expenditure met from the pooled budget</b>	<b>52,112</b>	<b>57,231</b>
<b>Contributions to the pooled budget</b>		
<b>Better Care fund and Improved Better Care Fund</b>		
Newcastle City Council including iBCF from DLUHC	(22,199)	(24,194)
North East and North Cumbria Integrated Care Board (ICB)	(29,913)	(33,037)
<b>Contributions to the pooled budget</b>	<b>(52,112)</b>	<b>(57,231)</b>

Contributions provided through Newcastle City Council from DLUHC grant and through the ICB from NHS England grant have all been spent in year. There is no balance to carry forward.

## 8 Members' Allowances

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

	2023/24 £000	2024/25 £000
Allowances	905	960
Expenses	14	16
National Insurance contributions payable	27	34
<b>Total</b>	<b>946</b>	<b>1010</b>

## 9 Officers' Remuneration

The value of remuneration receivable for the Council's senior officers was as follows:

		Salary, Fees and Allowances	Bonuses	Non-cash benefits*	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive - Pam Smith	2024/25	202,347	-	3,153	-	-	205,500
	2023/24	200,487	-	-	-	-	200,487
Assistant Chief Executive	2024/25	131,288	-	-	-	23,107	154,395
	2023/24	112,098	-	-	-	19,729	131,827
Director of City Operations, Neighbourhoods and Reg. Services	2024/25	137,801	-	11,427	-	24,253	173,481
	2023/24	135,069	-	10,379	-	23,772	169,220
Former Director of Adult Social Care and Prevention (01/04/24 - 31/10/2024)	2024/25	85,580	-	467	-	15,144	101,191
	2023/24	143,160	-	750	-	25,328	169,238
Director of Adult Social Care and Prevention (from 14/10/2024)	2024/25	92,224	-	13,935	-	16,944	123,103
	2023/24	-	-	-	-	-	-
Director of Investment and Growth	2024/25	146,708	-	800	-	25,961	173,469
	2023/24	143,160	-	750	-	25,328	169,238
Director of Housing and Communities	2024/25	97,866	-	600	-	17,330	115,796
	2023/24	-	-	-	-	-	-
Director of Children and Families	2024/25	138,876	-	9,944	-	24,583	173,403
	2023/24	135,505	-	9,536	-	23,981	169,022
Director of Workforce and Development	2024/25	104,808	-	11,603	-	18,690	135,101
	2023/24	103,117	-	15,047	-	18,384	136,548
Chief Finance Officer	2024/25	128,353	-	4,388	-	23,362	156,103
	2023/24	107,057	-	3,588	-	19,473	130,118
Assistant Director of Legal Services	2024/25	102,098	-	1,188	-	18,178	121,464
	2023/24	99,579	-	1,188	-	17,735	118,502

\* The amounts included within this column include both the salary sacrifice and the P11D benefit in kind values.

The Director of Public Health is jointly employed by both Newcastle City Council (NCC) and Gateshead Council. NCC made payments to Gateshead (as the primary employer) in 2024-25 totalling £95,094 as its contribution towards salary and on costs.

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

Remuneration Band	Officers 2024/25	Teachers 2024/25	Total 2024/25	Officers 2023/24	Teachers 2023/24	Total 2023/24
£50,000 - £54,999	228	1	229	192	3	195
£55,000 - £59,999	102	4	106	81	1	82
£60,000 - £64,999	44	-	44	42	1	43
£65,000 - £69,999	44	-	44	34	1	35
£70,000 - £74,999	15	-	15	4	1	5
£75,000 - £79,999	5	2	7	5	1	6
£80,000 - £84,999	2	1	3	5	-	5
£85,000 - £89,999	8	-	8	2	-	2
£90,000 - £94,999	-	-	-	1	-	1
£95,000 - £99,999	1	-	1	2	-	2
£100,000 - £104,999	4	-	4	5	-	5
£105,000 - £109,999	4	-	4	-	-	-
£110,000 - £114,999	-	-	-	-	-	-
£115,000 - £119,999	-	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-	-
£125,000 - £129,999	-	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-	-
£135,000 - £139,999	1	-	1	1	-	1
£140,000 - £144,999	-	-	-	-	-	-
<b>Total</b>	<b>458</b>	<b>8</b>	<b>466</b>	<b>374</b>	<b>8</b>	<b>382</b>

The number of officers who received remuneration over £50,000 in 2024-25 has increased by 84 compared with 2023-24. This is mainly due to the 2024-25 pay award resulting in employees on spinal column points (SCP) 41 and 42 (grade N10) now crossing the £50,000 threshold for inclusion in this disclosure.

Further information is available in the Council's Pay Policy Statement which is agreed by City Council each year.

## 10 Termination Benefits

There are a number of costs that may be incurred by the Council when an employee's contract is terminated. The below table includes costs relating to compulsory redundancies and also other exit payments made in line with Council policies. Costs are charged to the respective service line in the Comprehensive Income and Expenditure Statement unless related to corporate budget savings.

When a Council employee aged over 55 retires early as a result of redundancy, their employee and employer pension contributions stop. Pension benefits become payable earlier and will be paid for longer which creates a shortfall in the level of funding required to provide full pension benefits to the employee. Additional payments that must be made by the Council to the Local Government Pension Fund to compensate for this shortfall are known as 'Strain on the Fund' payments.

The Council terminated the contracts of 21 employees in 2024/25 (25 in 2023/24), incurring total costs of £0.529m (£0.800m in 2023/24). The following table also includes costs relating to strain on the fund payments of £0.303m in 2024/25 (£0.469m in 2023/24).

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of Exit Packages agreed		Total cost of Exit Packages agreed	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
	£	£	£	£	£	£	£	£
£0 - £20,000	7	2	9	13	16	15	83,152	141,696
£20,001 - £40,000	-	-	1	2	1	2	32,648	51,644
£40,001 - £60,000	1	2	-	1	1	3	42,959	154,661
£60,001 - £80,000	-	2	-	-	-	2	-	146,612
£80,001 - £100,000	-	2	-	-	-	2	-	180,228
£100,001 - £150,000	1	1	2	-	3	1	369,761	124,937
<b>Total</b>	<b>9</b>	<b>9</b>	<b>12</b>	<b>16</b>	<b>21</b>	<b>25</b>	<b>528,520</b>	<b>799,778</b>

There were 5 employees identified as demonstrably committed to leaving the Council as at 31st March 2025 and the costs were accrued in 2024-25 (£0.155m). Demonstrably committed employees are those who are committed to leaving the Council as at 31 March and for which severance packages have been agreed but where their leaving date will be after the 1 April. The cost for such employees is estimated and an accrual raised. There may be minor changes to the estimated value of demonstrably committed employee costs disclosed due to a revised leaving date or as a result of the employee being redeployed to another post in the organisation.

It was determined no redundancy provision was required for 2024-25 as a review of the savings proposals for 2025-26 did not show any expected redundancies.

It should be noted that the Council has a commitment to avoid compulsory redundancies as far as possible, and provides support to staff to help them find alternative employment within the Council wherever possible. Any temporary redeployment could result in the same employees being at risk again in future years.

## 11 External Audit Costs

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

	2023/24 £000	2024/25 £000
Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year.	405	435
Fees payable in respect of statutory inspections.	5	-
Fees payable for the certification of grant claims and returns for the year.	15	15
<b>Total</b>	<b>425</b>	<b>450</b>

## 12 Dedicated Schools Grant

The Council's expenditure on schools is funded by the Dedicated Schools Grant (DSG) provided by the Department for Education (DfE). The payments are made, on behalf of the DfE, by the Education Schools Funding Agency (ESFA).

An element of DSG is recouped by the Department to fund academy schools in the council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) (No 2) Regulations 2024.

The Schools budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided between maintained school.

Details of the deployment of DSG receivable for 2024/25 are as follows:

	Central	Individual	Total
	Expenditure	Schools	
	£000	Budget £000	
(a) Final DSG for 2024/25 before academy and high needs recoupment	79,301	242,417	321,718
(b) Academy and high needs figure recouped for 2024/25	-	(188,531)	(188,531)
<b>(c) Total DSG after academy and high needs figure recoupment for 2024/25</b>	<b>79,301</b>	<b>53,886</b>	<b>133,187</b>
(d) Plus: Brought forward from 2023/24	6,844	-	6,844
(e) Less: Carry forward to 2025/26 agreed in advance	-	-	-
<b>(f) Agreed initial budgeted distribution in 2024/25 (c+d+e)</b>	<b>86,145</b>	<b>53,886</b>	<b>140,031</b>
(g) In year adjustments	(69)	-	(69)
<b>(h) Final budget distribution for 2024/25</b>	<b>86,076</b>	<b>53,886</b>	<b>139,962</b>
(i) Less: Actual central expenditure	(86,503)	-	(86,503)
(j) Less: Actual ISB deployed to schools	-	(53,886)	(53,886)
(k) Plus: Local authority contribution for 2024/25	-	-	-
<b>(l) In-year carry forward to 2025/26 (h+i+j+k)</b>	<b>(427)</b>	<b>-</b>	<b>(427)</b>
(m) Plus: Carry-forward to 2025/26 agreed in advance (-e)	-	-	-
<b>(n) Carry-forward to 2025/26 (l+m)</b>	<b>(427)</b>	<b>-</b>	<b>(427)</b>
(o) DSG unusable reserve at the end of 2023/24	-	-	-
(p) Addition to DSG unusable reserve at the end of 2024/25 (l+m)	-	-	-
(q) Total of DSG unusable reserve at the end of 2024/25 (o+p)	-	-	-
<b>(r) Net DSG position at the end of 2024/25 (n-q)</b>			<b>(427)</b>

DSG is shown as an income item in the Comprehensive Income & Expenditure Statement for Children, Education & Skills Directorate.

Note: Actual ISB deployed to schools is reflected at the same level as the ISB budget distribution as per I105 point two, Code of Practice on Local Authority Accounting in the United Kingdom Guidance notes for practitioners 2024/25 accounts

Line (g) adjustments

In Year Adjustments:-

Early Years 2023/24 allocation                      £0.069m

## 13 Leases

### Council as Lessee

In 2024/2025, the Authority has applied IFRS 16 Leases as adopted by the Code of Accounting Practice. The main impact of the new requirements is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as liability), a right-of-use asset and a lease liability are to be brought into the balance sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2024 are exempt from the new arrangements. IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/2025 and not by adjusting prior year figures.

There is a difference of £85,516.00 from the newly recognised lease liabilities. This is explained by the fact that the lease liabilities exclude amounts for leases of low value items and leases that will expire before 31 March 2025

### Right of Use Asset

The table below shows the change in the value of right-of-use assets held under leases by the authority:

	Land & Buildings	Vehicles, Plant & Equipment	Total
	£000s	£000s	£000s
<b>Balance at 1 April 2024</b>	<b>41,251</b>	<b>0</b>	<b>41,251</b>
Additions	6,464	425	6,889
Revaluations	0	0	-
Depreciation & Amortisation	(1,390)	0	(1,390)
Disposal	0	(425)	(425)
<b>Balance at 31 March 2025</b>	<b>46,324</b>	<b>0</b>	<b>46,324</b>

### Transactions under leases

The authority incurred the following expenses and cash flows in relation to leases:

	2023/24 £000	2024/25 £000
<b>Comprehensive income and expenditure statement</b>		
Interest expense on lease liabilities	-	3,756
Expense relating to short - term leases	-	-
Expense relating to exempt leases of low - value items	29	-
Variable lease commitments not included in the measurement of lease liabilities	-	-
Income from subletting right-of-use assets	-	-
Gains or losses arising from sales and leaseback transactions	-	-
<b>Cash flow statement</b>		
Total cashflow for leases	-	4,036
Cash payments for interest portion of lease liabilities	-	3,756
Short term lease payments where exemptions taken	-	-
Low value lease payments where exemptions taken	11	-
Variable lease payments excluded from lease liabilities	-	-

### Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected payments):

	2023/24 £000	2024/25 £000
Less than one year	0	2,386
One to five years	0	8,698
More than five years	0	81,361
<b>Total undiscounted liabilities</b>	<b>0</b>	<b>92,445</b>

## Council as Lessor

### Operating Leases

The Council has granted a number of non-cancellable leases (commercial, community and some specialist residential) for the use of Council-owned buildings and land. These leases have been accounted for in 2024-25 as being operating leases and the future minimum lease payments are:

	31 Mar 2024 £000	31 Mar 2025 £000
Not later than one year	8,139	10,063
Later than one year and not later than five years	16,606	28,499
Later than five years	114,767	263,981
	<b>139,512</b>	<b>302,543</b>

The minimum lease payments receivable include future years' stepped rental increases where these are provided for in the lease agreement. Rent reviews contingent on events taking place after the lease was entered into are not included.

The Council operates a number of leases as tenancies for older people including specialised care for dementia etc. The leases are offered on a 'life' time basis but there is a provision to cancel giving the required notice. As such these leases cannot be classified as non cancellable. However, for a full understanding of income expected from leases the values expected are included below

	31 Mar 2024 £000	31 Mar 2025 £000
Not later than one year	2,454	2,527
Later than one year and not later than five years	10,574	10,891
Later than five years	151,661	148,817
	<b>164,689</b>	<b>162,235</b>

### Finance Leases

The Council has granted one non-cancellable finance lease to a commercial organisation for the use of Council-owned buildings and land.

The Council also has a Finance Lease agreement with Abri in relation to vehicles that they lease from NCC.

Future minimum rentals receivable under non-cancellable finance leases at 31 March 2025 are:

	31 Mar 2024 £000	31 Mar 2025 £000
Not later than one year	632	100
Later than one year and not later than five years	2,372	436
Later than five years	10,873	34
	<b>13,877</b>	<b>570</b>

The minimum lease payments receivable include future years' stepped rental increases where these are provided for in the lease agreement. Rent reviews contingent on events taking place after the lease was entered into are not included.

#### 14 Impairment Charges

During 2024/25, the Council recognised an impairment loss of £29.0m (£28m in 2023/24) and impairment reversals of £12.7m (£17.2m in 2023/24) in the provision of services.

An impairment is the amount by which the carrying amount of an asset exceeds its recoverable amount.

Examples of events or circumstances that indicate an impairment may have incurred include -

- A significant decline in an asset's carrying amount during the period
- Evidence of obsolescence or physical damage of an asset.

The impairment loss can be split between the General Fund £9.6m (£8.3m in 2023/24) and the HRA £19.4m (£19.7m in 2023/24).

The impairment reversals can be split between the General Fund £1.0m (£3.8m in 2023/24) and the HRA £11.7m (£13.4m in 2023/24).

Impairment reversals occur in situations where an asset is revalued upwards and the accumulated impairment charged to the CI&ES is subsequently reversed.

During 2024/25, the Council recognised an impairment loss in the Revaluation Reserve of £10.7m (£8.0m in 2023/24).

The impairment loss in the Revaluation Reserve can be split between the General Fund £0.3m (£1.7m in 2023/24) and the HRA £10.4m (£6.3m in 2023/24).

The amount charged to the HRA relates mainly to council dwellings and is charged against the local authority (HRA) line in the Comprehensive Income & Expenditure Statement (CI&ES). The General Fund charge relates to various operational assets, mainly Elswick Pool, Grainger Market, West Denton Community Site and Placefirst Land at Delaval Road. The Council is not required to raise Council Tax to cover impairment losses and amounts are reversed out of the accounts in the Movement in Reserves Statement so there is no impact on the General Fund balance.

## 15 Related Parties

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

In this context, related parties include:

- Central Government
- Elected Members of the Council
- Officers of the Council
- Other Public Bodies
- Entities controlled or significantly influenced by the Council

### Central Government

Central Government is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in Note 5.

### Elected Members of the Council

Elected Members of the Council have direct control over the Council's financial and operating policies; in addition, Independent Members provide specialist input and an outside view of the Council and are appointed to specific Committees. The total allowances paid in 2024/25 is shown in Note 8. All member interests were declared by the appropriate Members and are recorded in the "Councillors – Declarations of Interest" which is updated regularly and available on the City Council's website. During 2024/25 the authority had no material dealings with companies in which one or more members have significant interest or control.

### Officers of the Council

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

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

## Other Public Bodies

### Pooled Budgets (subject to common control by central government)

The Council has a pooled budget arrangement with Integrated Care Board (ICB) and NHS England to support the local integration of health and social care. As of the 1st July 2022 the Integrated Care Board (ICB) for the North East and North Cumbria replaced and took over the responsibilities of the eight clinical commissioning groups (CCGs) in the region. This pooled budget was established under the Government's Better Care Fund. Transactions and balances are detailed in Note 7.

### Newcastle International Airport Limited / NIAL Holdings Limited

Under the Airport Act 1986, Newcastle International Airport Limited (NIAL) was formed and seven local authorities were allocated shares in consideration for all the property, rights and liabilities that were transferred into the new company. On 4 May 2001, the seven local authority shareholders of NIAL (the "LA7") created NIAL Holdings Limited, which is 51% owned by LA7 and 49% owned by InfraBridge following their purchase on 16 November 2012. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Limited (NALAHCL), a company wholly owned by the seven authorities. NALAHCL has a called up share capital of 10,000 shares with a nominal value of £1 each. The Council holds a 17.70% interest in NALAHCL, valued at £22.697m (£14.190m in 2023/24). The shares are not held for trading outside of the LA7.

The valuation of the holding is reviewed each year to consider whether any events have occurred which would materially impair the valuation. No such events have occurred. The shares have been reviewed in year using a combination of forecast EBITDA and an assessment of international airport share price movements.

Through its shares in NALAHCL the Council has an effective shareholding of 9.03% in NIAL (and the group companies of NIAL Group Limited and NIAL Holdings Limited).

The principal activity of NIAL (registered number 2077766) is the provision of landing services for both commercial and freight operators. No dividend was received for the year ended 31 December 2024 (nil for the year ended 31 December 2023).

Members of the LA7 entered into a loan agreement with NIAL Group Limited in 2012/13, issuing £67.665m shareholder loan notes of which £13.675m is provided by the Council (£13.675m in 2023/24). The loan notes will be repayable in 2032 with interest normally being received up to that date on a six monthly basis.

Due to major curtailments in the airport operations as a result of the COVID-19 pandemic the Council has agreed to modify the terms of these loans and accepted that under the unprecedented circumstances the airport can defer interest repayments for three years (three years in 2023/24) with catch up payments to be made in instalments over a later period. Under the loan agreement the Council is entitled to compound interest for any late payments and this has been factored into the repayments the airport will make. Interest payments resumed in 2023/24 and in addition, catch up payments commenced in the same year which is earlier than previously forecast. This has resulted in a further restatement of the loan value with a cumulative modification loss of £0.746m (£0.130m gain in 2023/24) being recognised. The increase in gain recognised is charged to the financing and investment income and expenditure line of the CIES. Furthermore, the Council looked at several observable factors regarding the robustness of the airport operations going forward resulting in an expected lifetime loss provision of £0.281m (£0.304m in 2023/24) in the event all repayments are not made or further delayed at some time in the future.

Other than these loan notes there are no outstanding balances owed to or from NIAL at the end of the year.

NIAL Group Limited made a profit before tax of £10.515m and a profit after tax of £5.685m for the year ended 31 December 2024. In the previous year, the Group made a profit before tax of £10.245m and a profit after tax of £6.104m.

#### Significant Observable Input - Level 3

The fair value for Newcastle Airport is based on a combination of the discounted cash flow of income method together with the guideline public company method of the market approach to valuations and other observable and unobservable factors. The last full valuation took place at 31 March 2022.

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

**Entities Controlled or Significantly Influenced by the Council**

	2023/24		2023/24		2023/24		2023/24		2024/25		2024/25			
	£'m	Receivables	£'m	Payables	£'m	Income	£'m	Expenditure	£'m	Payables	£'m	Income	£'m	Expenditure
North East Mayoral Combined Authority (NEMCA)	-	-	-	-	-	-	-	18.0	-	-	-	-	-	18.9
Tyne & Wear Archives & Museums (TWAM)	-	-	(2.4)	(0.3)	1.1	(0.5)	1.1	(2.1)	(0.5)	1.1	(0.5)	1.1	1.1	
Exhibitions By TWAM Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Armstrong Centre Company Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tynexe Limited	-	-	-	(0.1)	-	(0.1)	-	-	-	-	-	(0.1)	-	-
Tynexe Residential Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tynexe Commercial Limited	5.6	5.6	-	(0.3)	-	(0.3)	-	-	5.4	-	-	(0.3)	-	
Newcastle Gateshead Initiative Limited	0.1	0.1	-	-	0.9	-	0.9	0.1	0.1	-	-	-	0.6	
Newcastle Mansion House	1.1	1.1	-	(0.1)	-	(0.1)	-	1.2	1.2	-	-	(0.1)	-	
Newcastle Mansion House Trading Company	-	-	-	(0.1)	-	(0.1)	-	0.1	0.1	-	-	-	-	
Eldon Square Company Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	
Science Central LLP (Science Central)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Science Central LLP (NewCo)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Science Central LLP (Transco)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Regenerate Newcastle Supply Co. Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	
Founders Place LLP	-	-	-	-	-	-	-	-	-	-	-	-	-	
Newcastle Stephenson Works Holding Limite	0.6	0.6	-	-	0.1	-	0.1	0.8	0.8	-	-	-	0.1	
Pattern Shop LLP	-	-	-	-	-	-	-	-	-	-	-	-	-	
Newcastle Futures Limited	-	-	-	(0.4)	-	(0.4)	-	-	-	-	-	-	-	
<b>Total value of transactions with related party</b>	<b>7.4</b>	<b>7.4</b>	<b>(2.4)</b>	<b>(1.3)</b>	<b>20.1</b>	<b>(1.3)</b>	<b>20.1</b>	<b>7.6</b>	<b>7.6</b>	<b>(2.1)</b>	<b>(2.1)</b>	<b>(1.0)</b>	<b>20.7</b>	

\* Figures are taken from draft accounts for 2024/25 where available

### **Entities Controlled or Significantly Influenced by the Council**

The Council has a number of subsidiaries over which it has control, and other companies over which it exerts significant influence. The Code of Practice requires local authorities to produce Group Accounts to reflect significant activities provided to Council taxpayers by other organisations in which the Council has an interest. The Council has considered its interests in its subsidiaries, associates, joint ventures and other bodies, both quantitatively and qualitatively, and has concluded that its subsidiary, Your Homes Newcastle Group (YHN), Newcastle Science Central Holdings Limited, Regenerate Newcastle Asset Co.Limited, Abri Trading Limited, Crossco (1467) Limited, and Tynexe entities and its Joint venture, New Tyne West Development Company LLP, is materially significant to the overall financial position of the Council and is therefore consolidated into the Group Financial Statements (see 5.0). All other entities are not considered to be material and therefore have not been consolidated into the Group Financial Statements.

### **North East Mayoral Combined Authority (NEMCA)**

On 12 March 2024 the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 was approved. The North East Mayoral Combined Authority (NEMCA) came into existence on the 7 May 2024, comprising as constituent councils the seven north-east councils, including Newcastle City Council. The Order simultaneously abolished the existing North East Combined Authority (NECA) and the North of Tyne Combined Authority (NTCA) and the office of the Mayor of North of Tyne.

Expenditure relates primarily to the Transport Levy payable by the Council, in addition to the equal share of contribution payable by all Local Authorities to the NTCA/NECA (depending on the particular Local Authority), LEP and INEE.

**North East Museums (formerly known as Tyne & Wear Archives & Museums)**

North East Museums is a joint service of four local authorities (Newcastle, South Tyneside, North Tyneside and Gateshead). The North East Museums Strategic Board is made up of representatives from each partner local authority, a representative from Newcastle University and independent members.

A 10 year Joint Agreement (2017 – 2027) has been agreed by the four Tyneside authorities. North East Museums has a separate management agreement with Newcastle University, to manage the Great North Museum: Hancock and the Hatton Gallery, and Sunderland City Council is a partner in respect of the Joint Archive Service. North East Museums is also a National Portfolio Organisation funded by Arts Council England (ACE). North East Museums provides some specialist museum services to Sunderland museums funded by ACE and some services including exhibition design on a commercial basis.

North East Museums develops, in partnership with officers in each council, a plan for museum and archive services in that local authority area. These are designed to serve the priorities of the council as well as contributing to the strategic service and enabling the partners to pay agreed charges.

**Exhibitions By TWAM Limited**

Exhibitions by TWAM Limited was established to manage all exhibition production activities for North East Museums. The company, limited by guarantee, commenced trading on 1 September 2020 and is wholly owned by Newcastle City Council. The company donates its profit to Tyne & Wear Archives & Museums Development Trust to further North East Museums' charitable objectives. North East Museums produces approximately 35-40 exhibitions per year across its 9 venues. These vary greatly in scale, subject matter and target audiences.

**Armstrong Centre Company Limited / Tynexe Limited**

A limited company wholly owned by the Council. It is a holding company for Tynexe Limited (a lettings company) holding 50% of its shares, the remaining 50% are held by Dysart Developments Limited.

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

**Tynexe Commercial Limited**

The principal activity is to oversee the development of building projects. The company commenced in 2016/17. NCC provided loans to the value of £6m to Tynexe Commercial limited, the current outstanding amount equated to £5.5m in 2024/25.

**Tynexe Residential Limited**

A wholly owned subsidiary of Tynexe Limited and therefore linked to Armstrong Centre Company Limited above. The principal activity is to oversee the development of housing for the social market and for market resale. The company commenced trading activity during 2014/15.

**Newcastle Gateshead Initiative (NGI) Limited**

A joint undertaking between Gateshead Council, Newcastle City Council with the support of over 140 private and public sector partners. NGI is a public private partnership delivering economic growth for NewcastleGateshead and the wider North East.

NGI is the destination and inward investment agency whose mission is to inspire people to visit, live, learn, work, and invest in Newcastle, Gateshead, and the wider region. NGI exists to benefit local people, creating jobs, opportunities, and a great place to live for current and future generations. NGI champion key growth sectors on a global stage, maximising impact with the support of more than 140 public and private sector partners. NGI is also the VisitEngland recognised Local Visitor Economy Partnership for Newcastle and Gateshead and the lead accountable body for the first-ever Destination Development Partnership Pilot funded by the Department of Culture, Media, and Sport (DCMS). As a social enterprise, all projects are dedicated to making a lasting social and economic impact. NGI is a company limited by guarantee and each of the members has undertaken to contribute £1 towards any deficit in the event of the company being wound up.

NGI is undergoing a transitional period as it moves towards becoming a regional body operating under the North East Combined Authority (NECA). A reorganisation is underway which will alter NGI's governance arrangements and its formal relationship with the Council. The implications of this transition are being assessed to ensure appropriate financial reporting and disclosure in future periods. NCC has historically provided loans to NGI to the value of £0.250m. As at the end of 2024/25 financial year, the outstanding balance on these loans is £0.050m (£0.100m in 2023/24).

### **Newcastle Mansion House**

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

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

### **Newcastle Mansion House Trading Company Limited**

Provision of The Mansion House for external events such as hospitality and functions. Incorporated on 23rd October 2015, the company has been dormant until recently. Newcastle Mansion House Trust, a charitable trust owns 100% of the issued share capital of the Company.

### **Eldon Square Company Limited**

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

### **Newcastle Helix (Formerly known as Newcastle Science Central)**

NCC has an interest in three partnership companies –

Newcastle Helix LLP, previously Newcastle Science Central LLP – jointly owned by Newcastle City Council (NCC) and Newcastle University (NU). First created in the 2011/12 financial year, this has a year end of 31 March. The primary business for the development of the land held by it which is intended to promote investment in the development of science research and education. The land was largely transferred, with the exception of some residual plots which were to be drawn down and developed by NCC and NU, to a new company Newcastle Helix Management LLP, previously Newcastle Science Central Management LLP. This will be wound up once the NCC and NU complete the remaining developments.

Newcastle Helix Management LLP, previously Newcastle Central Management LLP (known as “Transco”) – jointly owned by NCC and NU and incorporated in December 2016. This took over the remaining land ownership from Newcastle Science Central LLP and will deal with the progressive sale of the plots. The year-end is 31st March.

Newcastle Helix Developments LLP, previously Science Central Developments LLP (known as NewCo) – jointly owned by NCC, NU and Legal and General and incorporated in December 2016. This deals with the progressive development of plots. The year-end is 31st December.

In addition, subsidiary Newcastle Science Central Holdings Limited was created and holds the Council's interest in the Science Central companies. The year-end is 31st March. This entity has been incorporated into the Council's Group Accounts since 2021/22.

### **Regenerate Newcastle Supply Co. Limited**

Regenerate Newcastle Supply Co - Newcastle City Council (NCC) holds 1 ordinary share of £1 in the capital of the company which equates to 10%, with the remaining 9 ordinary share of £1 held by Bring Energy (was Equans Urban Energy up until 25 January 2024) equating to 90% share capital.

The principal activity of Regenerate Newcastle Supply Co Limited is the design, build and development of a district energy scheme on behalf of Regenerate Newcastle Asset Co Limited, which provide cost effective low carbon energy to commercial and residential properties in and around Newcastle city centre. During 2024/25 there were no transactions between the entities.

The Company was incorporated on 12 July 2018.

### **Founders Place LLP**

A partnership between NCC and PFP igloo to facilitate the regeneration of the brownland behind Central Station. Founders Place LLP (Formerly Stephenson Work LLP) was incorporated on 15 July 2020 to encourage the physical regeneration and economic resurgence of the area of Newcastle known as Stephenson Quarter. Under the partnership, the Council will contribute the land and the developers will contribute an equal share of capital investment to bring plots forward. This regeneration will create employment and workspaces, aims to drive a range of residential accommodation.

### **Newcastle Stephenson Works Holding Limited**

A holding company setup by NCC to hold the interests of the Council in Founders Place LLP (Formerly Stephenson Work LLP). Newcastle Stephenson Works Holding Limited is wholly owned by the Council. Incorporated on 15 July 2020. Newcastle Stephenson Works Holding limited has a right to receive 49% of the profits of the Founders Place LLP.

### **Pattern Shop LLP**

A partnership between Newcastle City Council (49.5%), PFP-Igloo (49.5%) and Founders Place LLP (1%) to control the delivery of the development of the land at Pattern Shop, Stephenson Quarter. Pattern Shop LLP was incorporated on 14 June 2021.

During the year ended 30 June 2024, all outstanding balances were settled, and the members intend to apply for voluntary strike off and dissolution in due course.

**16 Property, Plant & Equipment**

Movements in 2024/25	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
<b>Cost or Valuation</b>								
<b>At 1 April 2024</b>	1,103,091	361,737	106,046	1,928	7,867	11,485	1,592,154	86,536
Additions	54,336	43,578	4,233	1,098	-	13,051	116,296	390
Acquisitions	-	-	286	-	-	-	286	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(5,022)	19,535	-	-	-	125	14,638	(318)
Revaluation increases/(decreases) recognised in the Deficit on the Provision of Services	13,304	(7,925)	-	-	-	-	5,379	-
Derecognition - Disposals	(9,031)	(989)	(4,222)	-	-	-	(14,242)	-
Assets reclassified (to)/from Held for Sale	-	1,067	-	-	-	-	1,067	-
Other reclassifications	315	(227)	-	-	-	(88)	-	-
<b>At 31 March 2025</b>	<b>1,156,993</b>	<b>416,776</b>	<b>106,343</b>	<b>3,026</b>	<b>7,867</b>	<b>24,573</b>	<b>1,715,578</b>	<b>86,608</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2024	(59,047)	(42,174)	(57,321)	(1,009)	1	(171)	(159,721)	(43,274)
Depreciation charge	(35,075)	(5,524)	(8,572)	(28)	-	-	(49,199)	(2,507)
Depreciation written out to the Revaluation	41,248	2,157	-	-	-	11	43,416	94
Depreciation written out to the Deficit on the Provision of Services	(7,787)	119	-	-	-	-	(7,668)	-
Impairment losses/(reversals) recognised in Revaluation Reserve	(3,012)	3,274	-	-	-	-	262	46
Impairment losses recognised in the Deficit on the Provision of Services	(19,122)	(8,215)	-	(1,098)	-	(38)	(28,473)	-
Impairment reversals recognised in the Deficit on the Provision of Services as a result of	18,138	10,048	-	-	-	-	28,186	-
Derecognition - Disposals	-	53	3,727	-	-	-	3,780	-
Reclassifications	(15)	2,106	-	-	-	(2,091)	-	-
<b>At 31 March 2025</b>	<b>(64,672)</b>	<b>(38,156)</b>	<b>(62,166)</b>	<b>(2,135)</b>	<b>1</b>	<b>(2,289)</b>	<b>(169,417)</b>	<b>(45,641)</b>
<b>Net Book Value</b>								
<b>At 31 March 2025</b>	<b>1,092,321</b>	<b>378,620</b>	<b>44,177</b>	<b>891</b>	<b>7,868</b>	<b>22,284</b>	<b>1,546,161</b>	<b>40,967</b>
<b>At 31 March 2024</b>	<b>1,044,044</b>	<b>319,562</b>	<b>48,725</b>	<b>919</b>	<b>7,868</b>	<b>11,314</b>	<b>1,432,432</b>	<b>43,262</b>

Comparative Movements in 2023/24	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
<b>Cost or Valuation</b>								
<b>At 1 April 2023</b>	993,953	348,945	111,391	1,623	6,352	9,494	1,471,758	81,099
Additions	51,778	24,587	4,586	305	-	8,086	89,342	3,931
Acquisitions of Leased Assets	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	20,050	3,127	-	-	1,550	-	24,727	1,495
Revaluation increases/(decreases) recognised in the Deficit on the Provision of Services	39,266	(12,788)	-	-	(0)	-	26,478	11
Derecognition - Disposals	(7,838)	(724)	(9,931)	-	-	-	(18,493)	-
Assets reclassified (to)/from Held for Sale	-	(1,657)	-	-	-	-	(1,657)	-
Other reclassifications	5,882	247	-	-	(35)	(6,095)	(1)	-
<b>At 31 March 2024</b>	<b>1,103,091</b>	<b>361,737</b>	<b>106,046</b>	<b>1,928</b>	<b>7,867</b>	<b>11,485</b>	<b>1,592,154</b>	<b>86,536</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2023	(48,498)	(62,603)	(58,263)	(676)	1	-	(170,039)	(43,410)
Depreciation charge	(33,463)	(4,814)	(8,556)	(28)	-	-	(46,861)	(2,498)
Depreciation written out to the Revaluation Reserve	41,991	7,000	-	-	-	-	48,991	1,031
Depreciation written out to the Deficit on the Provision of Services	(11,663)	228	-	-	-	-	(11,435)	7
Impairment losses/(reversals) recognised in Revaluation Reserve	(8,380)	15,383	-	-	-	-	7,003	1,596
Impairment losses recognised in the Deficit on the Provision of Services	(19,248)	(7,141)	-	(305)	-	-	(26,694)	-
Impairment reversals recognised in the Deficit on the Provision of Services as a result of revaluation	20,214	9,575	-	-	-	-	29,789	-
Derecognition - Disposals	-	26	9,498	-	-	-	9,524	-
Reclassifications	-	171	-	-	-	(171)	-	-
<b>At 31 March 2024</b>	<b>(59,047)</b>	<b>(42,175)</b>	<b>(57,321)</b>	<b>(1,009)</b>	<b>1</b>	<b>(171)</b>	<b>(159,722)</b>	<b>(43,274)</b>

**Depreciation:**

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

- Council Dwellings - Social Housing 26 years
- Council Dwellings Other 50-60 years
- Other Land and Buildings 25-100 years
- Vehicles, Plant, Furniture & Equipment 3-50 years
- Infrastructure 5-60 years
- Community Assets depreciated in line with the relevant asset type

**Infrastructure Assets****Movements on balances**

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2023/2024	2024/2025
	£m	£m
Net book value (modified historical cost)		
at 1 April	354,454	370,021
Additions	29,442	33,689
Derecognition	(348)	(239)
Depreciation	(13,875)	(14,759)
Impairment	-	-
Other movements in cost	348	239
<b>Net book value at 31 March</b>	<b>370,021</b>	<b>388,951</b>

As infrastructure assets are not disclosed on the face of the Note, a reconciliation to the total PPE held on the Balance Sheet is provided below:

	2023/24	2024/25
	£m	£m
Infrastructure assets	370,021	388,951
Other PPE assets	1,432,433	1,546,161
<b>Total PPE assets</b>	<b>1,802,454</b>	<b>1,935,112</b>

The authority has determined in accordance with Regulation [30M England or 24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when their replacement expenditure is nil.

**Capital Commitments:**

At 31 March 2025, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2024/25 and future years budgeted to cost £48.3m. Similar commitments at 31 March 2024 were £41.6m. The major commitments (£1m or more) are:

<b>Housing Revenue Account Programme</b>	<b>£m</b>
SHDF 2 Shieldfield Equans	2.8
RF0023 Multi Storey Roofing	1.2
INT0034 Bathroom Replacement	1.8
	5.8
<b>General Fund Programme</b>	<b>£m</b>
Slatyford Lne CH Refurbishmnt	1.0
Technical Refresh	2.2
Outer West Leisure Centre	8.8
Northumberland St Improvements	4.8
Grainger Market LUF Project	3.7
Walker Quay - Forward Plan	15.2
PSDS Phase 3C	1.9
Tyne Bridge Restoration	2.7
Central Motorway Maintenance	2.2
	42.5
<b>Total Commitments</b>	<b>48.3</b>

### Valuation Policies

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

- Properties classified as operational were valued on the basis of net realisable value in current use or, where this could not be assessed because there was no market for the subject asset, on the basis of depreciated replacement cost.
- Vehicles, plant, furniture and equipment - non-property assets (furniture and equipment) are included at historical cost net of depreciation. Plant and machinery is included in the valuation of the buildings where it is considered to form part of the building service installation. Vehicles are included at historic cost less depreciation.
- Council dwellings are valued on the basis of existing use for social housing. This value is calculated by adjusting the existing use value with vacant possession by a regional factor provided by Department for Levelling Up, Housing and Communities to reflect their status as social housing. Consequently council dwellings are included in the balance sheet at 44% of current value (2022/23, 44%).
- Community assets are recorded at historical cost, depreciated where appropriate. Community assets can include parks and historic buildings. Museum exhibits/collections are now within the heritage asset category.
- Infrastructure assets are included at historical cost, net of depreciation. It should be noted that where a capital scheme includes some infrastructure works (such as the building of roads and sewers in the construction of a housing estate) these have usually been included in the category "council dwellings" or "other land and buildings" as appropriate. It is not always possible to identify the full cost separately.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant perspective.
- Assets under construction are included at cost.

- It is a requirement that assets carried at current value are reviewed at periods of not more than 5 years, and when circumstances occur that materially change the valuations. The process adopted is a three year programme whereby all assets are assigned to a category and all assets within a category are revalued in the same year, with all categories revalued within the programme. Assets have been valued in accordance with the principles of the RICS Appraisal and Valuation Standards. The valuations were supervised by P. Stewart, MRICS, Head of Property, Newcastle City Council.

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

Valued at fair value as at:	Council Dwellings £000	Other Land and Buildings £000	Surplus Assets £000	Investment Properties £000	Total £000
2024/25	1,092,321	206,673	7,868	76,445	<b>1,383,307</b>
2023/24	-	162,673	-	-	<b>162,673</b>
2022/23	-	7,567	-	-	<b>7,567</b>
2021/22	-	282	-	-	<b>282</b>
2020/21	-	-	-	-	-
2019/20	-	578	-	-	<b>578</b>
2018/19	-	851	-	-	<b>851</b>
<b>Total Cost or Valuation</b>	<b>1,092,321</b>	<b>378,624</b>	<b>7,868</b>	<b>76,445</b>	<b>1,555,258</b>

Changes within the Code of Practice resulted in a 3 year rolling valuation programme (previously 5 years) being established in 2014/15. All high value categories of asset were revalued in 2014/15, however some non-high value assets may not be revalued until year 7.

#### Property, Plant and Equipment (PPE) Valuations

- Due to the specialised nature of the assets held by the authority a depreciated replacement cost (DRC) method is used particularly for the high value assets (schools and leisure centres), these are not subject to market conditions in terms of rental levels and investment yields. The DRC valuation method uses the cost of replacing the asset and its useful economic life to provide a valuation. As at 31 March 2025 management were unaware of any changes in market conditions that meant that the cost of replacing the assets has material changed.

## 17 Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council.

	Mansion House £000	Silver Gallery £000	Museums £000	Total £000
<b>Cost or Valuation</b>				
1 April 2023	698	1,067	108,737	110,502
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	105	105
<b>31 March 2024</b>	<b>698</b>	<b>1,067</b>	<b>108,842</b>	<b>110,607</b>
<b>Cost or Valuation</b>				
1 April 2024	698	1,067	108,842	110,607
Additions	7	-	55	62
Disposals	-	-	-	-
Revaluations	(72)	-	10	(62)
<b>31 March 2025</b>	<b>633</b>	<b>1,067</b>	<b>108,907</b>	<b>110,607</b>

### Museums

Heritage Assets are assets that are managed by the North East Museums Joint Committee 'principally for their contribution to knowledge or culture'.

The Code requires heritage assets to be disclosed separately in the Balance Sheet. The Joint Committee's legal status does not allow ownership of assets, therefore, heritage assets will be included in the balance sheets of the four local authorities rather than in the Joint Committee's, alongside any other appropriate disclosures required under FRS 102. Assets have been allocated to the four local authorities based on the methodology laid out in the Joint Agreement.

Valuations were carried out between April 2024 and March 2025 for the assets revalued during the year.

### Mansion House

The collection of heritage assets held at the Mansion House are included on the Balance Sheet. The assets were revalued externally in December 2024 for insurance purposes.

### Civic Insignia (Silver Gallery)

The Council holds a collection of Civic Insignia which is held on the Balance Sheet at its insurance valuation. Revaluation occurred in March 2023. Revaluation gains or losses are accounted for in the same way as for Property, Plant and Equipment.

## 18 Investment Properties

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

	2023/24 £000	2024/25 £000
Rental income from investment property	(11,151)	(8,639)
Direct operating expenses arising from investment property	2,347	7,637
<b>(Surplus) / Deficit</b>	<b>(8,804)</b>	<b>(1,002)</b>

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

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

	2023/24 £000	Fair Value Level	2024/25 £000
Balance at start of the year	75,713		78,940
Additions:	-		-
Transfers	-		-
Subsequent expenditure	1,321		1,651
Impairment	(1,321)		-
Net gains / (losses) from fair value adjustments	3,227	2	(4,146)
<b>Balance at end of the year</b>	<b>78,940</b>		<b>76,445</b>

An explanation of the fair value hierarchy (levels 1-3) is provided in note 19 – Financial Instruments

## 19 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments. The following categories of financial instrument are carried in the balance sheet:

### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following classifications.

	31 Mar 2024	31 Mar 2025
	£000	£000
<b>Financial assets at amortised cost</b>		
Trade receivables (short term Debtors less Council Tax and NDR)	116,966	104,401
Other loans and receivables	86,152	79,324
Held to maturity investments (short term)	5,110	5,090
<b>Financial assets at fair value through other comprehensive income (FVOCI) designated equity instruments</b>		
Unquoted equity investment at cost	153	153
Designated equity instrument	14,529	23,036
<b>Financial assets at fair value through profit and loss (FVPL)</b>		
Investments not held solely for the purpose of principal and interest	4,219	4,219
<b>Cash</b>	<b>135,078</b>	<b>111,930</b>
<b>Total</b>	<b>362,207</b>	<b>328,153</b>

### Financial assets at amortised cost

Financial assets are classified at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest

### Trade receivables

Trade receivables are amounts due for goods and services delivered. They are generally due for settlement within 21 days and are therefore classified as current. Trade receivables are recognised initially at the amount of the consideration unless they contain significant financing components when they are recognised at fair value. Trade receivables are held with the objective of collecting the contractual cash flows and are therefore measured at amortised cost using the effective interest method. Details about the impairment policies and calculation of the loss allowance are provided in notes 20 and 42.

	31 Mar 2024	31 Mar 2025
	£000	£000
Trade receivables	149,048	136,372
Loss allowance	(32,082)	(31,971)
<b>Total</b>	<b>116,966</b>	<b>104,401</b>

The trade receivable figures have been adjusted to reflect the fact that prepayments whilst classified as debtors are not financial instruments as the asset and liability have already been exchanged.

Other loans and receivables classified at amortised cost include the following

	31 Mar 2024	31 Mar 2025
	£000	£000
Loans to other local authorities - North Tyneside Council (transferred debt)	2,059	2,059
Finance Lease	745	774
Deferred Capital Receipts	579	-
Leazes Homes	22,244	22,247
The Cedars	683	673
Airport Loan	17,575	16,596
Loans to Cultural and Heritage Organisations	7,104	7,104
Stephenson Quarter Loan	17,786	-
Greenwich Leisure Ltd Loan	2,604	2,521
Falcons Rugby Club Loan	6,127	6,123
Fusion Lifestyle	5,484	5,484
Eagles Community Foundation	2,991	2,991
Re-Generate	7,779	7,779
Tynexe Commercial	5,446	5,446
Newcastle Helix	7,600	7,452
Crossco	-	10,500
Other Loans	928	938
Short term element of long term debtors	-	(2,645)
Less loss allowance for debt investments at amortised cost	(21,582)	(16,718)
<b>Total Long Term Debtors</b>	<b>86,152</b>	<b>79,324</b>
Short Term Debtors: Abri Loan		6,149
Short	-	2,645
<b>Total loans and receivables classified at amortised cost</b>	<b>86,152</b>	<b>88,118</b>

Due to the short-term nature of held to maturity investments their carrying value is considered to be the same as their fair value.

	31 Mar 2024	31 Mar 2025
	£000	£000
Held to maturity investments (short term)	5,110	5,090

#### Financial assets at fair value through other comprehensive income (FVOCI) designated equity instruments

Unquoted equity investments which are not held for trading and for which Newcastle has irrevocably elected at initial recognition to recognise in this category. These are strategic investments for which Newcastle consider this classification as most relevant. The assets classified as unquoted equity investments are Local Improvement Finance Trust (LIFT) at £0.147m and Eldon Square at £0.007m.

Financial assets at fair value through other comprehensive income (FVOCI) comprise

	31 Mar 2024	31 Mar 2025
	£000	£000
Unquoted equity investment at cost	153	153
Airport Investment	14,529	23,036
<b>Total</b>	<b>14,682</b>	<b>23,189</b>

#### Financial assets at fair value through profit and loss (FVPL)

Financial assets classified as FVPL are as follows

- debt investments that do not qualify for measurement at either amortised cost or FVOCI
- equity investments held for trading; and
- equity investments for which Newcastle has not elected to recognise fair value gains and losses through OCI

Financial assets at fair value through profit and loss (FVPL) comprise

	31 Mar 2024	31 Mar 2025
	£000	£000
New Tyne West Development Company	4,219	4,219
<b>Total</b>	<b>4,219</b>	<b>4,219</b>

**Cash**

	31 Mar 2024	31 Mar 2025
	£000	£000
Cash in hand	135,078	111,930
Cash overdrawn	-	-
<b>Total</b>	<b>135,078</b>	<b>111,930</b>

**Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's financial liabilities held during the year are measured at amortised cost and comprised:

- Long-term loans from the Public Works Loan Board and commercial lenders
- Short-term loans from other local authorities
- Overdraft with Lloyds bank
- Private Finance Initiative contracts detailed in Note 26
- Transferred debt liability to North Tyneside Council as a result of local government reorganisation
- Trade payables for goods and services received

	31 Mar 2024	31 Mar 2025
	£000	£000
<b>Short term borrowing</b>		
Short term borrowing	(22,542)	(11,650)
Financial liabilities at amortised cost - long term borrowing	(705,417)	(686,314)
<b>Total borrowings</b>	<b>(727,959)</b>	<b>(697,964)</b>
<b>Other long term liabilities:</b>		
Long term creditors - PFI finance lease	(142,812)	(153,002)
Long term creditors - Income in advance	-	(81)
Deferred liabilities	(189)	(159)
<b>Total other long term liabilities</b>	<b>(143,001)</b>	<b>(153,242)</b>
<b>Short term creditors:</b>		
Short term creditors (less Council Tax and NDR)	(112,410)	(105,924)
<b>Total short term creditors</b>	<b>(112,410)</b>	<b>(105,924)</b>

### Income, Expense, Gains and Losses

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

	2023/24			2024/25		
	£000	£000	£000	£000	£000	£000
Interest expense	41,066	-	41,066	35,282	-	35,282
Financial assets	-	6,075	6,075	-	2,066	2,066
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>41,066</b>	<b>6,075</b>	<b>47,141</b>	<b>35,282</b>	<b>2,066</b>	<b>37,348</b>
Investment income	-	(16,800)	(16,800)	-	(13,655)	(13,655)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(16,800)</b>	<b>(16,800)</b>	<b>-</b>	<b>(13,655)</b>	<b>(13,655)</b>
<b>Net (Gain)/Loss for the year</b>	<b>41,066</b>	<b>(10,725)</b>	<b>30,341</b>	<b>35,282</b>	<b>(11,589)</b>	<b>23,693</b>

### Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2025, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

For 2024/25 the fair values are shown in the table below are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

**The fair values calculated are as follows:**

Financial Liabilities	31 Mar 2024		Fair Value Level	31 Mar 2025	
	Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
Long term creditors - PFI financing	(686,402)	(571,483)	2	(650,286)	(412,604)
Deferred Liabilities	(142,812)	(142,812)	2	(153,002)	(153,002)
<b>Total</b>	<b>(189)</b>	<b>(189)</b>	<b>2</b>	<b>(159)</b>	<b>(159)</b>
<b>Financial Assets</b>	<b>(829,403)</b>	<b>(714,484)</b>		<b>(803,447)</b>	<b>(565,765)</b>

Financial Assets	31 Mar 2024		Fair Value Level	31 Mar 2025	
	Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
<b>Amortised Cost</b>					
Long-term investments	18,901	18,901	3	27,408	27,408
Long-term debtors	86,152	108,016	3	79,324	74,170
<b>Total</b>	<b>105,053</b>	<b>126,917</b>		<b>106,732</b>	<b>101,578</b>

**The fair value of short-term financial liabilities including trade payables and short term financial assets including trade receivables is assumed to approximate to the carrying amount.**

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

The fair value of the PFI's (Private Finance Initiative) 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.

## 20 Nature & extent of risks arising from Financial Instruments

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and financial market movements
- Price risk - the possibility that the value of shares held fall below the purchase price
- Foreign Exchange risk - the possibility that the value of the pound falls against another currency in which we have invested

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

### Credit Risk

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recovery applies to all of the Council's deposits, but there was no evidence at the 31 March 2025 that this was likely to crystallise. Actions are taken immediately an institution is downgraded and deposits withdrawn in line with Treasury Management Strategy.

## Customer Debt

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

The Council has a gross debt figure of £265.3m as at the 31 March 2025 (a net debt figure of £195.7m). However, only £165.1m was deemed at risk and the Council provided a bad debt provision of £69.6m against risk of default on the debt, giving a net debt figure of £95.5m remaining at risk. The remaining £100.2m of the £265.3m on the Balance Sheet refers to debt owed by Government Departments, Other Local Authorities, NHS bodies, Public Corporations and Trading Funds and as such payment is considered extremely likely.

## Liquidity Risk

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

	31 Mar 2024 £000	31 Mar 2025 £000
Between 1-2 years	5,445	4,165
Between 2-5 years	13,341	12,058
Between 5-10 years	18,142	17,759
More than 10 years	668,410	652,491
<b>Total</b>	<b>705,338</b>	<b>686,473</b>
Less than 1 year	22,829	11,983
<b>Total borrowing</b>	<b>728,167</b>	<b>698,456</b>

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

## Market Risk

### Interest Rate Risk

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

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

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

The Council has a number of strategies for managing interest rate risk. The policy is to ensure that the level of its borrowings in variable rate loans does not expose the portfolio to excessive movements in interest rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. The analysis will also advise whether new borrowing taken out is fixed or variable.

The table below shows the impact on the debt portfolio at 31 March 2025 if interest rates had been 1% higher with all other variables held constant. The only loans affected by such a movement would be new loans taken during 2024/25 and variable interest rate loans. Existing fixed rate loans, which make up the greater proportion of the portfolio, would not be affected. Loans wherein the terms give the lender an option to change the interest rate at specific dates during the year have been included as the likelihood of these being called has increased this year.

According to this assessment strategy, at 31 March 2025, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£000</b>
Increase in interest payable on borrowings	603
Increase in interest receivable on investments	(5,310)
<b>Impact Surplus on the Provision of Services</b>	<b>(4,707)</b>

The increase in interest payable on borrowings does not take into account loans where the interest is fixed for the period of the loan at the outset or will mature in 2026 or later. Changes to interest rates will not impact on such loans. As a result only loans taken out in 2024/25 or loans maturing in 2024/25 that require new borrowing have been included in determining the figure quoted.

### **Price Risk**

The Council has shareholdings in LIFTCo to the value of £0.150m and £4.2m in the New Tyne West Development Co LLP (NTWDCo). The investment in LIFTCo represents the interest that the Council holds in the companies in the form of subordinated debt. The Council has invested in LIFTCo as part of the LIFT (Local Improvement Finance Trust) procurement of Customer Service Centres.

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

The Council holds an investment in Newcastle Airport Local Authority Holding Company Ltd. The Council has elected to classify the shares as Fair Value Through Other Comprehensive Income meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. The value of the investment at 31 March 2025 was £23.0m.

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

### **Foreign Exchange Risk**

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

## 21 Short Term Debtors

	31 Mar 2024 £000	31 Mar 2025 £000
Central Government Bodies	17,769	15,588
Other Local Authorities	10,160	17,191
NHS Bodies	12,013	6,933
Public Corporations & Trading Funds	604	769
Other Entities & Individuals	87,535	75,892
<b>Total</b>	<b>128,081</b>	<b>116,373</b>

The major items included within Other Entities and Individuals relate to:

- External Sundry Debtors £50.1 m (£54.1m 2023-24)
- Monies owed by Housing tenants for rent and service charges £2m (£2.2m 2023-24)
- Private Finance Initiative prepayment £20.4m (£19.1m 2023-24)
- Overdraft balances within the Council's bank account belonging to other organisations £3.4m (£12.1m 2023-24)

## 22 Cash and Cash Equivalents

	31 Mar 2024 £000	31 Mar 2025 £000
Cash held by the Council	131	201
Short-term deposits with financial institutions	133,618	106,942
Bank Balance / (Overdraft)	1,329	4,787
<b>Total Cash and Cash Equivalents</b>	<b>135,078</b>	<b>111,930</b>

## 23 Current Assets Held for Sale

	31 Mar 2024 £000	31 Mar 2025 £000
<b>Balance at start of year</b>	101	1,698
Assets newly classified as held for sale:	-	-
Property, Plant and Equipment	1,657	(1,067)
Assets sold	(60)	(3)
<b>Balance at year-end</b>	<b>1,698</b>	<b>628</b>

The above assets are actively marketed in order to achieve a sale.

## 24 Short Term Creditors

	31 Mar 2024 £000	31 Mar 2025 £000
Central Government Bodies	(40,133)	(28,552)
Other Local Authorities	(5,066)	(4,822)
NHS Bodies	(2,306)	(2,363)
Public Corporations and Trading Funds	-	(1)
Other Entities and Individuals	(84,631)	(86,465)
<b>Total</b>	<b>(132,136)</b>	<b>(122,203)</b>

The major items included within Other Entities and Individuals relate to:

- External Revenue Sundry Creditors, £22.6m (2023/24 £28.1m)
- Monies held on behalf of other organisations; cash held and invested under treasury management agreements on behalf of partner organisations, £2.0m (2023/24 £2.1m)
- Cash Received in Advance relating to 2025/26, £9.8m (2023/24 £6.3m)
- Outstanding Purchase Orders NCC Creditors Control £10.3m (2023/24 £6.7m)
- Private Finance Initiative lease Creditor, £15.0m (2023/24 £12.4m)
- Capital Sundry Creditors, £10.6m (2023/24 £6.6m)
- Employee Holiday Pay, £7.5m (2023/24 £8.1m)
- Council Tax Creditors £4.9m (2023/24 £5.2m)
- Non Domestic Rates Creditors £1.5m (2023/24 £5.5m)
- Section 106 Agreements £0.3m (2023/24 £1.5m)
- Other Creditors, £2.0m (2023/24 £2.3m)

## 25 Provisions

	Insurance £000	Business Rates £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2024</b>	<b>(9,082)</b>	<b>(16,651)</b>	<b>(200)</b>	<b>(25,933)</b>
Additional provisions made in 2024-25	(2,896)	(10,685)	-	(13,581)
Amounts used in 2024-25	2,040	9,730	200	11,970
Unused amounts reversed in 2024-25	-	18,321	-	18,321
Amounts reclassified in 2024-25	-	(8,857)	-	(8,857)
<b>Balance at 31 March 2025</b>	<b>(9,938)</b>	<b>(8,142)</b>	<b>-</b>	<b>(18,080)</b>
Which is split				
Short term	(4,823)	(4,870)	-	(9,693)
Long term	(5,115)	(3,272)	-	(8,387)

**Insurance**

The Council funds up the first £0.294m - £0.314m of public and employers liability claims, up to £0.269m of motor third party claims and up to £0.250m in relation to certain perils of loss across its general property portfolio. Motor accidental damage claims are wholly self-funded.

The insurance provision of £9.938m at 31 March 2025 (31 March 2024 £9.082m) relates primarily to the Council's liabilities in respect of outstanding claims already reported.

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

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

**Business Rates**

Provisions are held in respect of alteration of lists and appeals against the 2017 (£2.450m) and 2023 (£5.692m) business rates valuation lists (31 March 2025 £8.142m). No new appeals can be lodged against the 2017 list but there are still cases to be decided upon by the Valuation Office Agency (VOA). In the absence of timing information from the VOA for decisions on the 2017 and 2023 list, we assume that based on prior years drawdowns on the 2017 and 2023 list that around £4.870m will be settled within one year and the remaining and future appeals against the 2017 and 2023 lists will be settled between one and five years' time.

**Other Provisions**

The provision that was held in relation to a disputed supplier invoice from last year of £0.200m has been settled and the provision drawn down to nil.

## 26 Private Finance Initiatives & Similar Contracts

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

### Schools PFI 1

In April 2003 the Council entered into a 25 year contract with Focus Education (Newcastle) Ltd for the provision and maintenance of six schools (1 first school, 1 primary school, 3 middle schools and 1 secondary school). The actual contract payments (unitary charge) made in 2024/25 amounted to £6.4m (2023/24 £6.4m). The estimated payment to be made in 2025/26 is £6.6m, subject to availability and performance related deductions and to contractually agreed inflation adjustments.

### Street Lighting PFI

In July 2004 the Council entered into a joint contract with North Tyneside Council and Tay Valley Lighting for the provision of street lighting services for a period of 25 years. The contract covers the replacement and maintenance of the City's street lighting columns and in 2024/25 the contract payment was £6.8m (2023/24 £6.8m). The estimated payment to be made in 2025/26 is £7.1m.

### Building Schools for the Future - PFI element

On 5 July 2007 the Council entered into a long term strategic partnership arrangement with Aura Newcastle Limited, the Local Education Partner (LEP), in which it is a shareholder to procure the rebuilding or refurbishment of a number of schools. On the same date the Council entered into a PFI contract with Aura (Newcastle) Project Company Limited, a subsidiary of Aura Newcastle Limited, for the first phase of this programme to build 7 new schools and refurbish one. All of the phase 1 new build schools became operational between May 2008 and February 2009. Phase 1 PFI contract payments made in 2024/25 were £14.4m (2023/24 £14.4m) and estimated payments for 2025/26 are £14.9m.

On 27 November 2009 the City Council entered into an additional PFI contract with Aura (Newcastle) Project Company Limited to procure a second phase comprising 4 new build schools and 4 refurbished schools. The four PFI schools (Sir Charles Parsons, St Marys, Gosforth Junior High and Walker Technology College) opened in 2011/12 with a PFI contract length of 25 years. The unitary charge payment in 2024/25 was £10.7m (2023/24 £10.7m). The estimated payment to be made in 2025/26 is £11.1m.

### Library PFI

On March 1st 2009, the Council entered into a 25 year contract with Kajima Ltd for the City Library and the library at High Heaton. The contract payments made in 2024/25 amounted to £3.9m (2023/24 £3.9m) and the estimated payments for 2025/26 are £4.1m.

### LIFT/Customer Service Centres

The Council entered into a 25 year contract with NNT LIFT Company Limited for the provision of customer service centres and office accommodation. Five centres are operational at Walker; contract start date 16/5/2005; Kenton; contract start date 24/8/2005; Gosforth; contract start date 01/12/2007; Benwell; contract start 18/10/2008 and Byker; contract start 22/10/2008. In 2024/25 contract payments were £2.1m (2023/24 £2.1m) and the estimated payment for 2025/26 is £2.2m.

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

### Property, Plant & Equipment

The assets used to provide services are recognised in the Council's balance sheet. Movements in their value over the year are detailed in the analysis of the movements in Property, Plant and Equipment balance in Note 16.

### Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contracts at 31 March 2025 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2025/26	14,247	15,360	12,051	<b>41,658</b>
Payable within 2 to 5 years	54,122	63,509	36,599	<b>154,230</b>
Payable within 6 to 10 years	48,679	76,365	20,179	<b>145,223</b>
Payable within 11 to 15 years	8,146	12,755	1,243	<b>22,144</b>
<b>Total</b>	<b>125,194</b>	<b>167,988</b>	<b>70,072</b>	<b>363,254</b>

This table sets out the future unitary charge payments expected to be paid in relation to the operational PFI schemes. The expected payments, which exclude inflation and pass through costs such as electricity, are split into their constituent parts based on the Operator's financial models, which predict the future charges on the scheme.

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

	2023/24 £000	2024/25 £000
<b>Balance outstanding at start of year</b>	<b>(162,900)</b>	<b>(155,164)</b>
Payments during the year	11,667	14,443
IFRS 16 Transition	0	(23,363)
PFI indexation 2024-25	0	(3,514)
Capital expenditure incurred in the year	(3,931)	(390)
<b>Balance outstanding at year-end</b>	<b>(155,164)</b>	<b>(167,988)</b>

From 1 April 2024, the Council has adopted IFRS 16 - Leases. As a result, the 2024/25 PFI liability reflects the reclassification and remeasurement of PFI arrangements in line with the new leasing standard, including adjustments for contractual indexation.

## 27 Contingent Liabilities

At 31 March 2025, the Council has the following contingent liabilities:

- The Council provides pension guarantees for a number of other admitted bodies to the Tyne and Wear Pension Fund. The current balances on the above admitted bodies range from a surplus on some organisations to a maximum deficit of £0.172m. The total estimated deficit on these bodies stood at £0.178m as at 31 March 2025, (31 March 2024 £0.426m). The Council will assume any liabilities that remain once the assets of an admitted body have been taken into account, should they leave the pension fund, however the likelihood of such an event occurring is low.
- In June 2020 an Employment Tribunal ruled, in relation to the Teachers' Pension Scheme, that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The Chief Secretary to the Treasury announced in July 2020 that he believed changes would be required to other public service pension schemes with similar arrangements. Any possible liability to the Council as a result of this ruling is currently unknown, with any impact dependant on the pension fund membership profile.
- The Council is currently in dispute over property transactions for one property dating back some years. The nature of the dispute means that there exists either a contingent asset of £0.318m or a contingent liability of £0.397m. It is currently unknown whether any funds will be due to flow into or out of the authority at this time.
- An assessment of the above contingent liabilities suggests that they remain contingent and that Newcastle City Council do not have to make provision to meet the liabilities.

## 28 Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

In 2024/25, the Council paid £8.6m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 28.6% of pensionable pay. The figures for 2023/24 were £7.6m and 23.6%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 29.

## 29 Defined Benefit Pension Schemes

### Participation in the Pension Scheme

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

The Council participates in two post employment schemes:

- (i) LGPS, administered locally by South Tyneside Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets; and
- (ii) Unfunded Defined Benefit Arrangements for the award of discretionary post retirement benefits upon early retirement. Under this type of scheme liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

### Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2023-24	2024-25	2023-24	2024-25
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
Current service cost	39,990	35,390	-	-
Past service costs	230	550	-	-
Settlement cost		(61,940)	-	-
<b>Financing and Investment Income and Expenditure:</b>				
Interest on net defined benefit liability/(asset)	(3,960)	(12,320)	2,230	2,120
Interest on unrecognised asset		9,290	-	-
<b>Pension expense recognised in profit and loss</b>	<b>36,260</b>	<b>(29,030)</b>	<b>2,230</b>	<b>2,120</b>
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:				
Return on plan assets (in excess of) / below that recognised in net interest	(56,840)	55,350	-	-
Actuarial (gains)/losses due to changes in financial assumptions	(58,470)	(305,470)	(570)	(2,780)
Actuarial (gains)/losses due to changes in demographic assumptions	(29,270)	(12,510)	(1,360)	(270)
Actuarial (gains)/losses due to changes in liability assumptions	17,060	(10,890)	1,610	80
Adjustment loss/ (gain) due to restriction of surplus	193,490	337,200	-	-
<b>Total amount recognised in Other Comprehensive Income and Expenditure</b>	<b>65,970</b>	<b>63,680</b>	<b>(320)</b>	<b>(2,970)</b>
<b>Total amount recognised</b>	<b>102,230</b>	<b>34,650</b>	<b>1,910</b>	<b>(850)</b>

### Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2023-24	2024-25	2023-24	2024-25
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	<b>(1,834,700)</b>	<b>(1,823,850)</b>	<b>(50,110)</b>	<b>(46,740)</b>
Current service cost	(39,990)	(35,390)	-	-
Interest cost	(84,740)	(91,520)	(2,230)	(2,120)
Contributions by participants	(13,180)	(12,960)	-	-
Actuarial gains/(losses) on liabilities - financial assumptions	58,470	305,470	570	2,780
Actuarial gains/(losses) on liabilities - demographic assumptions	29,270	12,510	1,360	270
Actuarial gains/(losses) on liabilities - experience	(17,060)	10,890	(1,610)	(80)
Net benefits paid out	78,310	89,420	5,280	5,360
Past service costs	(230)	(550)	-	-
Net increase in liabilities from disposals/acquisitions	-	-	-	-
Settlements	-	(162,210)	-	-
<b>Closing balance at 31 March</b>	<b>(1,823,850)</b>	<b>(1,708,190)</b>	<b>(46,740)</b>	<b>(40,530)</b>

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2023-24	2024-25
	£000	£000
<b>Opening balance at 1 April</b>	<b>1,901,560</b>	<b>2,017,340</b>
Interest income on assets	88,700	103,840
Remeasurement gains/(losses) on assets	56,840	(55,350)
Employer contributions	35,370	34,650
Contributions by scheme participants	13,180	12,960
Net benefits paid out	(78,310)	(89,420)
Settlements	-	224,150
<b>Closing balance at 31 March</b>	<b>2,017,340</b>	<b>2,248,170</b>

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

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

Scheme History	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(2,614,560)	(2,432,550)	(1,834,700)	(1,823,850)	(1,708,190)
Discretionary benefits	(70,350)	(57,900)	(50,110)	(46,740)	(40,530)
Fair value of assets in the Local Government Pension Scheme	1,871,070	1,962,670	1,901,560	2,017,340	2,248,170
Adjustment loss/ (gain) due to restriction of surplus (*1)	-	-	-	(193,490)	(539,980)
<b>Surplus/(deficit) in the scheme:</b>	<b>(813,840)</b>	<b>(527,780)</b>	<b>16,750</b>	<b>(46,740)</b>	<b>(40,530)</b>
Local Government Pension Scheme	(743,490)	(469,880)	66,860	-	-
Discretionary benefits	(70,350)	(57,900)	(50,110)	(46,740)	(40,530)
<b>Total</b>	<b>(813,840)</b>	<b>(527,780)</b>	<b>16,750</b>	<b>(46,740)</b>	<b>(40,530)</b>

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows; active members 32%, deferred pensioners 13% and pensioners 55%.

(\*1) Following the pensions valuation by the councils actuary aon, the council determined that the fair value of its pension plan assets outweighed the pension plan obligations at 31 March 2025 resulting in a pension plan asset. IAS19 employee benefits requires that, where a pension plan asset exists, it is measured at the lower of the surplus in the plan and the asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Council's actuary's calculated the asset ceiling as the net present value of future service costs less net present value of future contributions. The council has therefore limited the pension asset recognised in its balance sheet to the asset ceiling. The adjustment has been recognised within other comprehensive income and expenditure of the CIES.

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £1.708bn (plus discretionary benefits of £40.5m) is offset by the Council's assets in the scheme of £2.248bn, (after adjustment for surplus restriction of £539.98m) creating a net deficit of (£40.53m).

The scheme is showing a surplus and this improvement since last year of £539.980m is partly due to asset returns over the period being higher than expected, and there have also been favourable changes in the financial assumptions from the actuaries, and a net surplus from the transfer in of YHN, Urban Green and Theatre Royal. (Fair value of assets less pension obligation liabilities). However, the overall position is a deficit of (£40.5m) after the adjustment for the restriction of surplus.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2025 is £35.46m (2023-24 £36.58m). In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2025 are £5.45m in relation to unfunded benefits and enhanced teacher's benefits.

### **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2022.

### **Changes in Estimation Basis**

A RPI-CPI 'wedge' (the difference between the two inflationary rates) of 1.0% is used prior to 2030 and a 0.1% wedge is used after 2030, on the assumption CPIH will be 0.1% higher than CPI on average, in both cases CPI being lower than RPI. In September 2019 the chancellor set out proposals to replace or align RPI with CPIH (Consumer Pricing Index including housing costs) sometime between 2025 and 2030 There is therefore an expectation RPI will be significantly lower post 2030.

Similarly an Inflation Risk Premium (IRP) of 0.2% is used prior to 2030 (same as last year) and a rate of 0.5% p.a (last year 0.5%) is used from 2030 for pensions accounting as at 31st March 2025. The impact of this 0.1% reduction post 2030 is an increase to liabilities in the region of 1.0-1.5%.

### **McCloud/Sargeant Judgement**

Assets and liabilities valuations take account of the impact of the McCloud / Sargeant judgement that found that transitional arrangements in place when the firefighters and judges pension schemes were reformed were age discriminatory. MHCLG published its McCloud consultation for the LGPS (in England and Wales) on 16 July 2020, setting out proposed changes aimed at removing the unlawful age discrimination in the LGPS. In a written ministerial statement on 13 May 2021 MHCLG confirmed they would be proceeding with the key principles as laid out in that consultation

The approach taken for 2024/25 replicates that taken since 2021/22. In summary it is assumed that the remedy applies to all members in service on 1 April 2012, on retirement or prior withdrawal, and with extension to benefits payable to the dependants of those members. Figures are calculated using an average cost factor for each individual active member based on their age, sex, and pensionable pay in the latest valuation data. The method used for valuing the McCloud remedy is closely aligned with the method proposed by MHCLG in its consultation in 2020 (mentioned above).

### **GMP Equalisation and Indexation**

Guaranteed Minimum Pension (GMP) is a portion of pension accrued by employees prior to 6 April 1997 when Local Government pension schemes were contracted out from the state pension. Reforms to the state pension system pushed the cost of ensuring that an employees pension whether paid through the scheme or from the state kept pace with inflation from the Government to the individual pension schemes. Government policy has also directed that employees reaching state pension age after 5 April 2021 should have all pensions fully indexed to inflation and that pensions be equalised between men and women.

We will assume that GMPs of members whose State Pension Age is on or after 6 April 2016 will increase at the rate of full CPI inflation. This recognises the cost of the Government's commitment to compensate public service scheme members from the removal of the Additional Pension element of the State Pension from this date, and for the outcome of the Lloyds judgement which found GMPs to be illegally sex discriminatory. Government has recognised that this solution will not address all sex inequalities for a minority of members. We are expecting further guidance from MHCLG (to an undefined timetable) on how they propose to deal with this. We expect any remaining sex inequalities to be small and we believe that our approach is reasonable.

In October 2020 a second ruling in the Lloyds bank case clarified that compensation would be required to members who transferred benefits out since May 1990. At the time of writing Government has not yet acknowledged a liability in public service schemes nor indicated an approach to rectifying this. There would be a significant time and cost involved in estimating a potential liability. Therefore there is no allowances made for a potential liability resulting from this second ruling in the pension calculations as at the 31st March 2025.

### **LGPS Cost Management**

Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable.

The outcomes of both reviews relating to the 2016 Valuations recommended no changes to the provisions of the Scheme. However, the legality of Government's decision to include McCloud costs as a member cost within the 2016 HMT process was challenged by a Judicial Review in 2023 brought by the trades unions. The judicial review was unsuccessful, however the unions have been given permission to appeal that decision. If that appeal is successful, this may cause the 2016 HMT process to be re-run and could result in changes in benefits or member contributions backdated to 1 April 2019. We do not propose to make any allowance for the potential cost of improving members' benefits under these reviews for accounting periods ending in 2025.

### **The Goodwin Ruling**

In June 2020 an Employment Tribunal ruled, in relation to the Teachers' Pension Scheme, that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements. These changes are yet to be reflected in the LGPS regulations so are not included in pension calculations as at 31st March 2025.

### Virgin Media High Court Ruling

"In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, Newcastle City Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements"

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2023/24	2024/25	2023/24	2024/25
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.0	20.9	21.0	20.9
Women	24.2	24.1	24.2	24.1
Rate for discounting scheme liabilities	4.8%	5.8%	4.8%	5.8%
Rate of inflation - Consumer Price Index	2.6%	2.5%	2.6%	2.5%
Rate of increase in pensions	2.6%	2.5%	2.6%	2.5%
Pension accounts revaluation rate	2.6%	2.5%	0.0%	0.0%
Rate of increase in salaries	4.1%	4.0%	0.0%	0.0%

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

	31 March 2024		31 March 2025	
	%	%	%	%
	Total	Quoted	Unquoted	Total
Equity investments	50.6	36.3	11.8	48.1
Property	10.4	0.0	11.1	11.1
Government bonds	1.3	1.1	0.0	1.1
Corporate bonds	19.5	18.1	0.0	18.1
Multi asset credit	4.6	4.5	0.0	4.5
Cash	0.7	1.8	0.0	1.8
Other*	12.9	0.0	15.3	15.3
<b>Total</b>	<b>100.0</b>	<b>61.8</b>	<b>38.2</b>	<b>100.0</b>

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

### Actual Return on Assets

	Funded 2023/24 £000	Funded 2024/25 £000	Unfunded 2023/24 £000	Unfunded 2024/25 £000
Interest income on assets	88,700	103,840	-	-
Remeasurement gain/(loss) on assets	56,840	(55,350)	-	-
<b>Actual return on assets</b>	<b>145,540</b>	<b>48,490</b>	<b>-</b>	<b>-</b>

### Sensitivity Analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2025 and the projected service cost for the year ending 31 March 2026 is set out below.

Sensitivity analysis of unfunded benefits is not included on materiality grounds.

#### Funded LGPS Benefits

##### Discount Rate assumption

Adjustment to Discount rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£m)	1,682.57	1,708.19	1,733.81
% change in present value of total obligation	-1.50%	0.0%	1.50%
Projected service cost (£m)	22.86	23.94	25.07
Approximate % change in projected service cost	-4.50%	0.00%	4.70%

##### Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£m)	1,711.61	1,708.19	1,704.77
% change in present value of total obligation	0.20%	0.00%	-0.20%
Projected service cost (£m)	23.94	23.94	23.94
Approximate % change in projected service cost	0.00%	0.00%	0.00%

##### Rate of increase to pensions in payment and deferred pensions assumption and the rate of revaluation of pension accounts assumption

Adjustment to pension increase rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£m)	1,730.40	1,708.19	1,685.98
% change in present value of total obligation	1.30%	0.00%	-1.30%
Projected service cost (£m)	25.07	23.94	22.86
Approximate % change in projected service cost	4.70%	0.00%	-4.50%

##### Post retirement mortality assumption

Adjustment to mortality age rating assumption *	- 1 year	Base Figure	+ 1 year
Present value of total obligation (£m)	1,745.77	1,708.19	1,670.61
% change in present value of total obligation	2.20%	0.00%	-2.20%
Projected service cost (£m)	24.78	23.94	23.08
Approximate % change in projected service cost	3.50%	0.00%	-3.60%

\* A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

##### Estimated pension expense in future periods

The total estimated pension expense for period ending 31 March 2025 is £22.91m for funded benefits and £2.19m for LGPS and teachers unfunded benefits.

##### Special events in 2024-25 - Subsumption of external entities

In 2024-25 the following entities transferred in to the councils pension scheme

Event	Date of event	Estimated Pension expense gain(loss) from event (£m)
Subsumption of Newcastle Theatre Royal Trust	28/06/2024	4.25
Subsumption of Your Homes Newcastle	30/06/2024	57.20
Subsumption of Urban Green Newcastle	28/02/2025	0.49

### 30 Trust Fund Accounts

The following trust funds, relating to bequests and third party funds, are held and administered by the Council. The funds do not represent assets of the Council and they are not included in the authority's balance sheet. The Council invests these funds and applies interest at the end of the financial year as appropriate and in line with the Council's policy. The interest is shown as income in the below tables alongside any other income received into the fund.

2024/25	Income	Expenditure	Net Expenditure	Assets	Liabilities
Trust Fund	£000	£000	£000	£000	£000
Fire Brigade Relief Fund	(1)	-	(1)	33	-
Richard Thompson Bequest	(1)	-	(1)	51	-
Sir Thomas White Bequest	(4)	-	(4)	213	-
Thomas Davison Bequest	(2)	-	(2)	77	-
Museums Service Trust Funds	(2)	-	(2)	127	-
Education Scholarship and Prize Funds	(1)	-	(1)	64	-
Ron Lavhav Bequest	(3)	48	45	126	-
Other Trust Funds	-	-	-	19	-
Mansion House Trust Fund	(80)	160	80	-	(960)
Mansion House Trading	(65)	75	10	12	-
<b>Total balances</b>	<b>(159)</b>	<b>283</b>	<b>124</b>	<b>722</b>	<b>(960)</b>

2023/24	Income	Expenditure	Net Expenditure	Assets	Liabilities
Trust Fund	£000	£000	£000	£000	£000
Fire Brigade Relief Fund	(1)	-	(1)	32	-
Richard Thompson Bequest	(1)	-	(1)	50	-
Sir Thomas White Bequest	(6)	-	(6)	209	-
Thomas Davison Bequest	(2)	-	(2)	75	-
Museums Service Trust Funds	(4)	-	(4)	125	-
Education Scholarship and Prize Funds	(2)	-	(2)	63	-
Ron Lavhav Bequest	(5)	41	36	171	-
Other Trust Funds	(1)	-	(1)	19	-
Mansion House Trust Fund	(60)	172	112	-	(880)
Mansion House Trading	(127)	96	(31)	22	-
<b>Total balances</b>	<b>(209)</b>	<b>309</b>	<b>100</b>	<b>766</b>	<b>(880)</b>

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

The Council is the sole trustee of the Mansion House Trust (Charity number: 500907) represents the official residence of the Lord Mayor and is used for council meetings throughout the year. In order to generate additional income the Mansion House hosts weddings and private functions and these are managed by the trading subsidiary (Company number: 09839915).

The Council is a Trustee of Thomas Thompson's Poor Rate Gift (Charity number: 253846). This fund provides relief of poverty in the former township of Byker, Newcastle. The assets relating to this this fund are held in a separate bank account, the closing balance as at 31 March 2025 was £0.042m (31 March 2024 £0.038m).

The Council administers Taylor's Educational Foundation (Charity number: 528102). This fund provides financial assistance to assist the education and training of young people residing in the former Newburn UDC area, Newcastle. The assets relating to this this fund are invested and the investment income is held in a separate bank account, the closing balance as at 31 March 2025 was £0.005m (31 March 2024 £0.004m). The value of the investment as at 31 March 2025 was £0.024m (31 March 2024 £0.025m).

### 31 Usable Reserves

	31 Mar 2024 £000	31 Mar 2025 £000
General Fund Balance	(17,576)	(18,146)
Earmarked General Fund Balances	(181,149)	(169,132)
Housing Revenue Account (HRA)	(3,343)	(4,423)
Earmarked HRA Balances	(602)	(602)
Housing Major Repairs Reserve	(5,202)	(1,947)
Capital Receipts Reserve	(15,576)	(15,553)
Capital Grants Unapplied	(42,088)	(36,554)
<b>Total Usable Reserves</b>	<b>(265,536)</b>	<b>(246,357)</b>

### 32 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2024/25

	Balance at 31 March 2023 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31 March 2024 £000	Transfers Out 2024/25 £000	Transfers In 2024/25 £000	Balance at 31 March 2025 £000
<b>General Fund Earmarked Reserves</b>							
ADZ Reserve (1)	2,674	-	(942)	1,732	8	(720)	1,020
Asset Management Reserve (2)	556	-	(556)	-	-	-	-
Budget Stabilisation Reserve (3)	(13,258)	4,670	(2,952)	(11,540)	4,727	-	(6,813)
Capital Projects Development Reserve (4)	(1,693)	266	-	(1,427)	297	(1,056)	(2,186)
Collection Fund Reserve (5)	(13,205)	11,750	(8,769)	(10,224)	10,000	(9,747)	(9,971)
Developers Contributions Reserve (6)	(1,129)	4	(104)	(1,229)	121	-	(1,108)
Digital Screen Reserve (7)	(1,029)	158	(245)	(1,116)	-	(45)	(1,161)
Directorate Commitment Reserve (8)	(7,105)	3,303	(199)	(4,001)	1,872	(50)	(2,179)
Estates Management Fund Reserve (9)	(3,758)	829	(1,600)	(4,529)	833	(1,677)	(5,373)
Financial Risk & Resilience Reserve (10)	(7,000)	7,837	(837)	-	-	-	-
Insurance Reserve (11)	(1,015)	-	(1,906)	(2,921)	-	-	(2,921)
Interim Capital Funding Reserve (12)	2,541	-	(1,130)	1,411	691	-	2,102
Local Plan Reserve (13)	(3,408)	167	-	(3,241)	19	-	(3,222)
Major Developments Reserve (14)	5,106	9,313	(11,456)	2,963	869	(5,954)	(2,122)
One-off funding Reserve (15)	(7,932)	2,531	-	(5,401)	1,679	-	(3,722)
Parks Trust Subsidy Reserve (16)	(982)	977	-	(5)	-	-	(5)
PFI Reserve (17)	(3,255)	-	(317)	(3,572)	364	(533)	(3,741)
Public Health Grant Reserve (18)	(3,441)	-	(528)	(3,969)	918	(137)	(3,188)
Repairs & Construction Services (19)	2,141	1,655	(2,180)	1,616	-	(1,655)	(39)
Revenue Grants to be Applied (20)	(37,131)	7,142	(2,849)	(32,838)	3,957	(7,713)	(36,594)
Ring-fenced Balances Reserve (21)	(18,622)	3,466	(8,016)	(23,172)	4,213	(6,667)	(25,626)
School Kitchens Reserve (22)	(878)	119	(61)	(820)	-	(61)	(881)
Strategic Reserve (23)	(3,565)	6,121	(2,556)	-	2,076	(2,076)	-
Transformation Reserve (24)	(14,720)	1,507	(521)	(13,734)	3,319	(5,000)	(15,415)
Treasury Management Reserve (25)	(24,437)	7,500	(5,264)	(22,201)	13,319	(4,132)	(13,014)
Euro 2028 (26)	-	-	(4,250)	(4,250)	-	-	(4,250)
S106 Planning Obligations (27)	-	-	(2,857)	(2,857)	2,923	(2,964)	(2,898)
Other Reserves	(1,730)	1,868	(1,595)	(1,457)	2,648	(1,304)	(113)
<b>Total</b>	<b>(156,275)</b>	<b>71,183</b>	<b>(61,690)</b>	<b>(146,782)</b>	<b>54,853</b>	<b>(51,491)</b>	<b>(143,420)</b>

**Other General Fund Earmarked Reserves**

Balances held by Schools under a scheme of delegation	(11,437)	1,509	-	(9,928)	2,778	-	(7,150)
Dedicated Schools Grant Balances (28)	(9,755)	2,910	-	(6,845)	7,271	-	426
PFI Lifecycle Replacement Reserve (29)	(19,140)	8,270	(8,182)	(19,052)	1,172	(2,517)	(20,397)
Financial Instruments (30)	1,497	-	(38)	1,459	-	(50)	1,409
<b>Total</b>	<b>(38,835)</b>	<b>12,689</b>	<b>(8,220)</b>	<b>(34,366)</b>	<b>11,221</b>	<b>(2,567)</b>	<b>(25,712)</b>
<b>Total General Fund</b>	<b>(195,110)</b>	<b>83,872</b>	<b>(69,911)</b>	<b>(181,149)</b>	<b>66,075</b>	<b>(54,058)</b>	<b>(169,132)</b>

**Housing Revenue Account Earmarked Reserves**

Demolitions Reserve (31)	0	895	(895)	0	271	(271)	0
Transformation Reserve (32)	0	-	-	0	-	-	0
Tenants Satisfaction Reserve (33)	(34)	34	-	0	-	-	0
Asset Lease Back Model (ALBM) Reserve (34)	0	-	(602)	(602)	-	-	(602)
<b>Total HRA</b>	<b>(34)</b>	<b>929</b>	<b>(1,497)</b>	<b>(602)</b>	<b>271</b>	<b>(271)</b>	<b>(602)</b>
<b>Total General Fund &amp; HRA</b>	<b>(195,144)</b>	<b>84,801</b>	<b>(71,408)</b>	<b>(181,751)</b>	<b>66,346</b>	<b>(54,329)</b>	<b>(169,734)</b>

- 1) The ADZ Reserve holds cash outflows arising in the early years of the Accelerated Development Zone, which will be repaid from business rates growth in future years.
- 2) The Asset Management Reserve holds cash outflows arising in the early years of the Civic Centre refurbishment project, which will be repaid from cash flow surpluses generated in future years.
- 3) Budget Stabilisation Reserve holds funding to off-set Covid-19 related cost and income pressures. Previously named as COVID-19 LA Support Grant.
- 4) The Capital Projects Development Reserve holds funding to meet the internal and external costs of developing capital projects.
- 5) The Collection Fund Reserve holds funding to mitigate future Collection Fund deficits.
- 6) The Developers Contributions Reserve holds funding received from developers for capital works required as a result of planning applications
- 7) Digital Screen Reserve holds income received from the Northumberland Street advertising platform that will be used to part-fund the costs of the proposed city centre transformation programme.
- 8) The Directorate Commitments Reserve holds funding to meet future financial commitments of directorates.
- 9) Estates Management Fund Reserve holds funding to meet future maintenance liabilities on council buildings
- 10) The Financial Risk & Resilience Reserve holds funding to help meet any shortfalls arising from the implementation of budget proposals.
- 11) The Insurance Reserve holds funding to mitigate against the risk of increased insurance costs.
- 12) The Interim Capital Funding Reserve holds cash outflows arising from capital works, which will be repaid in future years.
- 13) Local Plan Reserve holds funding to meet the costs of developing the Local Plan over the next few years.

- 14) The Major Developments Reserve holds cash outflows arising in the early years of specific development projects.
- 15) One-Off Funding Reserve holds one-off funding from dividends received from Newcastle International Airport and business rates levy account refund that have been earmarked for specific priorities.
- 16) The Parks Trust Subsidy Reserve holds funding to meet the cost of future years' subsidy payments to the Urban Green Newcastle.
- 17) The PFI Reserve holds funding to meet future payments under the council's PFI contracts.
- 18) The Public Health Grant Reserve holds unspent public health grant funding to be used to meet future financial commitments.
- 19) The Repairs & Construction Services Reserve holds surplus funding generated by the Single Point of Leadership (i.e. jointly delivered construction / repairs and maintenance service with YHN). Previously named Single Point of Leadership Reserve.
- 20) The Revenue Grants to be Applied Reserve holds unspent grant funding to be used to meet future financial commitments.
- 21) The Ring-fenced Balances Reserve holds funding that may only be spent on specific ring-fenced activities.
- 22) The School Kitchens Reserve holds funding to replace / refurbish school kitchens used by council staff to provide school meals to children.
- 23) The Strategic Reserve holds funding to support the council's medium term financial plan.
- 24) The Transformation Reserve holds funding set aside for future transformation / public sector reform work.
- 25) The Treasury Management Reserve holds funding to mitigate future cost pressures in relation to the council's external debt portfolio.
- 26) The Euro 2028 reserve created in 2023-24 to hold funding to meet the cost of NCC's contribution to the Euro 2028 event.
- 27) The S106 Planning Obligations Reserve holds developer contributions collected through Section 106 agreements to fund future expenditure on local communities and infrastructure.
- 28) The Dedicated Schools Grant Reserve holds balances ring-fenced to fund expenditure on maintained schools.
- 29) The PFI Lifecycle Replacement Reserve is a notional reserve to recognise the future costs to be incurred by PFI contractors on maintaining the assets in good working condition.
- 30) The Financial Instruments Reserve holds the balance on the modification and Impairment of loan for Newcastle Airport and change in the Fair Value of New Tyne West Development Company LLP in line with IFRS 9.
- 31) The Demolitions Reserve is in place to ensure that there is sufficient financing available for current regeneration plans.
- 32) The Transformation Reserve is for the transformation of HRA / YHN and the Repairs Service, including investment in IT to improve efficiency.
- 33) To fund tenant satisfaction new burdens work as a result of the direction from the Regulator for Social Housing in response to the government's 'The Charter for Social Housing Residents: Social Housing White Paper'.
- 34) The Asset Lease Back Model (ALBM) Reserve holds monies from specialist accommodation for vulnerable residents within the Housing Revenue Account (HRA).

### 33 Unusable Reserves

	31 Mar 2024 £000	31 Mar 2025 £000
Revaluation Reserve	(524,440)	(574,174)
Financial Instruments Revaluation Reserve	(14,190)	(22,697)
Capital Adjustment Account	(466,230)	(541,792)
Financial Instruments Adjustment Account	20,742	19,995
Pensions Reserve	46,740	40,530
Deferred Capital Receipts Reserve	(1,911)	(1,360)
Collection Fund Adjustment Account	(13,185)	(18,113)
Accumulated Absences Account	8,105	7,473
<b>Total Unusable Reserves</b>	<b>(944,369)</b>	<b>(1,090,138)</b>

#### Revaluation Reserve

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

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

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

	2023/24 £000	2024/25 £000
<b>Balance at 1 April</b>	<b>(450,243)</b>	<b>(524,440)</b>
Upward revaluation of assets	(94,185)	(81,150)
(Upward)/Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	13,360	22,897
<b>(Surplus) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(80,825)</b>	<b>(58,253)</b>
Difference between fair value depreciation and historical cost depreciation	4,173	5,245
Accumulated gains on assets sold or scrapped	2,455	3,274
Amount written off to the Capital Adjustment Account	6,628	8,519
<b>Balance at 31 March</b>	<b>(524,440)</b>	<b>(574,174)</b>

### Financial Instrument Revaluation Reserve

The Financial Instrument Revaluation Reserve records the changes in fair value of financial assets classified as Fair Value Through Other Comprehensive Income arising from valuation and an assessment of any expected credit losses due to changes in the credit risk of the organisation for which the asset exists.

	2023/24 £000	2024/25 £000
<b>Balance at 1 April</b>	<b>(14,190)</b>	<b>(14,190)</b>
Revaluation of investments not charged to the Deficit on the Provision of Services	-	<b>(8,507)</b>
<b>Balance at 31 March</b>	<b>(14,190)</b>	<b>(22,697)</b>

### Capital Adjustment Account

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

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 2 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2023/24 £000	2024/25 £000
<b>Balance at 1 April</b>	<b>(388,088)</b>	<b>(466,230)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non current assets	71,576	79,665
Revaluation losses/(gains) on Property, Plant and Equipment	(27,655)	(13,131)
Amortisation of intangible assets	55	64
Revenue expenditure funded from capital under statute	25,530	24,951
Debt redeemed using capital receipts	(3,685)	(4,230)
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	9,030	10,178
Fair Value Profit and Loss Change IFRS 9	6,127	1,941
Adjusting amounts written out of the Revaluation Reserve	(6,628)	(8,519)
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>74,350</b>	<b>90,919</b>
<b>Capital financing applied in the year:</b>		-
Use of the Capital Receipts Reserve to finance new capital expenditure	(5,128)	(7,180)
Use of the Major Repairs Reserve to finance new capital expenditure	(32,500)	(40,000)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(50,143)	(61,142)
Application of grants to capital financing from the Capital Grants Unapplied Account	(8,753)	(7,028)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(49,276)	(50,677)
Capital expenditure charged against the General Fund and HRA balances	(3,466)	(4,602)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,227)	4,146
<b>Balance at 31 March</b>	<b>(466,230)</b>	<b>(541,792)</b>

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

	2023/24 £000	2024/25 £000
<b>Balance at 1 April</b>	<b>21,536</b>	<b>20,742</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(794)	(747)
<b>Balance at 31 March</b>	<b>20,742</b>	<b>19,995</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The pension reserve currently shows a credit balance which demonstrates a pension surplus. This is due to the actuary assumptions that have determined a significant fall in the present value of benefit obligations to the fund to meet the current and past service costs of active, deferred and pensioners based upon the triennial valuation conducted on the March 2022 position of the fund.

However, there has been a restriction placed on the availability of this credit balance so that future liability obligations can be met from this surplus, as a result the overall position of the defined scheme is cost neutral. However, as the unfunded element of the scheme remains as a liability the overall position shows a deficit balance.

	2023/24 £000	2024/25 £000
<b>Balance at 1 April</b>	<b>(16,750)</b>	<b>46,740</b>
Remeasurements of the net defined benefit liability/(asset)	(127,840)	(276,490)
Impact of acquisitions from group transfers in to Employer in 2024-25	-	(61,940)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	38,490	35,030
Employer's pensions contributions and direct payments to pensioners payable in the year	(40,650)	(40,010)
Restriction of surplus	193,490	337,200
<b>Balance at 31 March</b>	<b>46,740</b>	<b>40,530</b>

A new line has been included and refers to the transfer into Newcastle pension scheme of the assets and liabilities linked to the following: -

Transfer date and Organisation

28-06-24 - Newcastle Theatre Royal

30-06-24 - Your Homes Newcastle

28-02-25 - Urban Green

### Deferred Capital Receipts Reserve

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

	2023/24 £000	2024/25 £000
<b>Balance at 1 April</b>	<b>(713)</b>	<b>(1,911)</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,298)	(102)
Transfer to Capital Receipts Reserve upon receipt of cash	100	653
<b>Balance at 31 March</b>	<b>(1,911)</b>	<b>(1,360)</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account is an accounting mechanism used to reconcile the differences arising from the recognition of Council Tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement to those amounts required to be charged by statute to the General Fund.

	2023/24 £000	2024/25 £000
<b>Balance at 1 April</b>	<b>(14,120)</b>	<b>(13,185)</b>
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	(986)	(1,030)
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from NDR income calculated for the year in accordance with statutory requirements	1,921	(3,898)
<b>Balance at 31 March</b>	<b>(13,185)</b>	<b>(18,113)</b>

### 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.

	2023/24 £000	2024/25 £000
<b>Balance at 1 April</b>	<b>7,154</b>	<b>8,105</b>
Amounts accrued at the end of the current year	951	(632)
<b>Balance at 31 March</b>	<b>8,105</b>	<b>7,473</b>

### 34 Capital Expenditure & Capital Financing

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

	2023/24 £000	2024/25 £000
<b>Opening capital financing requirement</b>	<b>1,089,719</b>	<b>1,080,802</b>
PFI remeasurement in relation to IFRS16 transition	-	23,363
Capital investment:		
Property, plant & equipment	118,785	119,847
Investment properties	1,321	1,651
Intangible assets	198	157
Revenue expenditure funded from capital under statute	25,530	24,951
Long term debtors & Assets held for sale	-	6,149
Finance leases	-	6,447
<b>Sources of finance:</b>		
Capital receipts	(8,813)	(11,410)
Capital receipts - repayment of principal from long-term debtors	(1,800)	(8,849)
Government grants & other contributions	(58,896)	(68,170)
<b>Sums set aside from revenue:</b>		
Direct revenue contributions	(35,966)	(44,602)
Fair value adjustment to LTD		-
Minimum revenue provision (MRP)	(49,276)	(50,677)
<b>Closing capital financing requirement</b>	<b>1,080,802</b>	<b>1,079,659</b>
<b>Explanation of movements in year:</b>		
PFI remeasurement in relation to IFRS16 transition	-	23,363
Increase/(decrease) in the underlying need to borrow (supported by government financial assistance)	-	(18,100)
Increase/(decrease) in the underlying need to borrow (unsupported by government financial assistance)	(12,847)	(9,920)
Assets acquired under PFI contracts	3,930	3,514
<b>Increase/(decrease) in capital financing requirement</b>	<b>(8,917)</b>	<b>(1,143)</b>

### 35 Cash Flow Statement - Operating Activities

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

	2023/24 £000	2024/25 £000
<b>Surplus/(Deficit) on the provision of services</b>	<b>81,175</b>	<b>120,539</b>
<b>Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements</b>		
Depreciation/Impairment & Amortisation	43,976	66,598
Increase/(Decrease) in Creditors	(5,479)	7,016
(Increase)/Decrease in Debtors	(6,757)	20,775
(Increase)/Decrease in Stock	(18)	(528)
Movement in Pension Liability	(2,160)	(66,920)
Carrying amount of long and short term investments sold	286,000	40,000
Carrying amount of non-current assets held for sale, sold or derecognised	9,030	10,178
Other non-cash items charged to the net surplus or deficit on the provision of services	(4,803)	(3,707)
<b>Total</b>	<b>319,789</b>	<b>73,412</b>
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
Capital grants credited to surplus/(deficit) on provision of services	(71,867)	(62,635)
Proceeds from the sale of long term and short term investments	(286,000)	(40,000)
Proceeds from the sale of PPE, Investment Property, Intangible Assets & Heritage Assets	(10,156)	(11,388)
<b>Total</b>	<b>(368,023)</b>	<b>(114,023)</b>
<b>Net cash flow from operating activities</b>	<b>32,941</b>	<b>79,928</b>

The cash flows for operating activities include the following items:

	2023/24 £000	2024/25 £000
Interest received	9,855	7,554
Interest paid	(38,676)	(21,204)

**36 Cash Flow Statement - Investing Activities**

	2023/24 £000	2024/25 £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(120,307)	(151,853)
Purchase of short-term and long-term investments	(188,970)	(39,960)
Other payments for investing activities	9,857	6,914
Proceeds from the sale of Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets	10,157	11,388
Proceeds from short-term and long-term investments	286,000	40,000
Other receipts from investing activities	81,472	56,943
<b>Net cash flows from investing activities</b>	<b>78,209</b>	<b>(76,568)</b>

**37 Cash Flow Statement - Financing Activities**

	2023/24 £000	2024/25 £000
Cash receipts (outflows) of short and long-term borrowing	(1,006)	5,213
Other receipts (outflows) from financing activities	(2,107)	(7,697)
Cash payments for the reduction of the outstanding liabilities relating to on-balance sheet PFI contracts	(7,648)	11,617
Repayments of short and long-term borrowing	(45,628)	(35,641)
<b>Net cash flows from financing activities</b>	<b>(56,389)</b>	<b>(26,508)</b>

**38 Accounting Standards Issued, Not Adopted****Impact of the adoption of the new accounting standards on the 2024/25 financial statements**

Newcastle City Council will follow the requirements of the Code and retrospectively make relevant changes to opening balances when a change in accounting policy is introduced, unless the code allows transitional provisions to be followed

Newcastle City Council will follow the Code and will disclose relevant information showing the impact of a new standard on the accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) has introduced changes in accounting policy in relation to the following IFRS (International Financial Reporting Standard) statements:

- **The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets.**

The 2025/26 Code introduces updates on how councils value their operational assets (like buildings, land, and equipment) and intangible assets (such as software). These include:

- A choice of three methods for revaluing operational assets.
- A requirement to apply indexation to tangible assets.
- A requirement to use historical cost for valuing intangible assets.

While these changes are significant, the Code also confirms that councils will not need to restate prior year figures, offering relief from the usual accounting rules that would require retrospective adjustments.

The Council is currently assessing the detailed implications of these changes. While they are expected to impact the valuation methodology and related disclosures for property, plant, and equipment, no material impact on the Council's financial position is anticipated at this stage. Preparatory work is underway to ensure compliance in advance of the 2025/26 implementation.

- **IFRS 17 Insurance Contracts issued in May 2017**

This new standard replaces the previous guidance on accounting for insurance contracts and introduces a more consistent and transparent framework for their recognition, measurement, and disclosure. The standard primarily applies to entities that issue insurance contracts.

This is not expected to be relevant to most local authorities, including Newcastle City Council, as the Council does not issue insurance contracts within the scope of IFRS 17.

- **Amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability). Issued in August 2023**

This amendment provides clearer guidance on how to account for foreign currency when exchangeability is limited or not available. It outlines how to determine an appropriate exchange rate in such circumstances and the related disclosure requirements. The impact of this change is expected to be minimal for most local authorities, as it primarily applies to entities operating in or transacting with markets subject to foreign exchange restrictions.

Newcastle City Council does not engage in such transactions and is therefore not expected to be affected by this change.

There are no changes in accounting requirements for 2025/26 currently expected to have a material effect on the Council's accounts, however, we continue to monitor developments closely.

### 39 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 42, Statement of Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are considered to be:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision
- The Council undertakes a complex range of activities which can include partnerships with external organisations. Where such organisations are in partnership or under the control of the Council a judgement is made as to whether they are within the Council's group boundary and as such group accounts need to be completed.

An assessment of those entities profit and loss, value of assets and net worth has been made and where material have been included in the group accounts. This assessment also takes into consideration qualitative factors such as whether the entity in question is crucial to the provision of a statutory service or whether the Council may be exposed to significant commercial risk.

Based upon the assessment undertaken the Council has determined that YHN and its subsidiaries (3 months accounts only - dissolved 30 June 2025), ABRI (as a stand alone subsidiary from 1 July 2025), Regenerate, Newcastle Science Central, New Tyne West Development, Crossco (1467) Limited, Armstrong Centre and Tynexe and its subsidiaries are part of the group accounts in 2024-25

- The assessment of assets as investment properties has been made using the identifiable criteria provided under International Accounting Standards which states properties are so classified if held for rental income or capital appreciation. Properties are assessed using this criteria to determine if there is an overriding operational reason for holding the property such as regeneration.
- In 2021-22 a review of infrastructure assets identified potential issues around the correct accounting treatment for de-recognition and depreciation. As a temporary measure a statutory override was provided and additional work was required to identify the veracity of useful lives and the impact that this would have on depreciation values.

The Council has determined that they will apply the statutory override and has undertaken a re-assessment of useful lives applied to the different categories of infrastructure asset following the judgement from technicians involved in highways construction and maintenance.

Disclosure notes have been updated to reflect the judgements made in following the override.

- The Council holds a 17.70% share in Newcastle Airport Local Authority Holding Company Limited (NALAHCL). Following the adoption of accounting standard IFRS 9 Financial Instruments which came into effect on 1 April 2018, the default position method of the equity holding in the airport would be Fair Value through Profit and Loss.

However, the shareholding is a strategic investment and not held for trading and therefore the Council has designated the investment as Fair Value through Other Comprehensive Income. It is the Council's view that this is a reasonable and reliable accounting policy for the investment.

- Property valuations have been conducted in line with all current RICS guidance. Judgements may be made to assess future levels of rental yields when assessing the valuation of investment properties.
- Determining how a grant received should be accounted for based upon whether the Council is acting as the principal or agent.

Under the Council's policy (which uses the CIPFA Code of Practice as its benchmark) the Council acts as principal where it has full control over how to use the grant and this would be accounted for through the main statements and would impact on revenue and reserves.

Council policy defines agent as acting solely as a distributor of the grant and as such the council has no say in how the grant is used. Under this category, the Council recognises the money received and paid out only in its cash balances. Should any balance be held at year end this will be recognised as a creditor if money is still to be paid out or a debtor should money have been paid out before the grant is received.

The Council has assessed the grants it received and has categorised them according to the criteria set out above.

Newcastle City Council has implemented IFRS 16 leases in 2024-25. As part of the implementation Newcastle has recognised exemptions in line with the standard to low value assets (below £10,000 when new) and to short term leases i.e. existing leases that expire on or before 31 March 2025, and new leases with a duration of less than 12 months. In addition, the Council has elected to follow the grandfathering arrangements that is where contracts have been assessed in the past not to contain a lease, they continue in that arrangement. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time.

#### 40 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2025 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2025 and the projected service cost for the year ending 31 March 2026 are set out below.</p> <p>Discount rate assumption, an adjustment to the discount rate of +0.1% p.a. would decrease the present value of the total obligation to £1,682.57m a variance of £25.6m, whereas a decrease of (0.1%) p.a. results in an increase to £1,733.81m by £25.6m. The percentage change in the present value of the total obligation would be (4.5%) and 4.7% respectively.</p> <p>Rate of general increase in salaries, an adjustment to the salary increase rate of +0.1% p.a. would increase the present value of the total obligation to £1,711.61m, a variance of £3.4m, whereas a decrease of (0.1%) p.a. results in a decrease to £1,704.77m a variance of £3.4m. The percentage change in the present value of the total obligation is nil.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability		<p>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption, an adjustment to the pension increase rate of +0.1% p.a. would increase the present value of the total obligation to £1,730.40m, a variation of £22.2m whereas a decrease of (0.1%) p.a. results in a decrease to £1,685.98m, a variance of £22.2m. The percentage change in the present value of the total obligation would be 4.7% and (4.5%) respectively.</p> <p>Post retirement mortality assumption, an adjustment to the mortality age rating assumption of -1 year would change the present value of the total obligation to £1,745.77m, a variation of £37.6m, whereas an increase of +1 year results in a reduction to £1,670.61m, a variance of £37.6m. The percentage change in the present value of the total obligation would be 3.5% and (3.6%) respectively.</p> <p>See note 29 for more details on pension liability.</p>
Arrears	<p>At 31 March 2025, the Council had a gross balance of sundry debtors of £165.3m. A review of historic arrears collection rates suggested that an impairment of doubtful debts of 32% (£52.9m) was appropriate, resulting in net debtors of £112m. However, in the current economic climate there is a risk that this will not be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amounts of the impairment of doubtful debts would require an additional £52.9m to be set aside as an allowance.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
NDR Arrears	The NDR arrears has a balance of £9m at the Balance Sheet date which could be deemed to be at risk of material adjustment within the next year due to current economic circumstances meaning that businesses are struggling to pay. However, a review of significant balances suggested that an impairment of doubtful debts of 92% (£8.3m) was sufficient. This provision is then shared with precepting authorities of which the billing authority share is 49% (£4.1m).	If collection rates were to deteriorate further, for every 1% reduction in collection rates an extra £0.916m would be required to be set aside as an allowance of which NCC's share would be £0.449m.
Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	The Council holds provisions of £18.079m. The value of provisions reflects estimated costs based on actuary reports, experience and historic trends but there is a significant degree of uncertainty relating to these.	<p><b>Business Rates:</b> Any increase or decrease in appeals would impact on the overall position of the Collection Fund and future income receivable via business rates.</p> <p><b>Insurance:</b> An increase or decrease of 10% in the estimated average settlement would impact on the level of provision needed by £0.994m.</p> <p>See note 25 for more details on provisions.</p>

<p>Property, Plant and Equipment</p>	<p>Assets are assigned useful lives based upon an estimation of how long they can sustain the provision of services provided by the Council. Where applicable componentisation is used in larger assets to recognise specific areas where earlier useful lives may be required such as lifts in offices or kitchens, roofs etc in council housing. Assets are inspected on a rolling cycle that is more frequent than that suggested by the CIPFA code of practice to determine if the useful life of the asset needs to be amended due to additional wear and tear or lack of repair and maintenance. In addition condition surveys can be carried out where deemed appropriate to determine the overall condition of an asset outside of the normal cycle.</p> <p>This information is fed into the asset management system Tech Forge to help managers assess where repairs and maintenance need to be targeted.</p> <p>Assets are valued, in accordance with Royal Institution of Chartered Surveyors (RICS) valuation standards, involving the use of a number of property indices which can be volatile at times and may result in valuation changes from year to year.</p> <p>The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bring into doubt the useful lives assigned to assets.</p>	<p>If the actual results differ from the assumptions this will affect the carrying value of the asset in the balance sheet, which could lead to the value of the PPE being over or understated. This would be adjusted when the assets are next valued. As assets are valued more frequently than that recommended by the CIPFA code of practice such issues are less likely to occur but where they do they are more quickly rectified.</p> <p>Property valuations have been conducted in line with all current RICS guidance.</p> <p>If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>See note 16 for more details on PPE.</p>
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Eldon Square	<p>The Council holds a 40% stake in the Eldon Square shopping centre. The Council holds this as an Investment Property. In line with accounting policies Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end.</p>	<p>Knight Frank have utilised the quoted valuation techniques to determine the fair value of the Council holding in Eldon Square shopping centre. Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p>
	<p>The Council instructed Knight Frank to undertake the valuation and they have prepared a draft valuation report in accordance with current editions of RICS Valuation - Global Standards, which incorporate the International Valuation Standards, and the RICS UK National Supplement. The valuation has been carried out using the comparative and investment methods. The assessment has been made on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property, taking into account size, location, terms, covenant and other material factors.</p>	<p>Revaluation movements are accounted for in the CIES. If the value of the Council holding in Eldon Square shopping centre reduced by 10%, this would result in a £4.5m charge to the CIES. The charge to the CIES would be reversed out to the Capital Adjustment Account (CAA) and would not affect the General Fund balance.</p>

#### 41 Events After the Balance Sheet Date

Events after the balance sheet period are those events both favourable and unfavourable that occur between the end of the reporting period and the date when the financial statements are 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 (adjusting events);
- Those that are indicative of conditions that arose after the reporting period (non-adjusting event).

An authority shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period;

An authority shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period. For non-adjusting events that are material, non disclosure could influence the decisions users of the financial statements.

Accordingly, an authority shall disclose the event and an estimate of its financial effect or a statement that such an estimate cannot be made.

The following events after the balance sheet period have occurred and are disclosed here and the financial statements have been updated where relevant:

- On 1 March 2025 the Parks Service ran by Urban Green Newcastle transferred over to Newcastle City Council. However, the land and buildings assets are still property of Urban Green Newcastle and won't transfer to NCC until the charity is wound up. There will be some assets that we are recognising for the first time in the 2025/26 accounts as a result of the decision to bring the Parks Service back in house.

- The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on the going concern basis.
- The Council has assessed its financial position from the year ended 31 March 2025 to 31 March 2027 in order to support the Council's conclusion around going concern.
- On 5 March 2025 Newcastle City Council agreed a balanced budget for 2025/26 with net revenue being set at £293.1m with estimates for 2026/27 of £301.3m and for 2027/28 of £309.8m
- The Council's Reserves Strategy sets a minimum uncommitted general fund balance of circa £17m and this is reflected as the balance of the General Fund Unearmarked Reserve, which had a balance of £18.1 million at 31 March 2025. The Council's General Fund earmarked reserves at 31 March 2025 total £170.5m. Unearmarked and earmarked General Fund reserves respectively represent 6.2% and 58.2% of the net revenue budget for 2025/26.

HRA balances reflect a significant and long term social housing programme commitment.

- The Council has short term investments and cash balances, totalling £111.6 million at 31 March 2025 and a projected £54.0m at 31 March 2026. The Council's cash flow is monitored daily by officers.
- The financial budget monitoring is considered by the Cabinet quarterly with the last quarterly report (quarter 3) being presented at the March 2025 meeting and the quarter 4 outturn report for 24/25 being considered at the July 2025 meeting in line with previous outturn reports being presented to Cabinet.

The General Fund and HRA capital programmes will be reviewed and updated following the financial year end and reported to Cabinet in September 2025. This process is the normal approach and considers the impact of the variations in the capital programmes and budgets are updated accordingly.

The Council's budget and cash flow forecasts have been robust in previous years, with no large variances in outturn.

- On this basis, the Council have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period maintaining the provision of its services. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

## 42 Statement of Accounting Policies

### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom supported by International Financial Reporting Standards (IFRS).

The 2024-25 Code of Practice requires reporting by the organisational structure of the authority to better represent how resources are utilised and allow a better comparison with budgets and performance.

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

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

### 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 is recognised when it satisfies a performance obligation by transferring promised goods or services in return for the overall transaction price allocated for that obligation;
- 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 that the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The Council has adopted a de-minimis level of £10,000 for year-end accruals which means that accruals for less than this amount will only be raised for inclusion in the accounting statements where the inclusion helps the user in a better understanding of the accounts.

### **3. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than 90 days from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

The Council holds monies on behalf of partner organisations where the Council is the lead authority. Cash is held and invested under treasury management agreements and covers Archives & Museums, Trust Funds and Insurances.

### **4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise from 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.

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

Organisational changes made in year that are reflected in management reporting will be restated for the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis for the prior year to allow comparisons to be made.

## 5. 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;
- Amortisation of intangible fixed assets attributable to the service.

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

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

## 6. Employee Benefits

### Benefits Payable during Employment

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

### Termination Benefits

Termination benefits are amounts payable as a result of decisions 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 relevant Cost of Services line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a re-structure.

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

### **Post-Employment Benefits**

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

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

### **The Local Government Pension Scheme**

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

- The assets / liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate specified by the actuary based on the indicative rate of return on high quality corporate bonds;

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

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

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

- a) Current service cost - the increase in liabilities due to service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- b) Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs;
- c) Net interest on the net defined liability - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure statement. This is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability at the beginning of the period taking account any changes in the net defined benefit liability during the period arising from contribution and benefit payments;
- d) Re-measurement comprising:
  - the return on plan assets, excluding amounts included in net interest on the net defined benefit liability, charged to the Re-measurement of the defined benefit line in Other Comprehensive Income & Expenditure;
  - Actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- e) Contributions paid to the pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise from 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 applied to the Local Government Pension Scheme.

### **7. Fair Value Measurement**

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

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

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

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

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

The levels of hierarchy and the level assigned to each non-financial asset or financial instrument are explained and disclosed in the relevant notes to the financial statements where fair value measurement is applied.

## 8. Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions and will be measured at fair value. Subsequent re-measurement of value will be at their amortised cost. Annual charges that go to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on their current value 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 the majority of loans that the Council has entered into, 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. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Assets

Financial assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the financial instrument and are initially measured at fair value (usually the price to acquire the asset). Financial assets are classified into three types :-

- Amortised cost - assets held within a business model with the sole objective to collect contractual cash flows on specified dates that are solely payments of principal and interest;
- Fair value through other comprehensive income - assets held within a business model with the objective to collect contractual cash flows on specified dates that are solely payments of principal and interest but also where beneficial through the sale of the asset;
- Fair value through profit and loss – objectives are achieved by any other means than collecting contractual cashflows.

The Council can at initial recognition of the asset make an irrevocable decision to override the above classifications in the following circumstances: -

- An equity instrument can be classified as fair value through other comprehensive income rather than fair value profit and loss if it is not held for trading;
- Any financial asset can be designated as measured at fair value through profit and loss if this removes any deemed inconsistency in measurement by treating assets based upon the above classification.

If this opportunity is not taken at initial recognition, there is no ability to reclassify at a later date unless the characteristics of the asset changes and there is a need for re-classification.

### **Amortised Costs**

Assets classified as amortised cost will usually write down over the expected life of the asset with interest receivable for the year being credited to the Surplus / Deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement in line with the effective interest rate. The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest).

Assets are impaired when it is determined that there is a likelihood that future cashflows due under the contract will not be made. A charge for the impairment value is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with a corresponding reduction made in the Balance Sheet to the gross amortised cost of the asset.

The value of the impairment is determined by an assessment of the credit risk. If the risk has increased significantly, the impairment loss allowance will be calculated on a lifetime basis. If there is no significant increase or remains low the loss is assessed on the basis that the impact of an expected loss in the next 12 months.

A loss allowance will not be recognised for expected credit losses on financial assets where the counterparty is central government or another local authority for which statutory provisions prevent default.

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

**Fair Value Through Other Comprehensive Income**

Changes in fair value are recorded against Other Comprehensive Income and Expenditure gain/loss by an entry in the Financial Instrument Revaluation Reserve through the Movement in Reserve Statement.

However, interest is charged to the Surplus / Deficit on the Provision of Service as though the asset had been measured at amortised cost.

Where assets are identified as impaired because of a likelihood arising from a future event that cashflows due under the contract will not be made a charge for the value of the impairment is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with a corresponding entry being recognised in other comprehensive income through the Financial Instruments Revaluation Reserve on the Balance Sheet.

When the asset is de-recognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from the Financial Instrument Revaluation Reserve to the Surplus / Deficit on the Provision of Service as a reclassification adjustment.

**Fair Value Through Profit and Loss**

All changes in fair value are posted to the Surplus / Deficit on the Provision of Service.

Fair value is measured at market price where the instrument exists within an active market or using discounted cash flow where the instrument has fixed and determinable payments.

All gains and losses on de-recognition are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## 9. Government Grants & Contributions

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

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

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

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

## 10. Intangible Assets

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

Assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) whilst expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

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

#### **11. Interests in Companies & Other Entities**

The Code of Practice requires local authorities to produce group accounts to reflect activities provided to Council taxpayers by other organisations in which an authority has an interest. The Council has considered its interests in its subsidiaries, associates, joint ventures and other bodies, both quantitatively and qualitatively, and has concluded that its subsidiary, Your Homes Newcastle Group (YHN), Newcastle Science Central Holdings Limited, Regenerate Newcastle Asset Co.Limited, Abri Trading Limited, Crossco (1467) Limited, and Tynexe entities and its Joint venture, New Tyne West Development Company LLP, is materially significant to the overall financial position of the Council and is therefore consolidated into the Group Financial Statements. All other entities, as outlined within the Related Parties Note 15, are not considered to be material and therefore have not been consolidated in the group accounts.

Where the Council has incorporated an entity in the group accounts any interest has been consolidated on the line-by-line method. As required by the relevant accounting standards and the Code, all transactions between the Council and each entity have been eliminated from the statements and notes.

The group financial statements within these accounts are prepared in accordance with the Council's accounting policies, with the following additions and exceptions:

- a) **Taxation other than VAT** - the charge for taxation is based on the result for the year of subsidiaries and takes account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes;
- b) **Charges to Income and Expenditure for Non-Current Assets** - there are no transactions between the Group Comprehensive Income and Expenditure Statement and the capital adjustment account in relation to charges for non-current assets held by YHN, such that the amounts charged to the account are reflected in the group income and expenditure reserve;
- c) **Actuarial Assumptions on Defined Benefit Obligation** - Actuarial assumptions used for the group entities can differ from those used for the Council. These have been separately disclosed in the notes to the group accounts.

As required by the Code and relevant accounting standards, the accounting policies of subsidiaries and joint ventures have been reviewed and aligned to those of the Council where necessary. These areas are:

- Valuation basis of inventory;
- De-minimis levels set for accruals of income and expenditure;
- De-minimis levels for capital expenditure.

## 12. Inventories & Long-Term Contracts

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

### 13. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on highest and best use value of the asset. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 14. IFRS 16 - Leases

The Council has adopted IFRS 16 (Leases) with effect from 1 April 2024, in line with statutory regulations. The main impact of the requirements of IFRS 16 is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset, and future rents as a liability), a right-of-use asset and a lease liability are now included on the balance sheet from 1 April 2024. The Council has elected to apply recognition exemptions to low value assets (below £10,000 when new) and to short term leases i.e. existing leases that expire on or before 31 March 2025, and new leases with a duration of less than 12 months. In addition, the Council has elected to follow the grandfathering arrangements that is where contracts have been assessed in the past not to contain a lease, they continue in that arrangement. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 April 2024 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

IFRS16 also applies to Service Concession Agreements and recognition of the resultant remeasurement of the lease liability

**b) The Council as Lessor****Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

### **Operating Leases**

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

### **15. Overheads & Support Services**

The costs of overheads and support services are allocated to reflect the way in which the authority operates its services, to show how expenditure is allocated for decision making purposes between the council's directorates. Where relevant, costs are reported against those that benefit from the supply of services. The corresponding income & expenditure is removed from those that benefit from the income, to ensure there is no grossing up of income & expenditure and to meet the required definition of income & expenditure in the Code of Practice on Local Authority Accounting.

## 16. Property, Plant & Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end but at a minimum of every three 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);
- 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.

All categories of asset which are not revalued during the year are reviewed for evidence of material changes in value since the date of the previous valuation.

### **De-minimis Levels**

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

For all capital expenditure, the de-minimis level is £10,000, with the exception of Communities plant, vehicles and equipment where the de-minimis level is £5,000.

All capital expenditure is included in the Asset Register.

### **Impairment**

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement;
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

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

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

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

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

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

The calculation to depreciate Council dwellings is based on an asset life basis for each asset. The asset life expectancy is shown in the range below.

The life expectancy for each asset category falls within the following ranges:

<b>Asset Category</b>	<b>Years</b>
Council Dwellings	26
Buildings	25-100
Private Finance Initiative Buildings	60
Plant	50
Equipment	3-25
Vehicles	3-10
Purchased Software	3-5
Community Assets	20-999

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council's policy is that all assets with a carrying value greater than or equal to £5m will be considered for componentisation. A standard list of components is used by the Council:

- Building fabric;
- Roof;
- Mechanical and electrical;
- External

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

### **Disposals & Non-current Assets Held for Sale**

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

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

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

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

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

## 17. Infrastructure Assets

Infrastructure assets include carriageways, footways and cycle tracks, structures (bridges), street furniture (traffic signs, bollards), traffic management systems, flood defences,

### Recognition

Expenditure on the acquisition or replacement of assets is capitalised on an accruals basis where it is probable that the future economic benefits flow to the Council and that the cost can be reliably measured.

### Measurement

Infrastructure assets are generally measured at depreciated historical cost. Opening balances for assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be the historical cost.

Impairment losses are accounted for by the write down of the current carrying amount to the amount that would be recoverable if de-recognised or disposed of.

### Depreciation

Depreciation is provided to assets that are subject to deterioration or depletion by the allocation of their depreciable amounts over the useful lives assigned. Depreciation is currently charged on a straight-line basis.

Useful lives are determined by relevant officers using their knowledge and experience and with reference to industry standards (where applicable). Current useful lives fall into the range 5-60 years.

### Disposals and Derecognition

When an asset or component of an asset is disposed of or de-commissioned, the carrying amount in the Balance Sheet is written off the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal (if any) are credited to the same line to net off against the carrying value.

The written-off amounts are not charged against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the Balance Sheet in the Movement in Reserves Statement.

## 18. Private Finance Initiative (PFI) and Similar Contracts

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

The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

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

## 19. Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation based upon the best estimate of the likely settlement.

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

## 20. Contingent 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.

## 21. 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.

## **22. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. 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 that manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

## **23. Revenue Expenditure Funded from Capital under Statute**

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

## **24. VAT**

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

## **25. Co-operative Working Arrangements**

Co-operative working arrangements are activities undertaken by the Council in conjunction with other partners that involve the use of assets and resources of the partners rather than the establishment of a separate entity. The Council recognises on its Balance Sheet those items of property, plant and equipment that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with its share of the expenditure incurred and the income earned from the activity of the operation.

## 26. 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. The Council's heritage assets include the art collection, civic insignia, Mansion House and public art held at various locations across the City.

Where the Council holds information on the cost or value of an asset that asset is recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and Equipment. Where such information is not available and obtaining it would not be at a cost which is commensurate with the benefits to users of the accounts the assets will not be recognised on the Balance Sheet.

Valuations of heritage assets may be made by any method that is appropriate and relevant with no requirement to use external valuers. The Council, therefore, makes use of the detailed insurance valuations produced as an appropriate proxy for value.

The Council considers that the heritage assets held have indeterminate lives and a high residual value. Under the Code of Practice such assets are not required to have depreciation applied.

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

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

The valuation requirements include the following:

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

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

## **28. Apprenticeship Levy**

The Apprenticeship Levy is a system for funding apprenticeship training and is based upon an employer's pay bill. This came into effect from 6 April 2017.

The levy is charged at a rate of 0.5% on the total amount of earnings an employer is liable to pay on class 1 secondary National Insurance Contributions, but no levy is paid on the first £3m.

For Newcastle City Council the levy covers all staff including those in schools where they remain part of the Local Education Authority and those staff funded by grant income.

The amount of funding available is based upon the value of the apprenticeship levy and the number of current employees living in England calculated by HMRC. This is updated annually each April. The fund must be spent within 2 years of entering the account or it will be lost. As money enters monthly this is operated on a rolling deadline.

The money is held by Central Government and is accessed by an employer setting up a digital apprenticeship service account. Funds can only be used to pay for apprenticeship training and assessment up to set amounts for different bands, any costs above this set amount are met by the employer. The funds cannot be used to pay wages, travel, workplace programmes or setting up an apprenticeship programme. All training and assessment must be through a registered training provider.

The levy is deducted through PAYE and paid to HMRC as part of the monthly payments made and is charged to payroll costs. The expenditure on training costs is charged to the digital account but is shown in as a training expense, funded by Government Grant income in the Comprehensive Income and Expenditure Statement.



## 4.0 Supplementary Financial Statements and Explanatory Notes

## 4.0 Supplementary Financial Statements and Explanatory Notes

### 4.1 Housing Revenue Account (HRA)

#### 4.1.1 Housing Revenue Account Income and Expenditure Account

2023/24 £000		2024/25 £000
	<b>Expenditure</b>	
29,150	Repairs & Maintenance	29,053
45,996	Supervision & Management	47,670
6,888	Rents, Rates, Taxes & Other Charges	3,844
8,984	Depreciation, Impairment & Revaluation Losses of Non-Current Assets (Notes H4 and H7)	31,698
42	Debt Management Costs	44
1,720	Movement in the Allowance for Bad Debts	772
-	Sums Directed by the Secretary of State that are Expenditure in Accordance with the Code	-
<b>92,780</b>	<b>Total Expenditure</b>	<b>113,081</b>
	<b>Income</b>	
(112,797)	Dwelling Rents	(117,012)
(2,082)	Non-Dwelling Rents	(1,636)
(16,288)	Charges for Services & Facilities	(15,478)
(1,088)	Contributions Towards Expenditure	(1,649)
-	Sums Directed by the Secretary of State that are Income in Accordance with Proper Practices	-
<b>(132,255)</b>	<b>Total Income</b>	<b>(135,775)</b>
<b>(39,475)</b>	<b>Net Expenditure or (Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>(22,694)</b>
237	HRA Services' Share of Corporate & Democratic Core	249
<b>(39,238)</b>	<b>Net Expenditure or (Income) for HRA Services</b>	<b>(22,445)</b>
	<b>HRA Share of the Operating Income and Expenditure included in the Whole Authority Comprehensive Income &amp; Expenditure Statement:</b>	
(397)	(Gain) or Loss on Sale of HRA Non-Current Assets	(301)
15,582	Interest Payable & Similar Charges	16,033
(440)	Interest & Investment Income	(218)
(7,739)	Capital Grants & Contributions Receivable	(7,490)
<b>(32,232)</b>	<b>(Surplus)/Deficit for the year on HRA services</b>	<b>(14,421)</b>

## 4.1.2 Statement of Movement on the HRA Balance

2023/24 £000		2024/25	
		£000	£000
(8,184)	Balance on the HRA at the end of the previous reporting period		(3,344)
(32,232)	(Surplus) or Deficit for the year on the HRA Income & Expenditure Statement	(14,421)	
	Adjustments between accounting basis and funding under statute:		
2	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	2	
398	Gain or loss on sale of HRA non-current assets (reversal)	301	
-	HRA share of contributions to or from the pensions reserve	-	
79	Capital expenditure funded by the HRA	-	
-	Sums directed by the Secretary of State to be debited or credited to the HRA that are not expenditure or income in accordance with the Code (Note H9)	231	
<b>(31,753)</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>(13,887)</b>	
36,592	Transfers to or (from) earmarked reserves	12,808	
4,839	(Increase) or decrease in year on the HRA		(1,079)
<b>(3,345)</b>	<b>Balance on the HRA at the end of the current reporting period</b>		<b>(4,423)</b>
	<b>Transfers to or from (earmarked) reserves:</b>		
36,375	Transfer to/from the major repairs reserve		36,745
644	Transfer to/from the capital adjustment account		(24,208)
(427)	Transfer to/from other earmarked reserves		270
<b>36,592</b>			<b>12,807</b>

### 4.1.3 Index of Explanatory Notes to the Housing Revenue Account

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### 4.1.4 Explanatory Notes to the Housing Revenue Account

#### H1 HRA Housing Stock

	31 Mar 2024 No's	31 Mar 2025 No's
Houses & Bungalows	14,371	14,210
Low Rise Flats/Maisonettes	3,422	3,402
Mid Rise Flats/Maisonettes	3,534	3,515
High Rise Flats/Maisonettes	3,569	3,557
<b>Stock at 31st March (Fully Owned)</b>	<b>24,896</b>	<b>24,684</b>
Shared Ownership Properties	2	2
<b>Stock at 31st March (inc. Shared Ownership)</b>	<b>24,898</b>	<b>24,686</b>
<b>Analysis of the movement in stock;</b>		
Stock at 1st April	25,018	24,898
Additions	48	12
Sales	(167)	(178)
Demolitions	-	-
Pending Demolitions	-	(46)
Reclassified Properties	(1)	-
Shared Properties	-	-
<b>Stock at 31st March (inc. Shared Ownership)</b>	<b>24,898</b>	<b>24,686</b>

## H2 HRA Assets: Balance Sheet Valuation

Asset Category	1 Apr 2024 £000	31 Mar 2025 £000
<b>Property, Plant &amp; Equipment</b>		
Council Dwellings	1,044,035	1,092,310
Other Land & Buildings	40,968	42,967
Vehicles, Plant, Furniture & Equipment	1,424	1,665
Infrastructure & Community Assets	12,032	13,828
	<b>1,098,459</b>	<b>1,150,770</b>
Assets Under Construction	9,079	21,741
Surplus Assets (not held for sale)	-	-
Investment Properties	-	-
Assets Held for Sale	24	21
<b>Total</b>	<b>1,107,562</b>	<b>1,172,532</b>

## H3 HRA Dwellings Vacant Possession Valuation as at 1 April 2024

	Vacant Possession £000	Existing Use Value for Social Housing (EUV-SH) £000
<b>Dwelling Type</b>		
General Needs Council Housing	2,480,143	1,091,263
Sheltered Housing	19,759	8,694
Shared Ownership Properties	362	159
<b>Total</b>	<b>2,500,264</b>	<b>1,100,116</b>

The vacant possession valuation shown above illustrates the economic cost to the Government of providing council housing at less than open market rents when compared to the EUV-SH valuation.

EUV-SH reflects a valuation for a property if it were sold with sitting tenants enjoying rents at less than open market rents and tenant's rights including the Right to Buy.

## H4 HRA Impairment Charges & Revaluation Losses

Impairment charges and revaluation gains on PPE resulted in a £4.671m net gain in 2024/25 (£27.391m net gain in 2023/24) being made in the HRA, of which dwellings is a £4.262m gain in 2024/25 (£28.002m gain in 2023/24) and other property is a £0.409m gain (£0.612m loss in 2023/24).

The in-year credit of £4.671m can be split between impairment losses £19.392m and impairment reversals (£11.720m) recognised in the I&E Statement and revaluation gains (£12.343m)

Impairment charges and revaluation losses/gains are reversed out to the Capital Adjustment Account and therefore do not affect the HRA balance.

## H5 HRA Capital Expenditure & Financing

The table below provides details of Capital Expenditure:

Capital Expenditure	2023/24 £000	2024/25 £000
Council Dwellings	57,659	54,336
Other Land & Buildings	2,888	217
Vehicles, Plant & Equipment	97	494
Infrastructure	3,534	2,312
Intangible Assets	24	-
Assets Under Construction	943	12,299
<b>Total</b>	<b>65,145</b>	<b>69,658</b>

The table below provides details of how this expenditure was financed:

Funding Source	2023/24 £000	2024/25 £000
Major Repairs Reserve	32,500	40,000
Borrowing	21,429	16,273
Grants	6,554	6,160
Usable Capital Receipts	2,503	5,624
Revenue Contributions	79	-
Earmarked Reserves	895	271
Capital Contributions	1,185	1,330
<b>Total</b>	<b>65,145</b>	<b>69,658</b>

## H6 HRA Capital Receipts

	2023/24 Gross Receipt £000	2024/25 Gross Receipt £000
Sale of Houses	(8,365)	(9,344)
Sale of Land	(78)	(147)
Sale of Other Property	(11)	(116)
	<b>(8,454)</b>	<b>(9,607)</b>
Repayment of Advances	(2)	(2)
<b>Total</b>	<b>(8,456)</b>	<b>(9,609)</b>

The Local Government Act 2003 stipulates that income from the disposal of assets must be split into usable and reserved elements, however from 2024/25 the government has stipulated LA's can retain both elements. This is the reason for the reduction in the element paid over to the national pool.

The reserved element, paid over to the national pool, is £0.002m in 2024/25 (£0.002m in 2023/24) and the usable element can be used to fund capital expenditure.

The government revised the legislation for 2012/13 onwards. The effect of this is that a share cap limit is set for the value of receipts both to be paid to the government and to be retained by the local authority. Any receipts over and above these set amounts can be retained by the authority to replace dwelling stock (retained 1-4-1 receipts) or paid to the government.

**H7 HRA Depreciation Charges**

Asset Category	2023/24 £000	2024/25 £000
<b>Operational Assets:</b>		
Council Dwellings	33,463	35,076
Other Land & Buildings	2,122	901
Vehicles, Plant, Furniture & Equipment	352	253
Infrastructure & Community Assets	438	515
<b>Total</b>	<b>36,375</b>	<b>36,745</b>

**H8 HRA Rent Arrears & Provision in Respect of Uncollectable Debts**

This note details the amount of rent arrears and the aggregate balance sheet provision in respect of uncollectable debts.

	End of Rent Year	
	31 Mar 2024 £000	31 Mar 2025 £000
Rent collection arrears	12,506	11,975
Provision in respect of uncollectable rent arrears	10,280	10,020

Breakdown of Rent Collection Arrears:	End of Rent Year	
	31 Mar 2024 £000	31 Mar 2025 £000
<b>Current Tenants:</b>		
Arrears on current tenancies	8,153	8,085
Housing Benefit overpayments	76	73
Court costs	304	293
	<b>8,533</b>	<b>8,451</b>
Former Tenant Arrears	3,973	3,524
<b>Total</b>	<b>12,506</b>	<b>11,975</b>

## H9 HRA Secretary of State Directives

The HRA made repayments of debt to the value of £0.2m in 2024/25 (£0.0m in 2023/24) in relation to unsupported prudential borrowing.

The HRA incurred expenditure to the value of £0.0m zero in 2024/25 (£0.0m zero in 2023/24) in relation to Revenue Expenditure Funded from Capital Under Statute (REFCUS).

## H10 Your Homes Newcastle

Your Homes Newcastle (YHN) was set up through a Transfer of Undertakings (Protection of Employment) Regulations (TUPE) transfer of the Council's Housing Department employees to form an Arms Length Management Organisation (ALMO) on 1st April 2004. The decision was made to bring YHN back in house from the 1st of July 2024

The HRA had a management agreement with YHN, who are paid a management fee to carry out the housing management function and other associated services.

The YHN management fee for the provision of core housing management services was £4.901m for quarter 1 of 2024/25 (£16.451m for 2023/24)

The YHN service provision fee for the provision of additional housing-related services was £2.484m for quarter 1 of 2024/25 (£9.417m for 2023/24)

The total management fee paid to YHN was £7.385m for quarter 1 in 2024/25 (£25.868m in 2023/24)

## H11 HRA Revenue Expenditure Funded by Capital Under Statute (REFCUS)

REFCUS is a class of expenditure that may meet statutory definitions of capital expenditure, but is of a nature that is not consistent with the accounting standards definitions of additions to Property, Plant and Equipment. Examples include expenditure incurred on assets that are not owned by the council.

There were no items of REFCUS expenditure within the HRA during 2024/25 or 2023/24.

## H12 Leased Properties in the Housing Revenue Account (HRA)

As at the end of the financial year, the authority has a total of 347 leased properties within the Housing Revenue account (HRA)

The impact of these leases on the balance sheet as of 31 March 2025 is as follows:

- The lessee element, classified as finance leases, represents approximately £24.8m lease liabilities (£23.0m in 2023/24). Non current assets gross book value is £23.6m with accumulated depreciation of £0.7m (£24.1m & £1.9m in 2023/24) giving a net book value of £22.9m (£22.2m in 2023/24) (Total Minimum Lease payment amounting to £50m).

- The lessor element, classified operating leases, represents approximately £162.2m of income due over the lease terms (£164.7m in 2023/24) .

For further details on the accounting treatment of leased properties in the HRA, please refer to Note 42: Accounting Policies, Section 14. leases, which provides the general framework for how leases are treated.

## 4.2 Collection Fund

### 4.2.1 Collection Fund Income and Expenditure Account

2023/24				2024/25		
Prior Year Business Rates £000	Prior Year Council Tax £000	Prior Year Combined £000		Current Year Business Rates £000	Current Year Council Tax £000	Current Year Combined £000
			<b>Income</b>			
-	(158,005)	(158,005)	Income from Council Tax	-	(170,207)	(170,207)
-	(1,082)	(1,082)	Transfers from General Fund - Council Tax S13A(1) (c) discounts	-	(104)	(104)
(110,935)	-	(110,935)	Income from Business Rates	(124,260)	-	(124,260)
(1,958)	-	(1,958)	Transitional protection payments receivable from Central Government - Business Rates	-	-	-
-	-	-	Recovery of deficit from Central Government	-	-	-
-	-	-	Recovery of deficit from Newcastle City Council General Fund	-	-	-
-	-	-	Recovery of deficit from Tyne and Wear Fire and Rescue Authority	-	-	-
<b>(112,893)</b>	<b>(159,087)</b>	<b>(271,980)</b>	<b>Total Income</b>	<b>(124,260)</b>	<b>(170,311)</b>	<b>(294,571)</b>
			<b>Expenditure</b>			
			<b>Precepts and demands:</b>			
50,174	-	50,174	• Central Government	54,338	-	54,338
49,171	131,886	181,057	• Newcastle City Council (including Parish Councils)	53,251	140,585	193,836
-	11,594	11,594	• Police & Crime Commissioner for Northumbria	-	12,677	12,677
1,003	6,341	7,344	• Tyne & Wear Fire & Rescue Authority	1,087	6,630	7,717
			<b>Contributions towards previous year's Collection Fund surplus</b>			
4,641	-	4,641	• Distribution of surplus to Central Government	5,109	-	5,109
4,549	4,954	9,503	• Distribution of surplus to Newcastle City Council General Fund	5,007	5,427	10,434
-	415	415	• Distribution of surplus to Police and Crime Commissioner for Northumbria	-	477	477
93	233	326	• Distribution of surplus to Tyne and Wear Fire and Rescue Authority	102	261	363
			<b>Business Rates:</b>			
-	-	-	• Transitional protection payments made to Central Government	24	-	24
458	-	458	• Costs of collection	459	-	459
10	-	10	• Interest Payable	319	-	319

2023/24				2024/25		
Prior Year Business Rates	Prior Year Council Tax	Prior Year Combined		Current Year Business Rates	Current Year Council Tax	Current Year Combined
£000	£000	£000		£000	£000	£000
			<b>Disregarded Amounts:</b>			
681	-	681	• Enterprise Zones	737	-	737
2,552	-	2,552	• NDD Areas	2,462	-	2,462
-	-		<b>Provisions:</b>			
3,406	1,094	4,500	• Write offs	2,080	1,474	3,554
3,974	-	3,974	• Increase/(Reduction) in Provision for Appeals	(7,636)	-	(7,636)
(3,899)	1,419	(2,480)	• Increase/(Reduction) in Bad Debt Provisions	(1,034)	1,592	558
<b>116,813</b>	<b>157,936</b>	<b>274,749</b>	<b>Total Expenditure</b>	<b>116,305</b>	<b>169,123</b>	<b>285,428</b>
<b>3,920</b>	<b>(1,151)</b>	<b>2,769</b>	<b>Movement on Fund Balance</b>	<b>(7,955)</b>	<b>(1,188)</b>	<b>(9,143)</b>

**4.2.2 Change in Collection Fund Balance**

2023/24				2024/25		
Prior Year Business Rates	Prior Year Council Tax	Prior Year Combined		Current Year Business Rates	Current Year Council Tax	Current Year Combined
£000	£000	£000		£000	£000	£000
(12,022)	(9,323)	(21,345)	Opening balance at 1 April	(8,102)	(10,474)	(18,576)
3,920	(1,151)	2,769	Deficit/(Surplus) for the year	(7,955)	(1,188)	(9,143)
<b>(8,102)</b>	<b>(10,474)</b>	<b>(18,576)</b>	<b>Closing balance at 31 March</b>	<b>(16,057)</b>	<b>(11,662)</b>	<b>(27,719)</b>

### 4.2.3 Index of Explanatory Notes to the Collection Fund

Note No.	Note	Page
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CF2	Business Rates	148
CF3	Redistribution of Collection Fund surpluses and deficits	148
CF4	Collection Fund Balance	149

### 4.2.4 Explanatory Notes to the Collection Fund

#### CF1 Council Tax

The 2024/25 Collection Fund account reflects the requirement for a billing authority to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR).

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

		2023/24	2024/25			2023/24	2024/25
Council Tax base		68,667	69,713				
Council Tax (Band D) amount payable per property		2,181	2,292				
Band	Proportion	No of Properties	No of Band D Equivalent			Council Tax Charge £	Council Tax Charge £
A	6 / 9	77,574	77,784	23,819	23,871	1,454	1,528
B	7 / 9	21,230	21,467	10,701	10,783	1,696	1,783
C	8 / 9	19,990	20,186	13,998	14,126	1,938	2,037
D	9 / 9	9,717	9,980	8,129	8,358	2,181	2,292
E	11 / 9	5,501	5,708	5,738	5,983	2,665	2,801
F	13 / 9	2,481	2,571	3,244	3,375	3,150	3,311
G	15 / 9	1,855	1,900	2,830	2,950	3,634	3,820
H	18 / 9	135	136	208	267	4,361	4,584
<b>Total</b>		<b>138,483</b>	<b>139,732</b>	<b>68,667</b>	<b>69,713</b>		

## CF2 Business Rates

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

On 1 April 2013, the government introduced local retention of business rates. Prior to this, the Council collected business rates on behalf of central government and all revenue was pooled nationally and redistributed. From 1 April 2013, the Council has retained a 49% share of the business rates collected locally, net of reliefs. The Council has also funded 49% of the increases in mandatory and discretionary reliefs from 1 April 2013 onward.

	2023/24	2024/25	Change
Rate in the pound - business rates multiplier	0.512	0.546	0.034
Rate in the pound - Small business rates multiplier	0.499	0.499	0.000
<b>Total business rates rateable value (£)</b>	<b>337,459,134</b>	<b>329,744,956</b>	<b>(7,714,178)</b>

## CF3 Redistribution of Collection Fund surpluses and deficits

The (surplus)/deficit on the closing balance of the Collection Fund as at 31 March 2025 will be credited/debited to the Council's General Fund and major precepting authorities respectively in future years.

Collection Fund closing balances:	2023/24	2024/25
	£000	£000
- Council Tax	(10,474)	(11,662)
- Business Rates	(8,102)	(16,057)
<b>Total</b>	<b>(18,576)</b>	<b>(27,719)</b>

**CF4 Collection Fund Balance**

Surpluses and deficits remaining in the Collection Fund at year end are distributed to or recovered from precepting authorities and the billing authority's general fund in future years, in proportion with each authority's share of total precepts on the Collection Fund in the year to which the surplus or deficit relates. The Code of Practice requires that the precepting bodies' share of the surpluses and deficits are shown as part of the Council's debtors or creditors, leaving only the Council's billing authority share in the closing Collection Fund balance.

Collection Fund surpluses and deficits for 2024/25 are apportioned among precepting bodies as follows:

	2023/24	2024/25
	£000	£000
Newcastle City Council - Council Tax	(9,215)	(10,245)
Police and Crime Commissioner for Northumbria - Council Tax	(819)	(933)
Tyne and Wear Fire and Rescue Authority - Council Tax	(440)	(484)
Newcastle City Council - Business Rates	(3,970)	(7,868)
Ministry of Housing, Communities and Local Government - Business Rates	(4,051)	(8,028)
Tyne and Wear Fire and Rescue Authority - Business Rates	(81)	(161)
<b>Total</b>	<b>(18,576)</b>	<b>(27,719)</b>



## 5.0 - Group Financial Statements and Explanatory Notes



## 5.0 Group Financial Statements and Explanatory Notes

### 5.1 Group Introduction

The Council has considered whether it has interests in any subsidiaries, associates or joint ventures. The key assumption in deciding if a group relationship exists relates to whether the Council can exert or has control over the organisation or entity either solely or jointly or has significant influence over that organisation. The definition of control must have all of the following:

- Power over the investee, which is described as having existing rights that give the current ability to direct the activities of the investee that significantly affect the investee's returns (such activities are referred to as the 'relevant activities')
- Exposure, or rights, to variable returns from its involvement with the investee
- Ability to exert power over the investee to affect the amount of the investor's returns

Entities that are deemed to be controlled or jointly controlled by the Council are incorporated into the Group accounts if material.

Group accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint ventures.

In accordance with this requirement, the Council has determined its Group relationships as follows:

Your Homes Newcastle Limited (Including Abri)	100% Subsidiary	Consolidated
Newcastle Science Central Holdings Limited	100% Subsidiary	Consolidated
Crossco (1467) Limited	100% Subsidiary	Consolidated
Regenerate Newcastle Asset Co. Limited	60% Subsidiary	Consolidated
Tynexe Group Limited	50% Subsidiary	Consolidated
New Tyne West Development Company LLP	Joint Venture	Consolidated

In accordance with the CIPFA Code of Practice, local authorities are required to produce Group Accounts where they have material interests in subsidiaries, associates, or joint ventures that significantly influence the financial position or performance of the Authority. For the 2024/25 financial year, Newcastle City Council has assessed its involvement in a range of entities and determined that full consolidation is required to reflect the substance of its group relationships. These include wholly owned subsidiaries such as Your Homes Newcastle Limited (including Abri Trading Limited), Crossco (1467) Limited, and Newcastle Science Central Holdings Limited. In addition, Regenerate Newcastle Asset Co. Limited, and Tynexe Group Limited, although not wholly owned, are treated as subsidiaries due to the Council's ability to exercise control in accordance with IFRS 10. The Council also holds a significant joint venture interest in New Tyne West Development Company LLP. The activities of these entities are considered materially significant to the Council's overall financial position, and are therefore fully reflected in the 2024/25 Group Accounts.

All other entities, as outlined within the Related Parties Note 15, are not considered to be material and therefore have not been consolidated into the Group Financial Statements.

### **Your Homes Newcastle - Subsidiary**

#### Background and Role (Pre-Transfer)

Your Homes Newcastle (YHN) Limited was established on 1 April 2004 as the Council's arms-length management organisation (ALMO), created to manage the City's housing stock. YHN operated as a private company limited by guarantee, with the Council holding one-third of the voting rights. Its responsibilities were governed by a formal management agreement, which set out the scope of services delivered on behalf of the Council.

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

In addition to these, YHN coordinated the operational delivery of services for the Housing Revenue Account (HRA), including repairs, maintenance, and estate services, which were carried out either by a Council directorate or external suppliers under 'best value' principles. YHN received an annual management fee to fund these operations, totalling £25.9m in 2023/24 and £7.4m for the part-year period in 2024/25 prior to transfer.

YHN was limited by guarantee, with member liability restricted to £1. While the Council bore financial risk in the event of deficits, this risk was consistent with historic arrangements, as any overspend in housing management would have been met from the HRA. Risk was managed through agreed delivery plans, protocols, and oversight via the Council's Section 151 Officer. Any operating surpluses generated by YHN would ordinarily have resulted in a reduced management fee payable by the Council.

In November 2023, Newcastle City Council Cabinet approved the reintegration of its arms-length management organisation (ALMO), Your Homes Newcastle (YHN), back into the Council. As of 1 July 2024, all activities, assets, liabilities, and employees of YHN were transferred to the Council. The only exception to this transfer is Abri Trading Limited, which remains a separate legal entity under Council ownership.

Abri Trading Limited delivers a range of commercial services, including NFS Furniture, Palatine Beds, and the Ostara telecare service, supporting independent living and vulnerable residents. The Council holds one £1 'A Share' in the company and received a £1.09m dividend in 2024/25 (£1.0m 2023/24). Abri continues to operate independently but is fully consolidated into the Council's Group Accounts in accordance with IFRS 10.

Your Homes Newcastle Limited is currently in the process of being dissolved. For 2024/25, its financial activity for the period 1 April to 30 June 2024 (pre-transfer) will be consolidated into the Council's Group Accounts, while activity from 1 July 2024 onwards will be reported in the Council's single entity accounts. During its operation, YHN delivered housing management services, maintained council housing stock, and managed housing-related investment programmes on behalf of the Council, funded via a management fee (£25.9m in 2023/24 and £7.4m for the part-year period in 2024/25). Abri Trading Limited did not transfer as part of this reintegration and remains a separate legal entity under Council ownership. While Abri operates independently from the Council's day-to-day operations, it is controlled by the Council. Abri is fully consolidated in the Group Accounts for the entirety of 2024/25 and subsequent periods following the transfer.

Leazes Homes Limited, a specialist supported housing subsidiary of YHN, exited the group on 17 June 2024 and is now under the control of Karbon Homes. Prior to its transfer, Leazes Homes was supported by the Council through secured loans and affordable housing grants. For group accounting purposes, Leazes Homes' assets had been revalued in line with the Council's accounting policies to ensure consistency across group entities. Grants received by Leazes Homes were recognised in the Council's Group Comprehensive Income and Expenditure Statement, with the associated income held in a dedicated earmarked reserve (Leazes Homes Social Housing Grant Reserve) to comply with the CIPFA Code of Practice.

All consolidated group entities apply the Council's accounting policies in the preparation of the Group Accounts to ensure consistency and transparency in financial reporting.

### **Newcastle Science Central Holdings Limited - Subsidiary**

The Council has a 100% equity share in its subsidiary, Newcastle Science Central Holdings Limited. Newcastle Science Central Holdings Limited was incorporated 11 August 2006.

The company is a holding company established to hold the Council's Interest in 3 joint ventures with Newcastle University set up to develop the old Scottish and Newcastle Brewery site-

1. Newcastle Science Central LLP,
2. Newcastle Science Central Management LLP (known as "Transco"), and
3. Newcastle Science Central Developments LLP (known as NewCo)

### **Newcastle Science Central LLP**

Newcastle Science Central LLP – jointly owned by Newcastle City Council (NCC) and Newcastle University (NU). First created in the 2012/13 financial year, this has a year end of 31 March. The primary business for the development of the land to promote investment in the development of science research and education. The land was largely transferred, with the exception of some residual plots which were to be drawn down and developed by NCC and NU, to a new company Newcastle Science Central Management LLP. This will be wound up once the NCC and NU complete the remaining developments.

### **Newcastle Science Central Management LLP**

Newcastle Science Central Management LLP (known as "Transco") – jointly owned by NCC and NU and incorporated in December 2016. This took over the remaining land ownership from Newcastle Science Central LLP and will deal with the progressive sale of the plots. The year-end is 31st March.

### **Newcastle Science Central Developments LLP**

Newcastle Science Central Developments LLP (known as NewCo) – jointly owned by NCC, NU and Legal and General and incorporated in December 2016. This deals with the progressive development of plots. The year-end is 31st December.

The Council is the sole shareholder for Newcastle Science Central Holdings Limited and would be liable for any accumulated deficits or losses upon the cessation or loss of control.

The Council's investment in these joint ventures is to be recovered on the sale of the assets.

Newcastle Central Central Holdings Limited year end is 31 March. Investments in Newcastle Science Central Holdings Limited is consolidated into the group accounts as a Long-Term Investment valued at £0.568m.

**Crossco (1467) Limited**

Crossco (1467) Limited is a wholly owned company of Newcastle City Council (NCC), established to acquire and manage the leasehold interest in the Crowne Plaza Newcastle – Stephenson Quarter hotel. The company has been granted a license to occupy the hotel, this arrangement enables the company to hold and operate the hotel under a long-term lease.

In the Council's single entity accounts, the financial interest in Crossco (1467) Limited is reported as a long-term investment, reflecting a capital loan of £10.5m provided by NCC. For group accounting purposes, Crossco (1467) Limited is fully consolidated into the Council's group accounts in accordance with IFRS 10, reflecting the Council's full ownership and control of the entity.

The hotel lease is classified as an investment property under IAS 40, as it is held to generate income and/or for capital appreciation, and is not used for operational service delivery. In line with the Council's accounting policies and the CIPFA Code of Practice, any gains or losses from the annual valuation of the property are recognised in the surplus or deficit on provision of services. Although the Council does not directly own the underlying asset, it is required to obtain an annual independent valuation for financial reporting purposes, starting in 2024/25.

As at 31 March 2025, Crossco (1467) Limited contributes £12.2m to the total investment property value reported in the Council's consolidated group accounts.

## **Tynexe Group Limited**

From the 2024/25 financial year, Newcastle City Council (NCC) has consolidated the Tynexe Group comprising of Tynexe Limited, Tynexe Commercial Limited, and Tynexe Residential Limited into its Group Accounts. This follows a review under IFRS 10 and FRS 102, which confirmed that NCC exercises control over these entities despite holding only a 50% equity interest in Tynexe Limited.

Tynexe Limited is jointly owned by The Armstrong Centre Company Limited (100% owned by NCC) and Dysart Developments (North East) Limited. While shareholding is split equally, NCC controls 75% of the voting rights via its "A" shares and holds the power to appoint a majority of directors. This gives NCC effective control over Tynexe Limited and, by extension, its wholly owned subsidiaries: Tynexe Commercial Limited and Tynexe Residential Limited.

The Tynexe Group's primary activity is land and property development, with a focus on the Armstrong Centre in Newcastle upon Tyne. Tynexe Commercial oversees commercial development projects and has received loans from NCC totaling £6m (£5.4m outstanding as of 2024/25). Tynexe Residential is focused on delivering housing for both the social and private markets.

As a result of this control, 100% of the assets, liabilities, income, and expenditure of the Tynexe Group are fully consolidated into NCC's Group Accounts. The 50% interest held by Dysart Developments is presented as a minority interest in the consolidated financial statements.

### **Regenerate Newcastle Asset Co. Limited - Subsidiary**

The company is jointly owned by Newcastle City Council (NCC) who hold 60% share capital equating to £249,994 ordinary shares of £1 each and Bring Energy (formerly Equans Urban Energy Group Limited up until 25 January 2024) who hold 40% Share capital equating to £166,663 ordinary shares of £1 each. The company has a loan value with Newcastle City Council equating to £7.779m reported in 2024/25.

The principal activity of Regenerate Newcastle Asset Co Limited has been the design and build of a new district energy scheme undertaken by Regenerate Newcastle Supply Co Limited, which will provide cost effective low carbon energy to commercial and residential properties in and around Newcastle city centre. The Company was incorporated on 11 July 2018.

Regenerate Newcastle Asset Co. Limited year end is 31 December. The information presented in the Group accounts has been based upon draft accounts for the period to 31 December 2024.

The Council holds a £7.779m loan in the single entity accounts.

The Council has given a letter of comfort to Regenerate to provide financial support if the company is unable to meet its liabilities. This letter covers the period to 31 December 2026. The impact of such a letter is unknown at the present time as Regenerate has been able to meet its obligations from within its own resources.

### **New Tyne West Development Company LLP – Joint Venture**

A public-private sector partnership set up specifically to deliver a sustainable new neighbourhood for Scotswood, located 3 miles to the west of the city centre of Newcastle upon Tyne. The principal activity of the Limited Liability Partnership (LLP) is to facilitate the regeneration and development of the Scotswood area of Newcastle. The LLP comprises 2 members, the Council and BK Scotswood LLP (Keepmoat Limited is now the Council's sole private sector partner).

Each of the two members have a 50% interest in the business and an equal voting share. Each member acts as an agent for the LLP and only has liability up to the amount they have contributed.

The company was incorporated on 11 March 2011 with the primary purpose of assisting in the delivery of economic and regeneration benefits to Scotwood.

The Council has provided loan facilities to allow the company to develop and expand its asset portfolio in the Scotswood area.

The Council made no loan to LLP during the 12 months to 31st March 2025 (£0m in 2024/25), at which time the total drawn down to date was £4.2m. The loan is non interest bearing, is due for repayment after more than one year and is secured on the assets of the LLP.

New Tyne West Development LLP year end is 31 December. The information presented in the Group accounts has been based upon management accounts for the period to 31 March 2025. The Council holds a £4.2m loan in the single entity accounts, with the balance of investments in New Tyne West Development Company LLP consolidated into the group accounts. No material changes or events have occurred since March 2025.

**For the Group, the Statement of Accounts Comprises:****Group Movement in Reserves Statement**

This shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local Taxation) and non usable reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Group Comprehensive Income and 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, Business Rates and Dwellings Rent setting purposes. The statement also shows transfers to, or from, Earmarked Reserves undertaken by the Group. The movement in reserves statement sets out in a single line the adjustments to reflect the difference between the accounting and regulatory basis of determining the Groups funding requirements.

**Group Comprehensive Income and Expenditure Statement**

This reports the income and expenditure for the year for all Group functions. It also discloses non cash surpluses and deficits relating to the revaluation of Group assets and gains and losses on pension scheme assets and liabilities.

**Group Balance Sheet**

This is fundamental to the understanding of the Group's year end financial position. It shows the balances and reserves at the Group's disposal and its long term indebtedness, the net current assets employed in its operations, and summarised information on the fixed assets held.

**Group Cash Flow Statement**

This summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement as cash in hand and cash equivalents are deposits repayable on demand.

**Notes to the Group Financial Statements**

The notes included in the Group Accounts represent those notes required from the Council's own core financial statements, except where there are no material additional amounts or details in relation to group entities. The accounting policies on which the statements and notes have been prepared are the same as the Council other than those described in section 12 of the accounting policies Note 42.

## 5.2 Group Movement in Reserves Statement

	Usable Reserves										Group Unusable Reserves	Total Council Reserves
	Note	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Housing Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves of Subsidiaries & Joint ventures	Total Usable Reserves		
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2023</b>		(10,134)	(195,111)	(8,186)	(34)	(1,327)	(14,232)	(29,118)	(72,915)	(331,057)	(835,815)	(1,166,872)
<b>Movement in reserves during 2023/24</b>												
<b>Total Comprehensive Income &amp; Expenditure</b>		(48,944)	-	(32,231)	-	-	-	-	4,767	(76,408)	(15,175)	(91,583)
Adjustments between group accounts and authority accounts		-	-	-	-	-	-	-	(2,996)	(2,996)	2,996	-
<b>Net increase or decrease before transfers of Group Entities</b>		(48,944)	-	(32,231)	-	-	-	-	1,771	(79,404)	(12,179)	(91,583)
Adjustments between accounting basis & funding basis under regulations		55,465	-	36,503	-	(3,875)	(1,342)	(12,971)	-	73,781	(73,780)	1
<b>Net (Increase)/ Decrease before transfers to Earmarked Reserves</b>		6,521	-	4,272	-	(3,875)	(1,342)	(12,971)	1,771	(5,623)	(85,959)	(91,582)
Transfers (to)/from Earmarked Reserves		(13,962)	13,962	568	(568)	-	-	-	-	-	-	-
<b>(Increase)/Decrease in 2023/24</b>		(7,441)	13,962	4,840	(568)	(3,875)	(1,342)	(12,971)	1,771	(5,623)	(85,959)	(91,582)
<b>Balance at 31 March 2024 carried forward</b>		(17,575)	(181,149)	(3,346)	(602)	(5,202)	(15,574)	(42,089)	(71,144)	(336,680)	(921,773)	(1,258,453)
<b>Movement in reserves during 2024/25</b>												
<b>Total Comprehensive Income &amp; Expenditure</b>		(106,118)	-	(14,421)	-	-	-	-	29,175	(91,364)	(5,832)	(97,196)
Adjustments between group accounts and authority accounts		-	-	-	-	-	-	-	39,949	39,949	(39,949)	-
<b>Net increase or decrease before transfers of Group Entities</b>		(106,118)	-	(14,421)	-	-	-	-	69,124	(51,415)	(45,781)	(97,196)
Adjustments between accounting basis & funding basis under regulations		117,565	-	13,344	-	3,255	21	5,535	-	139,718	(139,718)	-
<b>Net (Increase)/ Decrease before transfers to Earmarked Reserves</b>		11,448	-	(1,077)	-	3,255	21	5,535	69,124	88,303	(185,499)	(97,196)
Transfers (to)/from Earmarked Reserves		(12,017)	12,017	-	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in 2024/25</b>		(569)	12,017	(1,077)	-	3,255	21	5,535	69,124	88,303	(185,499)	(97,196)
<b>Balance at 31 March 2025 carried forward</b>		(18,146)	(169,132)	(4,423)	(602)	(1,947)	(15,553)	(36,554)	(2,020)	(248,377)	(1,107,272)	(1,355,649)

## 5.3 Group Comprehensive Income and Expenditure Statement

2023/24				Note	2024/25		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
11,483	(7,736)	3,747	Deputy Chief Executive		13,457	(8,914)	4,543
229,512	(116,866)	112,646	Adult Social Care and Prevention		247,089	(121,779)	125,310
276,456	(207,237)	69,219	Children and Families		286,365	(211,603)	74,762
115,632	(65,687)	49,945	City Operations, Neighbourhoods and Regula		120,607	(74,323)	46,284
48,022	(26,765)	21,257	Investment and Growth		61,494	(37,449)	24,045
25,419	(25,732)	(313)	Public Health Service		28,809	(26,986)	1,823
16,336	(8,031)	8,305	Chief Finance Officer		15,067	(7,981)	7,086
4,374	(1,909)	2,465	Workforce and Development		4,473	(1,858)	2,615
85,391	(83,866)	1,525	Housing Benefit Payments		84,337	(83,238)	1,099
105,340	(132,356)	(27,016)	Local Authority Housing (Including HRA)		136,019	(132,722)	3,297
19,505	(9,560)	9,945	Housing and Communities		19,500	(13,108)	6,392
19,913	(20,381)	(468)	Corporate Costs		(43,229)	(25,228)	(68,457)
<b>957,383</b>	<b>(706,126)</b>	<b>251,257</b>	<b>Cost of Services</b>		<b>973,988</b>	<b>(745,189)</b>	<b>228,799</b>
27,184	(11,214)	15,970	Other Operating Expenditure		46,230	(10,735)	35,495
49,893	(28,579)	21,314	Financing & Investment Income & Expenditure	GA2	45,246	(21,207)	24,039
1,614	(366,923)	(365,309)	Taxation & Non-Specific Grant Income & Expenditure		1,882	(381,928)	(380,046)
	<b>(76,768)</b>		<b>Deficit/ (Surplus) on Provision of Services</b>				<b>(91,713)</b>
	(67)		Associates and Joint Ventures accounted for on an equity basis				23
	427		Tax expenses of subsidiaries				326
	<b>(76,408)</b>		<b>Group Surplus or Deficit</b>				<b>(91,364)</b>
	(80,825)		(Surplus)/Deficit on Revaluation of Non Current Assets				(58,253)
	-		(Surplus)/Deficit on Revaluation of Financial Assets held at Fair Value through Other Comprehensive Income				(8,507)
	(127,840)		Re-measurements of the defined benefit liability				(276,490)
	193,490		Restriction on use of defined benefit surplus				337,200
	-		Share of Other Comprehensive Income and Expenditure of Group Entities				218
	<b>(15,175)</b>		<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(5,832)</b>
	<b>(91,583)</b>		<b>Total Comprehensive Income &amp; Expenditure (Surplus)/Deficit</b>				<b>(97,196)</b>

## 5.4 Group Balance Sheet

31 Mar 2024 £000		Note	31 Mar 2025 £000
1,867,739	Property, Plant & Equipment	GA6	1,959,981
110,607	Heritage Assets		110,607
78,940	Investment Property		95,965
313	Intangible Assets		405
5,189	Investments in Associates and Joint Ventures		5,166
19,469	Long Term Investments		27,976
49,628	Long Term Debtors		55,832
-	Pension Surplus	GA11	-
<b>2,131,885</b>	<b>Long Term Assets</b>		<b>2,255,932</b>
5,110	Short Term Investments		3,090
1,698	Assets Held for Sale		628
2,362	Inventories		7,454
117,021	Short Term Debtors	GA7	111,039
147,132	Cash and Cash Equivalents	GA8	121,064
<b>273,323</b>	<b>Current Assets</b>		<b>243,275</b>
-	Bank Overdraft	GA8	-
(22,542)	Short Term Borrowing		(11,650)
(127,325)	Short Term Creditors	GA9	(122,723)
(5,392)	Short Term Provisions		(9,693)
<b>(155,259)</b>	<b>Current Liabilities</b>		<b>(144,066)</b>
(147,736)	Long Term Creditors		(167,163)
(189)	Deferred Liabilities		(159)
(705,417)	Long Term Borrowing		(686,314)
(20,562)	Long Term Provisions		(8,387)
(83,262)	Grants Receipts in Advance		(96,936)
(34,330)	Pension Liability	GA11	(40,530)
-	Deferred tax liability		(3)
<b>(991,496)</b>	<b>Long Term Liabilities</b>		<b>(999,492)</b>
<b>1,258,453</b>	<b>Net Assets</b>		<b>1,355,649</b>
(265,536)	Council Usable Reserves	GA13	(246,357)
(71,144)	Usable Reserves of Group Entities	GA13	(2,020)
22,595	Unusable Reserves of Group Entities	GA14	(17,134)
(944,368)	Unusable Reserves	GA1	(1,090,138)
<b>(1,258,453)</b>	<b>Total Reserves</b>		<b>(1,355,649)</b>

### 5.5 Group Cash Flow Statement

2023/24 £000		2024/25 £000
76,408	Net (Deficit)/Surplus on the provision of services	91,364
353,510	Adjustments to net surplus or deficit on the provision of services for non cash movements	20,727
(368,024)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(114,023)
<b>61,894</b>	<b>Net cash flows from Operating Activities</b>	<b>(1,932)</b>
49,223	Investing Activities	(6,784)
(63,883)	Financing Activities	(17,352)
<b>47,234</b>	<b>Net (Decrease)/Increase in cash and cash equivalents</b>	<b>(26,069)</b>
99,898	Cash and cash equivalents at the beginning of the reporting period	147,132
<b>147,132</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>121,064</b>

## 5.6 Index of Explanatory Notes to the Group Financial Statements

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## 5.7 Explanatory Notes to the Group Financial Statements

### GA1 Adjustments between Group Accounts and Council Accounting Policies

The group financial statements are prepared on the basis that all group entities balances and transactions are accounted for on a consistent basis. As such, the accounting policies of the Council, as parent of the group, are applied to the transactions and balances of all entities consolidated into the group statements.

### GA2 Financing and Investment Income and Expenditure

	Note	2023/24 £000	2024/25 £000
Interest payable and similar charges		41,771	36,453
Interest on defined benefit liability		(3,280)	(1,060)
Interest receivable and similar income		(14,448)	(12,418)
Income and expenditure in relation to investment properties and changes in their fair value		(8,804)	(1,002)
Impairment losses on Financial Instruments		6,075	2,066
<b>Total</b>		<b>21,314</b>	<b>24,039</b>

### GA3 Officers' Remuneration

The number of officers / teachers who received remuneration greater than £50,000 (excluding employer's pension contributions) was as follows. This excludes the senior officers for Newcastle City Council as the remuneration paid to them is detailed in Note 9 of the single entity statements.

Remuneration Band	Officer 2024/25	Teacher 2024/25	Total 2024/25	Officer 2023/24	Teacher 2023/24	Total 2023/24
£50,000 - £54,999	228	1	229	200	3	203
£55,000 - £59,999	102	4	106	86	1	87
£60,000 - £64,999	44	-	44	45	1	46
£65,000 - £69,999	44	-	44	35	1	36
£70,000 - £74,999	15	-	15	5	1	6
£75,000 - £79,999	5	2	7	6	1	7
£80,000 - £84,999	3	1	4	5	-	5
£85,000 - £89,999	8	-	8	2	-	2
£90,000 - £94,999	-	-	-	2	-	2
£95,000 - £99,999	1	-	1	2	-	2
£100,000 - £104,999	4	-	4	6	-	6
£105,000 - £109,999	4	-	4	1	-	1
£110,000 - £114,999	-	-	-	-	-	-
£115,000 - £119,999	-	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-	-
£125,000 - £129,999	-	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-	-
£135,000 - £139,999	1	-	1	1	-	1
£140,000 - £144,999	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	-	-
£170,000 - £174,999	-	-	-	1	-	1
<b>Total</b>	<b>459</b>	<b>8</b>	<b>467</b>	<b>397</b>	<b>8</b>	<b>405</b>

#### GA4 Termination Benefits

The following table includes actual leavers within the 2024/25 financial year - i.e. those employees whose contracts were terminated and left by 31 March 2025.

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of Exit Packages agreed		Total cost of Exit Packages agreed	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	£ 2024/25	£ 2023/24
£0 - £20,000	10	3	8	13	18	16	88,326	156,887
£20,001 - £40,000	1	-	-	2	1	2	32,648	51,644
£40,001 - £60,000	-	3	1	1	1	4	89,721	208,838
£60,001 - £80,000	-	2	-	-	-	2	-	146,612
£80,001 - £100,000	-	2	-	-	-	2	-	180,228
£100,001 - £150,000	2	2	1	1	3	3	369,761	236,284
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	206,563
£250,001 - £300,000	-	-	-	-	-	-	-	-
£300,001 - £350,000	-	-	-	-	-	-	-	-
£350,001 - £400,000	-	-	1	-	1	-	365,305	-
£400,001 - £450,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>13</b>	<b>12</b>	<b>11</b>	<b>17</b>	<b>24</b>	<b>29</b>	<b>945,761</b>	<b>1,187,056</b>

**GA5 External Audit Costs**

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

	2023/24 £000	2024/25 £000
Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year.	405	435
Fees payable in respect of statutory inspections.	5	-
Fees payable for the certification of grant claims and returns for the year.	15	15
Fees payable for any other work carried out by the appointed auditors during the year.	-	-
PSAA rebate	-	-
Fees payable with regard to external audit services for subsidiaries	10	-
<b>Total fees payable to the appointed auditor</b>	<b>435</b>	<b>450</b>
Total group external audit costs	54	54
<b>Total group external audit costs</b>	<b>489</b>	<b>504</b>

## GA6 Property, Plant &amp; Equipment

Movements in 2024/25	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
<b>Cost or Valuation</b>									
At 1 April 2024	1,142,559	361,755	151,584	-	1,928	7,867	11,485	1,677,178	86,536
Additions	54,336	43,577	4,233	-	1,098	-	13,051	116,295	390
Acquisitions of Leased Assets	-	-	286	-	-	-	-	286	-
Acquisitions of Group Entities	-	-	-	-	-	-	-	-	-
Works to existing properties of Group Entities	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(5,022)	19,535	-	-	-	-	125	14,638	(318)
Revaluation increases/(decreases) recognised in the Deficit on the Provision of Services	13,304	(7,925)	-	-	-	(0)	-	5,379	-
Derecognition - Disposals	(48,499)	(989)	(6,868)	-	-	-	-	(56,356)	-
Assets reclassified (to)/from Held for Sale	-	1,067	-	-	-	-	-	1,067	-
Other reclassifications	315	(227)	-	-	-	-	(88)	-	-
<b>At 31 March 2025</b>	1,156,993	416,793	149,235	-	3,026	7,867	24,573	1,758,487	86,608
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2024	(59,362)	(42,174)	(76,729)	-	(1,009)	1	(171)	(179,444)	(43,274)
Depreciation charge	(35,458)	(5,524)	(11,788)	-	(28)	-	-	(52,798)	(2,507)
Depreciation written out to the Revaluation Reserve	41,248	2,157	-	-	-	-	11	43,416	94
Depreciation written out to the Deficit on the Provision of Services	(7,787)	119	-	-	-	-	-	(7,668)	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	(3,012)	3,274	-	-	-	-	-	262	46
Impairment losses recognised in the Deficit on the Provision of Services	(19,122)	(8,215)	-	-	(1,098)	-	(38)	(28,473)	-
Impairment reversals recognised in the Deficit on the Provision of Services as a result of revaluation	18,138	10,048	-	-	-	-	-	28,186	-
Derecognition - Disposals	698	53	8,310	-	-	-	-	9,061	-
Reclassifications	(15)	2,106	-	-	-	-	(2,091)	-	-
<b>At 31 March 2025</b>	(64,672)	(38,156)	(80,207)	-	(2,135)	1	(2,289)	(187,458)	(45,641)
<b>Net Book Value</b>									
At 31 March 2025	1,092,321	378,637	69,028	-	891	7,868	22,284	1,571,029	40,967

Movements in 2023/24	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
<b>Cost or Valuation</b>									
<b>At 1 April 2023</b>	1,028,073	348,946	155,054	-	1,623	6,352	9,643	1,549,691	81,099
Additions	56,915	24,587	5,529	-	305	-	8,086	95,422	3,931
Acquisitions of Leased Assets	-	-	-	-	-	-	-	-	-
Acquisitions of Group Entities	-	-	-	-	-	-	-	-	-
Works to existing properties of Group Entities	62	-	-	-	-	-	-	62	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	20,050	3,127	-	-	-	1,550	-	24,727	1,495
Revaluation increases/(decreases) recognised in the Deficit on the Provision of Services	39,266	(12,788)	-	-	-	-	-	26,478	11
Derecognition - Disposals	(7,838)	(724)	(11,147)	-	-	-	-	(19,709)	-
Assets reclassified (to)/from Held for Sale	-	(1,657)	-	-	-	-	-	(1,657)	-
Other reclassifications	6,031	247	2,148	-	-	(35)	(6,244)	2,147	-
<b>At 31 March 2024</b>	1,142,559	361,738	151,584	-	1,928	7,867	11,485	1,677,161	86,536
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2023</b>	(51,162)	(62,602)	(75,825)	-	(676)	1	-	(190,264)	(43,410)
Depreciation charge	(31,114)	(4,814)	(11,444)	-	(28)	-	-	(47,400)	(2,498)
Depreciation written out to the Revaluation Reserve	41,991	7,000	-	-	-	-	-	48,991	1,031
Depreciation written out to the Deficit on the Provision of Services	(11,663)	228	-	-	-	-	-	(11,435)	7
Impairment losses/(reversals) recognised in Revaluation Reserve	(8,380)	15,383	-	-	-	-	-	7,003	1,596
Impairment losses recognised in the Deficit on the Provision of Services	(19,248)	(7,141)	-	-	(305)	-	-	(26,694)	-
Impairment reversals recognised in the Deficit on the Provision of Services as a result of revaluation	20,214	9,575	-	-	-	-	-	29,789	-
Derecognition - Disposals	-	26	10,334	-	-	-	-	10,360	-
Reclassifications	-	171	207	-	-	-	(171)	207	-
<b>At 31 March 2024</b>	(59,362)	(42,174)	(76,728)	-	(1,009)	1	(171)	(179,443)	(43,274)
<b>Net Book Value</b>									
<b>At 31 March 2024</b>	1,083,197	319,564	74,856	-	919	7,868	11,314	1,497,718	43,262

## Infrastructure Assets

### Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2023/24 £m	2024/25 £m
<b>Net book value (modified historical cost) at 1 April</b>	354,454	370,021
Additions	29,442	33,689
Derecognition	-	(239)
Depreciation	(13,875)	(14,759)
Impairment	-	-
Other movements in cost	-	239
<b>Net book value at 31 March</b>	<b>370,021</b>	<b>388,951</b>

As infrastructure assets are not disclosed on the face of the Note, a reconciliation to total PPE held on the Balance Sheet is provided below:

	31 March 2024 £m	31 March 2025 £m
Infrastructure assets	370,021	388,951
Other PPE assets	1,497,718	1,571,029
<b>Total PPE assets</b>	<b>1,867,739</b>	<b>1,959,980</b>

The authority has determined in accordance with Regulation [30M England or 24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

**GA7 Short Term Debtors**

	31 Mar 2024 £000	31 Mar 2025 £000
Central Government Bodies	18,209	16,455
Other Local Authorities	10,160	17,191
NHS Bodies	12,013	6,933
Public Corporations and Trading Funds	604	769
Other Entities and Individuals	76,035	69,691
<b>Total</b>	<b>117,021</b>	<b>111,039</b>

**GA8 Cash and Cash Equivalents**

	31 Mar 2024 £000	31 Mar 2025 £000
Cash held by the Group	12,185	9,335
Short-term deposits with financial institutions	133,618	106,942
Bank (Overdraft) / Surplus	1,329	4,787
<b>Total Cash and Cash Equivalents</b>	<b>147,132</b>	<b>121,064</b>

**GA9 Short Term Creditors**

	31 Mar 2024 £000	31 Mar 2025 £000
Central government bodies	(41,791)	(28,552)
Other local authorities	(5,066)	(4,822)
NHS bodies	(2,306)	(2,363)
Public corporations and trading funds	-	(1)
Other entities and individuals	(78,162)	(86,985)
<b>Total</b>	<b>(127,325)</b>	<b>(122,723)</b>

**GA10 Contingent Liabilities**

Details of the Council's contingent liabilities can be found in Note 27 of the single entity statements.

**GA11 Defined Benefit Pension Schemes****Participation in the Pension Scheme**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. In 2024-25 YHN was subsumed into NCC so the actuary report for NCC now includes former YHN members of the pension scheme.

The Council participates in two post employment schemes:

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

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

### **Transactions Relating to Post-employment Benefits**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
Current service cost	44,190	35,970	-	-
Past service costs	350	550	-	-
Settlement cost				
<b>Financing and Investment Income and Expenditure:</b>	-	-	-	-
Interest on net defined benefit liability/(asset)	(5,510)	(12,830)	2,230	2,120
Interest on unrecognised asset	-	9,650	-	-
<b>Pension expense recognised in profit and loss</b>	<b>39,030</b>	<b>33,340</b>	<b>2,230</b>	<b>2,120</b>
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:				
Return on plan assets (in excess of)/ below that recognised in net interest	(61,800)	60,170	-	-
Actuarial (gains)/losses due to changes in financial assumptions	(64,340)	(297,600)	(570)	(2,780)
Actuarial (gains)/losses due to changes in demographic assumptions	(31,830)	(11,270)	(1,360)	(270)
Actuarial (gains)/losses due to changes in liability assumptions	18,820	(11,240)	1,610	80
Adjustment loss (gain) due to restriction of surplus	223,860	367,930	-	-
<b>Total amount recognised in Other Comprehensive Income and Expenditure</b>	<b>84,710</b>	<b>107,990</b>	<b>(320)</b>	<b>(2,970)</b>
<b>Total amount recognised</b>	<b>123,740</b>	<b>141,330</b>	<b>1,910</b>	<b>(850)</b>

### Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation) (please note that Your Homes Newcastle do not have any unfunded discretionary benefits):

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000
Opening balance at 1 April	(1,997,590)	(1,980,390)	(50,110)	(46,740)
Current service cost	(44,190)	(35,970)	-	-
Interest cost	(92,220)	(93,350)	(2,230)	(2,120)
Contributions by participants	(14,570)	(13,170)	-	-
Actuarial gains/(losses) on liabilities - financial assumptions	64,340	313,340	570	2,780
Actuarial gains/(losses) on liabilities - demographic assumptions	31,830	13,750	1,360	270
Actuarial gains/(losses) on liabilities - experience	(18,820)	10,540	(1,610)	(80)
Net benefits paid out	84,030	90,950	5,280	5,360
Past service costs	(350)	(550)	-	-
Net increase in liabilities from disposals/acquisitions	6,540	-	-	-
Settlements	-	(13,340)	-	-
<b>Closing balance at 31 March</b>	<b>(1,981,000)</b>	<b>(1,708,190)</b>	<b>(46,740)</b>	<b>(40,530)</b>

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2023/24 £000	2024/25 £000
Opening balance at 1 April	2,096,250	2,217,270
Interest income on assets	97,730	106,180
Remeasurement gains/(losses) on assets	61,800	(50,530)
Employer contributions	37,490	34,950
Contributions by scheme participants	14,570	13,170
Net benefits paid out	(84,030)	(90,950)
Net increase in liabilities from disposals/acquisitions	(6,540)	-
Settlements	-	18,080
<b>Closing balance at 31 March</b>	<b>2,217,270</b>	<b>2,248,170</b>

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.

	2023/24 £000	2024/25 £000
<b>Present value of liabilities:</b>		
Local Government Pension Scheme	(1,981,000)	(1,708,190)
Discretionary benefits	(46,740)	(40,530)
Fair value of assets in the Local	2,217,270	2,248,170
Adjustment loss/ (gain) due to restriction of surplus	(223,860)	(539,980)
<b>Surplus/(deficit) in the scheme:</b>	<b>(34,330)</b>	<b>(40,530)</b>
Local Government Pension Scheme	12,410	-
Discretionary benefits	(46,740)	(40,530)
<b>Total</b>	<b>(34,330)</b>	<b>(40,530)</b>

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows; for Newcastle City Council (which now includes former YHN members) active members 32%, deferred pensioners 13% and pensioners 55%.

The liabilities show the underlying commitments that Newcastle City Council has in the long run to pay post employment (retirement) benefits. The total combined liability of £1.708bn has a substantial impact on the net worth of the group as recorded in the balance sheet, resulting in a negative pension balance of £40.5m. The current position for funding pension commitments is in deficit, however statutory arrangements remain in place to ensure that means the financial position of the group remains healthy. This deficit is after an adjustment of £539.98m for restriction of surplus has taken place.

The total contributions expected to be made to the Local Government Pension Scheme by the group in the year to 31 March 2025 is £35.46m (2023-24 £38.67m). In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2025 are £5.45m in relation to unfunded benefits and enhanced teacher's benefits.

### Basis for Estimating Assets and Liabilities

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

The main financial assumptions used by the actuary for Newcastle City Council are set out below.

	2023/24	2024/25
Rate for discounting scheme liabilities	4.8%	5.8%
Rate of inflation - Consumer Price Index	2.6%	2.5%
Rate of increase in pensions	2.6%	2.5%
Rate of increase to deferred pensions	2.6%	2.5%
Rate of increase in salaries	4.1%	4.0%

### Asset Allocation

Assets below are disclosed for Newcastle City Council in Note 29 of the Council's core Financial Statements. The assumed rate of return on each asset class is the same as disclosed for Newcastle City Council with the expected return for each asset class being derived from aggregating the expected return over the actual asset allocation for the Fund at 31 March 2025.

The following table reconciles the actual return on assets to the Group Balance Sheet.

	Funded	Funded	Unfunded	Unfunded
	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000
Interest income on assets	97,730	106,180	-	-
Remeasurement gain/(loss) on assets	61,800	(50,530)	-	-
<b>Actual return on assets</b>	<b>159,530</b>	<b>55,650</b>	-	-

### Funded LGPS Benefits

The sensitivity analysis shown below is shown in Note 29 of the Council's core Financial Statements provides the assumptions used by the actuary for the Council.

### Discount Rate assumption

Adjustment to Discount rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£m)	1,682.57	1,708.19	1,733.81
% change in present value of total obligation	-1.50%		1.50%
Projected service cost (£m)	22.86	23.94	25.07
Approximate % change in projected service cost	-4.50%		4.70%

### Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£m)	1,711.61	1,708.19	1,704.77
% change in present value of total obligation	0.20%		-0.20%
Projected service cost (£m)	23.94	23.94	23.94
Approximate % change in projected service cost	0.00%		0.00%

**Rate of increase to pensions in payment and deferred pensions assumption and the rate of revaluation of pension accounts assumption**

<b>Adjustment to pension increase rate</b>	<b>annum</b>	<b>Base Figure</b>	<b>annum</b>
Present value of total obligation (£m)	1,730.40	1,708.19	1,685.98
% change in present value of total obligation	1.30%		-1.30%
Projected service cost (£m)	25.07	23.94	22.86
Approximate % change in projected service cost	4.70%		-4.50%

**Post retirement mortality assumption**

<b>Adjustment to mortality age rating assumption *</b>	<b>-1 year</b>	<b>Base Figure</b>	<b>+1 year</b>
Present value of total obligation (£m)	1,745.77	1,708.19	1,670.61
% change in present value of total obligation	2.20%		-2.20%
Projected service cost (£m)	24.78	23.94	23.08
Approximate % change in projected service cost	3.50%		-3.60%

\* A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

**GA12 Group-held Investment properties**

In addition to the single entity investment properties of £76.445m (Note 18), the Group's total investment properties include a further £19.520m held by subsidiaries Crossco (1467) Limited (£12.200m) and Tynexe Limited (£7.320m). These subsidiaries have been consolidated in line with IFRS 10 (Consolidated Financial Statements), and the investment properties are accounted for in accordance with IAS 40 (Investment Property). This brings the total Group investment property value to £95.965m.

**GA13 Usable Reserves**

	31 Mar 2024 £000	31 Mar 2025 £000
General Fund Balance	(17,575)	(18,146)
Earmarked General Fund Balances	(181,149)	(169,132)
Housing Revenue Account (HRA)	(3,343)	(4,423)
Earmarked HRA Balances	(602)	(602)
Housing Major Repairs Reserve	(5,202)	(1,947)
Capital Receipts Reserve	(15,576)	(15,553)
Capital Grants Unapplied	(42,089)	(36,554)
Leazes Homes Social Housing Grant Reserve	(31,513)	-
Usable Reserves of Group Entities	(39,631)	(2,020)
<b>Total Usable Reserves</b>	<b>(336,680)</b>	<b>(248,377)</b>

**GA14 Unusable Reserves**

	31 Mar 2024 £000	31 Mar 2025 £000
Revaluation Reserve	(524,440)	(574,174)
Financial Instruments Revaluation Reserve	(14,190)	(22,697)
Capital Adjustment Account	(466,229)	(541,792)
Financial Instruments Adjustment Account	20,742	19,995
Pensions Reserve	46,740	40,530
Deferred Capital Receipts Reserve	(1,911)	(1,360)
Collection Fund Adjustment Account	(13,185)	(18,113)
Accumulated Absences Account	8,105	7,473
Unusable Reserves of Group Entities	22,595	(17,134)
<b>Total Unusable Reserves</b>	<b>(921,773)</b>	<b>(1,107,272)</b>



## 6.0 Supporting Information



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWCASTLE CITY COUNCIL**

### **Disclaimer of Opinion**

We were engaged to audit the financial statements of Newcastle City Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2025. The financial statements comprise the:

- Council and Group Movement in Reserves Statement.
- Council and Group Comprehensive Income and Expenditure Statement.
- Council and Group Balance Sheet.
- Council and Group Cash Flow Statement.
- The related notes 1 to 42 including material accounting policy information and including the Expenditure and Funding Analysis.
- The explanatory notes to the Group financial statements, the Group Introduction and notes GA1 to GA14.
- Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the HRA balance, and the related notes H1 to H12.
- Collection Fund, comprising the Collection Fund Income and Expenditure Account, the Change in Collection Fund Balance and the related notes CF1 to CF4.

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 2024/25.

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **Basis for disclaimer of opinion**

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) ("the Regulations") which came into force on 30 September 2024 required the accountability statements for the year ended 31 March 2025 to be approved not later than 27 February 2026 ('the backstop date').

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

Due to the disclaimers of opinion on the financial statements in the prior years, delays in receiving associated audit evidence and inability to support the audit in advance of the backstop date, we have not been able to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2025.

Therefore, we are disclaiming our opinion on the financial statements.

The audits of the financial statements for the years ended 31 March 2023 and 31 March 2024 for Newcastle City Council were not completed for the reasons set out in our disclaimers of opinion on those financial statements dated 27 November 2024 and 24 February 2025 respectively.

### **Matters on which we report by exception**

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Group and the Council.

We report to you if:

- We issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended).
- We make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended).
- We make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended).
- We issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended).
- We make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).
- We are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in these respects.

### **Responsibility of the Chief Finance Officer**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on pages 20-21, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Group and Council 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 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Newcastle City Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Newcastle City Council put in place proper

arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Newcastle City Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

#### **Use of our report**

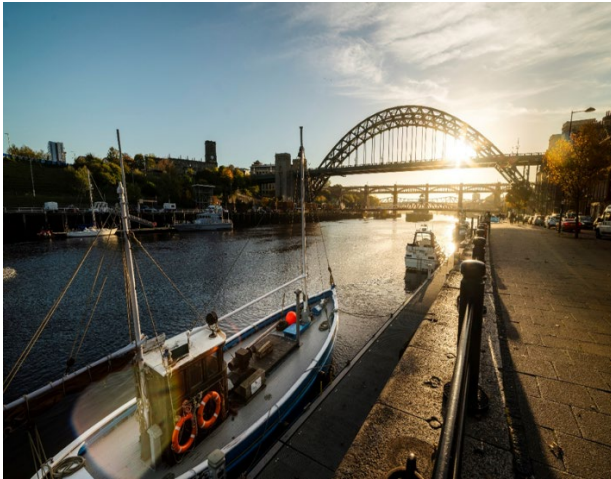
This report is made solely to the members of Newcastle City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Claire Mellons  
Ernst + Young LLP

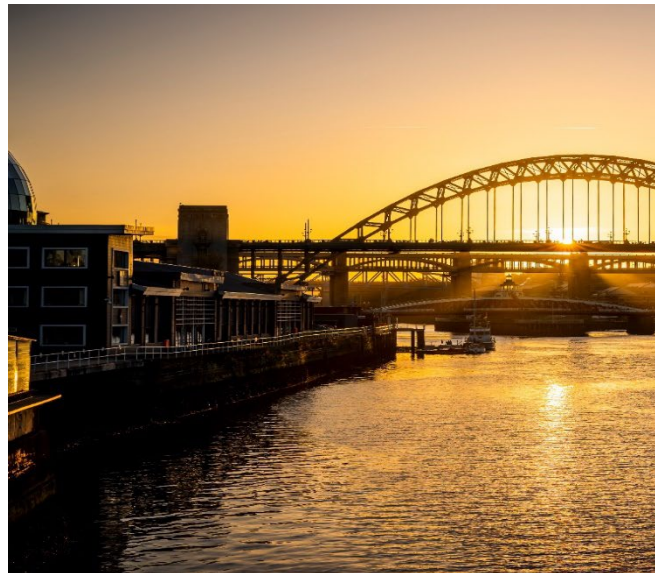
Claire Mellons (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Newcastle Upon Tyne  
26 February 2026



Newcastle  
City Council 



# Annual Governance Statement 2024/25



## Section 1: Introduction

This Annual Governance Statement (AGS) provides an overview of how the Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective.

The Statement also includes activities that may need improvement, but which do not constitute 'significant weaknesses' in our governance and internal control arrangements.

Appendix A of this statement includes the background to the weaknesses and details the actions that will be undertaken to improve their effectiveness.

To help us undertake the review of our governance arrangements an Informal Audit & Standards Committee sub-group of members and officers carry out a review of our governance framework. The Group included the Chair, 2 other Members of Audit and Standards Committee, the Council's Financial Accounting Service Manager and the Audit, Risk and Insurance, Service Manager.

## Section 1: Scope Of Responsibility

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

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

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

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

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

## Section 2: Purpose Of The Governance Framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. The Chartered Institute of Public Finance and Accountancy (CIPFAs) publication "Delivering Good Governance in Local Government" (2016 Edition), sets a

framework, and the standard, for local authority governance in the UK. The Framework sets out a set of principles which we test our governance arrangements against to consider the extent to which the Council complies with the principles of good governance as set out in the Framework. This is reported through the Annual Governance Statement. It also enables us to monitor the achievement of the Council's priorities and to consider whether those priorities have led to the delivery of appropriate services which represent value for money.

The Governance Framework has been in place for the year ended 31 March 2025 and up to the date of approval of the Council's Annual Report and Accounts.

This Annual Governance Statement meets the requirements of the Accounts and Audit (England) Regulations 2015 (6) (1) to conduct a review of the effectiveness of the system of internal control required by Regulation 3, which requires the AGS to be prepared in accordance with proper practices in relation to the accounts.

### Section 3: The Governance Framework

The core principles and outcomes of our Governance Framework are set out overleaf. This includes examples of how the Council has adhered to its governance commitments set out in the Constitution and includes hyperlinks to sources of further information which include more detail about how the Council has implemented its commitments.

#### Principles of Good Governance

- |  |  |
|--|--|
| <b>A.</b> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | <b>E.</b> Developing the entity's capacity, including the capability of its leadership and the individuals within it |
| <b>B.</b> Ensuring openness and comprehensive stakeholder engagement   | <b>F.</b> Managing risks and performance through robust internal control and strong public financial management      |
| <b>C.</b> Defining outcomes in terms of sustainable economic, social, and environmental benefits                     | <b>G.</b> Implementing good practices in transparency, reporting, and audit to deliver effective accountability      |
| <b>D.</b> Determining the interventions necessary to optimise the achievement of the intended outcomes               |  |





	<p>referred to Standards Committee where appropriate recommendations will be made - such as formal disapproval, training, or removal from Committees.</p> <ul style="list-style-type: none"> <li>• Our Employee Code of Conduct sets the standards of conduct that the Council expects of its employees in the performance of their duties.</li> </ul>	<p><a href="#">Employee Code of Conduct</a></p>
<p>Demonstrating Strong Commitment to Ethical Values</p>	<ul style="list-style-type: none"> <li>• We develop, communicate, and embed codes of conduct set out in the Newcastle Charter (Part 5), defining standards of behaviour for members and staff.</li> <li>• The Audit and Standards Committee deals with issues of conduct and generally promotes high standards of ethical governance from elected members and the Council. A summary of its work is included in its Annual Report to City Council.</li> <li>• Our Freedom of Information Scheme is published on our website.</li> <li>• The Council's Commissioning and Procurement Plan details our commitment to work with businesses that employ high ethical standards within their practice and those who want to work to improve their ethical approach.</li> <li>• The Newcastle Charter – Part 5 describes the Council's Ethical Governance Framework.</li> </ul>	<p><a href="#">The Newcastle Charter</a></p> <p><a href="#">Freedom of Information</a></p> <p><a href="#">Commissioning and Procurement Plan</a></p> <p><a href="#">The Newcastle Charter Ethical Governance Framework</a></p>
<p>Respecting the Rule of Law</p>	<ul style="list-style-type: none"> <li>• The Council has measures to address breaches of its legal and regulatory powers. The Council's Monitoring Officer (The Assistant Director Legal Services) has statutory reporting duties in respect of lawful decision making and maladministration.</li> </ul>	<p><a href="#">Monitoring Officer Protocol</a></p>

	<ul style="list-style-type: none"> <li>• The Council appoints Statutory Officers who have the skills, resources and support necessary to ensure the Council's statutory and regulatory requirements are complied with.</li> <li>• We review and update our standing orders, standing financial instructions, scheme of delegation and support procedure notes/manuals – these clearly define how decisions are taken and the processes and controls required to manage risks.</li> <li>• We ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.</li> <li>• Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer. The Monitoring Officer (Assistant Director Legal Services) advised on compliance with our policy framework, ensuring that decision making is lawful and fair and ethical.</li> </ul>	<a href="#">Rules of Procedure (Part Four)</a>
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B. Ensuring openness and comprehensive stakeholder engagement		
<i>The Council's Commitment to Good Governance</i>	<i>How the Council meets these principles</i>	<i>Where you can see Governance in action</i>
<b>Ensuring Openness</b>  Engaging Comprehensively with Institutional Stakeholders	<ul style="list-style-type: none"> <li>• The Council maintains a list of significant partners and commercial ventures. Signed assurance statements are received from each partner which contains an assessment of their governance and internal control systems. The statements provide additional evidence for this AGS.</li> </ul>	

	<ul style="list-style-type: none"> <li>• As a member of the North East Combined Authority (NECA), the Council continues to work with the Mayor and members of NTCA to deliver the Authority's vision, seeking opportunities to secure additional resources and powers from Government.</li> </ul>	<p><a href="#">North East Combined Authority</a></p>
<p>Engaging stakeholders effectively, including individual citizens and service users</p>	<ul style="list-style-type: none"> <li>• Cost of Living Support For Newcastle – Our website provides useful links and we offer a range of advice and support for our residents</li> <li>• Newcastle's partnership approach to welfare reforms - Active Inclusion Newcastle the Council's partnership which aims to better align public, voluntary and community sector resources to support resident with the impact of the welfare reforms.</li> <li>• Citylife Line: Looking after your welfare and wellbeing – providing help and support</li> <li>• Newcastle City Council's website includes changes to how residents can contact advice services and benefit offices at Benefit advice services in Newcastle and benefit offices. The 'coronavirus and benefits' website information has been updated as many of the benefit support measures have now ended, however the website continues to provide support and information.</li> <li>• The Council supports different ways for residents to present their individual and community's concerns to elected members, for example via Ward coordination.</li> <li>• We measure the quality of services for users, ensuring they are delivered in accordance with our objectives and that they represent the best use of resources, through the performance management framework and procurement</li> </ul>	<p><a href="#">Cost of Living Support web link</a></p> <p><a href="#">Active Inclusion Programme</a></p> <p><a href="#">Citylife Line</a></p> <p><a href="#">Benefit advice services in Newcastle</a></p>

and commissioning activity, as well as through feedback from Let's Talk Newcastle and surveys of residents, service users, partners and other stakeholders.

- Citylife is our resident's magazine which is published twice a year. Residents can also keep up to date with the city news sent direct to their inbox by signing up to e-Citylife.
- The Council informs, consults and involves residents in significant decisions including service and budget changes. Their views are submitted to those making decisions for consideration. Digital communication has become one of the preferred ways for residents to get in touch with us and find out what's going on in the city.
- We continue to use Facebook and X as primary social media platforms.
- As part of its consideration the need of the current and future service users in the city the Council produces a Future Needs Assessment.
- To promote transparency and wider engagement with Council decisions, residents can use social media, such as Facebook and X. Our social networks were set up to provide information on new, events and jobs for residents, businesses, and visitors.
- Newcastle Youth Council and Youth Parliament give young people aged 11 to 17 the opportunity to learn about the importance of democracy and voting by becoming an active citizen, having their voices heard and campaigning on issues that matter.

[Let's Talk Newcastle](#)

[Citylife magazine Winter 2024](#)

[Let's talk Newcastle - Consultations](#)

[Newcastle Youth Council and Youth Parliament](#)

**C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**

<i>The Council's Commitment to Good Governance</i>	<i>How the Council meets these principles</i>	<i>Where you can see Governance in action</i>
<p>Defining Outcomes</p>	<ul style="list-style-type: none"> <li>• The Council sets a Medium-Term Financial Plan which sets out how we are dealing with the continued public sector austerity whilst delivering our bold ambitions for the city. The Plan outlines the steps we propose to take over the next three years.</li> <li>• We have established clear channels of communication with the community and other stakeholders through Let's Talk Newcastle, which gives people the opportunity to have their say about the things that affect the people who live and work in Newcastle.</li> <li>• The Council has a process in place to identify and manage risks to the achievement of its objectives, as set out in the Risk Management Policy and Strategy. The Strategic and Corporate risk register is part of this framework and is used to inform decision making and provide assurance over actions being taken to manage key risks.</li> <li>• We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.</li> <li>• We published our Education and Skills priorities for 2024/25. We continue working with our education partners to improve the outcomes of Newcastle's children and young people.</li> </ul>	<p><a href="#">Medium Term Financial Plan</a></p> <p><a href="#">Let's Talk Newcastle</a></p> <p><a href="#">Education and Skills Priorities 2024-25</a></p>

Sustainable, Economic,  
Social and Environmental  
Benefits

- The environment is a priority for the Council. We believe that everyone deserves to live in a clean, pleasant neighbourhood and that everyone should feel safe in their communities respecting future generations by protecting the environment – The New Tyne West Development Partnership build programme meets the original plan and supports delivery of the building more and better homes priority.
- The Council has declared a Climate Emergency and will play its full part in limiting the impacts of climate change, and we will be on a path to carbon neutrality by 2030.
- We continue to work in partnership across the city to shape our approach to climate change and ultimately the future of our city.
- A Climate Change Committee is in place to advise Cabinet and Council on actions and resources required to deliver on the city’s climate change ambitions as well as update on progress towards agreed targets and outcomes.
- The Council sets out the climate change implications it has taken into consideration when making decisions in reports, which are available on its website.
- Children & Families Newcastle – A group of services and organisations working together to ensure services and support is accessible to children and families
- Education and skills are a priority for the Council - Working with partners to keep children safe, be included, continue to learn and ultimately to have the skills to move

[Climate change website](#)

[Climate Change Committee](#)

[Children & Families Newcastle](#)

[Education and skills Priorities 2024-25](#)

	<p>into the world of work is important for children and young people and for the future of our city.</p> <ul style="list-style-type: none"> <li>• The Council is part of a Strategic Education Partnership – working with schools and local businesses to promote economic growth, reduce dependency and help people gain the skills needed to access jobs in the city.</li> <li>• As part of the business planning process the Council sets out how it will work towards its agreed Equality Objectives. Cumulative impact assessments are carried out every year as part of our budget and planning process. This considers the emerging cumulative impacts of our proposals and how these will affect our residents.</li> <li>• Newcastle is committed to putting equality at the heart of our decision-making.</li> </ul>	<p><a href="#">Our approach to Equality and Diversity</a></p>
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D. Determining the interventions necessary to optimise the achievement of the intended outcomes		
<i>The Council's Commitment to Good Governance</i>	<i>How the Council meets these principles</i>	<i>Where you can see Governance in action</i>
Determining Interventions	<ul style="list-style-type: none"> <li>• Our Medium-Term Financial Plan sets out the latest assessment of the financial challenges we continue to face,</li> </ul>	<p><a href="#">Medium Term Financial Plan</a></p>

	<ul style="list-style-type: none"> <li>Strategic risks are owned by our Corporate Leadership Team and reported to Audit and Standards Committee and Cabinet on a regular basis.</li> </ul>	<a href="#">Strategic and Corporate Risk Monitoring Report December 2025</a> Agenda item 7.1
Planning Interventions	<ul style="list-style-type: none"> <li>The Council monitors its performance regularly. To help us improve in the right areas and demonstrate progress we use performance management.</li> </ul>	
Optimising Achievement of Intended Outcomes	<ul style="list-style-type: none"> <li>The Council integrates and balances service priorities, affordability and other resource constraints, supporting it to take into account the full cost of operations over the medium and longer term.</li> <li>In 2015 the Council made a commitment to getting the most Social Value out of every £1 that it spends. Each time that we commission something externally we consider how Social Value can influence the commissioning and procurement opportunity.</li> </ul>	<a href="#">Social Value Commitment</a>

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it		
<i>The Council's Commitment to Good Governance</i>	<i>How the Council meets these principles</i>	<i>Where you can see Governance in action</i>
Developing the Organisation's Capacity	<ul style="list-style-type: none"> <li>We have defined and documented in our constitution (the Newcastle Charter) the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication. The collective and individual</li> </ul>	<a href="#">The Newcastle Charter – Part 3</a>

	<p>roles and responsibilities of the Cabinet, councillors and officers have been agreed by the Council, Constitutional Committee and/or the Leader of the Council as appropriate.</p> <ul style="list-style-type: none"> <li>The Council is committed to its values of equality and fairness, priding ourselves as being open and inclusive without exception for our employees and wider community. This has been demonstrated by our commitment to embedding lesbian, gay, bisexual and transgender (LGBT), inclusion from employee policies to recruitment practices and internal communications. Our achievements have been recognised by Stonewall, the national LGBT workplace equality index, declaring us their employer of the year in 2020.</li> </ul>	<p><a href="#">Equality, diversity and inclusion strategy and objectives 2024-2029.</a></p>
<p>Developing the Capability of the Organisation's Leadership and Other Individuals</p>	<ul style="list-style-type: none"> <li>We identify the development needs of members and relevant senior officers in relation to their strategic roles, and support these with appropriate training through the Workforce Learning and Development Plan and individual member Learning and Development Plans.</li> <li>To demonstrate that our Audit and Standards Committee members (including co-opted members), have the skills and knowledge required to be an effective member of an Audit and Standards Committee, a skills and knowledge assessment produced by CIPFA is compiled. Where there is scope to improve skills and knowledge in specific areas, training sessions are delivered by officers who support the Committee.</li> <li>The Chair of our Audit and Standards Committee regularly attends an Audit Committee Forum. The forum is a platform for members of audit committees and those who service audit committee to share good practice, learn about the latest audit issues and network</li> </ul>	

- To improve leadership across the Council all managers are included in our Newcastle Manager Programme which includes specific training in leadership and management competencies.
- We recognise that we need to create the right environment to become a self-sufficient, fit for purpose Council. Our values are:
  - Proud – take pride in and celebrate each other’s achievements
  - Fair – be honest and treat people equal to their needs
  - Ambitious – to be passionate, determined, enthusiastic and want to succeed
- To engage all employees to live and breathe our new values we have created a network of values champions who are role models for the Council and its values, keeping senior officers and members in touch with how employees across the organisation are feeling to improve communication.
- As part of our appraisals programme, we have launched our new, updated appraisal model. – Newcastle Appraisal. The new approach is more clearly tied to our organisational priorities and values, simpler and scalable and able to be carried out at a time of the year which best fits the service. The appraisals programme also includes a series of one to ones with officers and managers over the year.
- The Council is committed to promoting the physical and mental health and wellbeing of the workforce. There is a wide range of self-led support available via the 24-hour

[Health Assured](#)

	<p>employee support lines (Health Assured) and there is a number of self-led support available on the intranet.</p> <ul style="list-style-type: none"> <li>• Able Futures mental health support service - supports our employees who are working and living with mental health difficulties, as well as advising employers and providers of apprenticeships on how they can support mental health at work.</li> </ul>	<p><a href="#">Able Futures</a></p>
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F. Managing risks and performance through robust internal control and strong public financial management		
<i>The Council's Commitment to Good Governance</i>	<i>How the Council meets these principles</i>	<i>Where you can see Governance in action</i>
Managing Risk	<ul style="list-style-type: none"> <li>• Our Risk Management Policy and Strategy outlines our arrangements for managing risk. Risk management is an integral part of our decision-making processes, therefore a core management discipline. To inform decision making all committee reports include a section which highlights the key risks to the decisions or proposed recommendations and how they are being addressed.</li> <li>• The role of Audit and Standards Committee is to act as the principal advisory committee to the Council and the Cabinet to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.</li> <li>• The Council's Major Incident Plan (MIP) includes a 'command and control' structure and specific governance arrangements to support the Council's approach to identifying, assessing, remediating and recovering from emergencies/disruptive events within the city.</li> </ul>	<p><a href="#">Financial Regulation Five – Risk Management</a> – Page 13</p> <p><a href="#">Role of Audit and Standards Committee</a></p>

	<ul style="list-style-type: none"> <li>• The Corporate Health and Safety Policy sets out the arrangements for ensuring resources are available to manage, monitor and review health and safety risks and where necessary improve H&amp;S performance effectively and proportionately.</li> <li>• Health and Safety risk assessment are in place for all high-risk activities and are reviewed annually.</li> <li>• Health and Safety performance reporting is reported regularly to Leadership Teams.</li> </ul>	
Managing Performance	<ul style="list-style-type: none"> <li>• Council performance in working towards the ambitions of the Council Plan and our Medium Term Financial Plan are supported by an internal Council Delivery Plan - which sets out how we will deliver our priorities and responsibilities.</li> </ul>	
Effective Overview and Scrutiny	<ul style="list-style-type: none"> <li>• The Corporate Scrutiny Committee is to provide strategic, oversight and scrutiny of the council's corporate functions, ensuring transparency, accountability, and continuous improvement in finance, governance performance and service delivery across the organisation.</li> </ul>	<a href="#">Corporate Scrutiny Committee</a>
Robust Internal Control	<ul style="list-style-type: none"> <li>• The Council has a robust internal control process in place which supports the achievement of its objectives while managing risks. The Council's Audit and Standards Committee acts as the principal advisory committee to the Council and Cabinet providing independent assurance on the adequacy of the risk management framework and internal control environment.</li> </ul>	<a href="#">Audit and Standards Committee</a>

	<ul style="list-style-type: none"> <li>• Audit and Standards Committee consider and analyse the effectiveness of the control environment, including arrangements for ensuring value for money and productivity, the robustness of mechanisms to deliver strategic objectives, particularly in a changing environment, and for managing the authority's exposure to the risks of fraud and corruption.</li> <li>• An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Council's internal auditors. The Chief Internal Auditor will provide an annual opinion for 2024/25 to support this AGS.</li> <li>• The Chief Internal Auditor produces an Internal Audit Plan which provides assurance on the effectiveness and value for money of Council delivery systems and processes.</li> <li>• The Council's website has a link to reporting fraud. Administration of the Council's policies on anti-fraud and corruption and anti-money laundering is undertaken by the Fraud Unit in Internal Audit.</li> </ul>	<p><a href="#">Reporting fraud to Newcastle City Council</a></p>
<p>Managing Data</p>	<ul style="list-style-type: none"> <li>• We have an Information Governance Strategy and framework in place to ensure the effective safeguarding, collection, storage and sharing of the Council's data. A Data Protection Officer is in post to oversee the Council's data protection strategy and its implementation to ensure compliance with the General Data Protection Regulations (GDPR).</li> <li>• The Council regularly reviews policies relating to records management, data quality, data protection and information security and provides data protection training.</li> </ul>	<p><a href="#">Data Protection Policy</a></p>

These policies and additional guidance are easily accessible by all staff via the intranet.

- All staff must undertake data protection e-learning training annually and this forms part of the induction process for new staff. Members receive in person data protection/GDPR training.
- Information Governance is overseen by the Information Governance Board, which is chaired by Deputy Chief Executive, who is the Senior Information Risk Owner for the Council.
- The Council is committed to sharing appropriate data safely with other agencies; where this improves effective and efficient service delivery, supports its objectives and the vision for the city and is compatible with the rights of individuals.
- The Council complies with the Local Government Transparency Code 2015 by publishing accurate data within appropriate time frames in the areas mandated by the Code.
- The Council make information available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Individuals may also access their own personal data by exercising the right of subject access under the Data Protection Act 2018.

[Local government transparency code 2015](#)

[Freedom of Information](#)

Strong Public Financial Management	<ul style="list-style-type: none"> <li>The control and financial management arrangements are reviewed by internal and external audit throughout the year.</li> </ul>	
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G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
<i>The Council's Commitment to Good Governance</i>	<i>How the Council meets these principles</i>	<i>Where you can see Governance in action</i>
Implementing Good Practice in Transparency	<ul style="list-style-type: none"> <li>Section 4 of this Annual Governance Statement provides the views of our internal and external auditors. Auditors report regularly to Audit and Standards Committee and provide their annual opinion on the adequacy and effectiveness of our governance, risk and control framework.</li> <li>We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police 2018. This includes undertaking an annual survey on its effectiveness.</li> <li>The Council's website is clear and easily accessible. Using 'Recite Me' software which allows visitors to customise our site in the way they need it to work for them, including a text to speech functionality. Our website complies with the Web content accessibility guidelines.</li> <li>Information on expenditure, performance and decision making is sited together on the local government page of</li> </ul>	<p><a href="#">Council website</a></p>

	<p>the Council's website and can be accessed quickly and easily.</p>	
<p>Implementing Good Practices in Reporting</p>	<ul style="list-style-type: none"> <li>• Production of the Annual Report and Accounts</li> </ul>	
<p>Assurance and Effective Accountability</p>	<ul style="list-style-type: none"> <li>• The Council welcomes peer challenge, internal and external review and inspections from regulatory bodies and gives thorough consideration to arising recommendations.</li> <li>• The Council monitors the implementation of internal and external audit recommendations. Audit and Standards Committee receive regular reports summarising performance regarding implementation of recommendations.</li> <li>• This AGS contains a section 'Annual review of the effectiveness of the governance framework', which sets out how the Council has gained assurance regarding the effectiveness of its Internal Audit service.</li> </ul>	<p><a href="#">Local Government Association Corporate Peer Challenge Report and Action Plan – 12 month update</a></p>

## Section 4: Annual Review Of Effectiveness Of Governance Framework

We have a legal responsibility to conduct an annual review of the effectiveness of our governance framework, including the system of internal control. The review was led by an informal sub-group, including the Chair, two other Members of Audit and Standards Committee, the Council's Financial Accounting Service Manager and Chief Internal Auditor who provide independence and challenge.

The outcomes of the review are considered by Audit and Standards Committee and Constitutional Committee (which is charged with final approval of this statement). The implications of the review are considered by the Corporate Leadership Team and incorporated within our improvement plans.

The review is informed by:

- (a) The views of our internal auditors reported to Audit and Standards Committee through regular progress reports and the Annual Internal Audit Opinion.
- (b) An annual review of the effectiveness of internal audit (as required by the Public Sector Internal Audit Standard).
- (c) The views of our external auditors, regularly reported to Audit and Standards Committee through regular progress reports, the Auditor's Annual Report and Audit Completion Report.
- (d) The independent views of regulatory agencies such as Ofsted and the Care Quality Commission.
- (e) The activities and operations of Council directorates and significant partnerships through written assurance statements.
- (f) The views of the Council's Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner through written statements.
- (g) The views of Members through the ongoing activities of Audit and Standards Committee, and Scrutiny Committees'.
- (h) Audit and Standards Committee continue to focus on the key risks facing the Council through regular risk deep dives.
- (i) Performance information which is reported to Cabinet, Corporate Scrutiny Committee and Directorate/Divisional Leadership Teams on a regular basis.
- (j) Progress made in addressing significant weaknesses and issues requiring improvement identified in previous annual governance statements.

## Section 5: Risk Management

The Council's strategic risk register records the most significant risks which if occurred could impact upon the achievement of the Council's priorities. Those risks are monitored and reported to and Audit and Standards Committee where they receive the necessary scrutiny and challenge to ensure the most effective actions are being taken to address them.

In addition to the regular risk reporting to Audit and Standards Committee the Corporate Leadership Team (CLT) carry out a 'deep dive' exercise covering all the risks currently monitored by the strategic risk register.

Individual risks are presented to CLT by the risk owner, allowing for closer scrutiny and focus with an in-depth analysis of each risk being undertaken.

The outcome of the CLT risk deep dive exercise is then reported to Audit and Standards Committee where members focus on those specific risks as part of the strategic risk agenda item. The risk owners are invited to the Committee to discuss the risks and mitigation strategies.

To date the following risks have been presented to CLT and Audit and Standards Committee:

- Transfer of YHN Housing Services
- Major Incident Management
- Community Tensions
- Economic Growth
- Housing Services
- Prevent Duty
- Business Continuity
- School Attendance
- Managing Special Educational Needs and Disabilities

The outcome of the deep dive exercises and the continued monitoring and reporting of all strategic risks has shown that there is continued confidence in the actions being taken to mitigate all strategic risk areas and anticipate and understand potential threats, which will further reduce the Councils overall risk exposure - These actions and mitigation strategies will be monitored throughout the year ahead.

## Section 6: Corporate review of our governance and assurance arrangements

In July 2024, SOLACE, CIPFA and LLG (Lawyers in Local Government) jointly published a new Code of Practice of Good Governance for Local Authority Statutory Officers. It was decided to review our processes and procedures for compliance with the Code. Given the significant read across with other recent publications, this exercise was expanded to also include government's Statutory Guide for Best Value authorities and the Local Government Association's Improvement and Assurance Framework for Local Government.

Officers did not identify any areas of 'no' assurance, and 'full' assurance for many aspects. Recommendations for further improvement were identified for areas of 'moderate' or 'substantial' assurance, including:

- Developing a Code of Corporate Governance and strengthening the Annual Governance Statement as an improvement tool.
- On-going Newcastle Charter review and considering refresh training for relevant colleagues on Nolan Principles, roles of statutory officers, decision-making and scrutiny.
- Early and meaningful engagement with communities and using data to inform service improvement and decision-making.
- Interests in companies and oversight of partnerships and other stakeholders.
- Strengthening and further integrating our performance and risk management frameworks, with clearer golden thread from overarching priorities to directorate and service delivery and a smoother rhythm monitoring and reporting.
- Regularly reviewing approaches to workforce planning and use of assets.

This improvement activity remains ongoing and the production of our 2025/26 Annual Governance Statement will be compiled to reflect the progress made with the implementation of the above improvement areas and the development of a Code of Corporate Governance.

## Section 7: Significant Weaknesses in Governance and Internal Control

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected

within a timely period, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated.

The review did not identify any significant weaknesses in our governance and internal control arrangements during 2024/25.

During 2024/25 an investigation was undertaken into overtime and allowances paid in the Traffic Signals team where controls in place had not been followed. Since the investigation the Traffic Signals service has come under new strategic leadership, moved directorate and has a new operating model in place, in that the service is being currently delivered by the private sector, so the original circumvented control process has therefore been replaced by the new approach. The investigation is complete although internal disciplinary processes and potential police action remain ongoing. This does not represent a significant weakness for the Council as the issue was isolated to the one service and is resolved.

## Section 8: Improvements Needed to Governance and Internal Control

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

## Section 9: Conclusion

We consider the governance and internal control environment operating during 2024/25, to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. There is however, one item that requires improvement as detailed in Appendix A, which we continue to monitor.

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

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

We have been advised on the implications of the review by the AGS Informal Sub-Group. We propose over the coming year to improve our governance and internal control arrangements as noted in this Statement and are satisfied that this will address the need for the required level of improvement.

Chief Executive



Date: 24/02/2026

Leader of the Council



Date: 23.2.2026

Housing Services

The Council's risk register includes a risk which monitors the Council's long term plans to deliver safe, quality, sustainable housing and services to residents ensuring regulatory and financial obligation are being met.

Background/Risk

From 1 April 2024 the regulation of social housing has changed, following changes introduced by the Social Housing (Regulation) Act 2023. The aim of these changes is to strengthen the accountability of social landlords for providing safe homes and quality services and treating residents with respect.

A new set of Consumer Standards were launched on 1 April 2024, these and the rent standard are the only part of the regulatory standards that apply to local authority landlords. The standards that Newcastle City Council need to comply with are:

- Safety and Quality Standard
- Neighbourhood and Community Standard
- Tenancy Standard
- Transparency, Influence and Accountability (including Tenant Satisfaction Measures)
- Rent Standard

The standards are supported by a Code of Practice which further expands upon the requirements set out in the standards.

The Council has already made a self-referral to the regulator regarding our non-compliance with the consumer standards and rent standard, which has exposed gaps in our processes and governance in the assurance of the processes that surround our rent setting.

Following a regulatory self-assessment a recovery plan has been formulated, This plan is the high level plan so that we can continually improve our performance in all areas. The Plan will be regularly monitored.

Accountable Officer: Director of Housing and Communities

<b>Action(s) required to enhance effectiveness</b>	<b>Implementation date</b>
Publication of Council Housing Delivery Plan – October 2024 Monitoring of key objectives is now underway with quarterly Cabinet reporting against the plan. On going monitoring now in progress.	Implemented October 2024
Managing Housing Complaints The Complaints Annual report for 2025 was presented to Cabinet in July 2025. Self-assessment for 2025 publication date was moved by the Housing ombudsman to September 2025 and presented to Cabinet on the 20 <sup>th</sup> of September prior to submission.	Implemented September 2025
Implement a tenant engagement strategy including” getting to know you visits” Tenant engagement strategy was presented to Cabinet in July 2025 for approval. Getting to know you visits commenced November 2024 due to be completed by December 2025.	Implemented July 2025

## Section 8: Improvements needed to governance and internal control

## Appendix A

Stock condition survey and asset strategy to give accurate understanding of our stock condition and the investment required to keep it safe and decent - Stock condition survey started October 2024 and expected to be completed by June 2027.	Review April 2026
Housing governance framework fully embedded – Workstream review completed following transfer, and decision-making structures are now in place. Compliance information and risk monitoring is a key part of the governance structure, and assurances are now being received.	Implemented April 2025.  An internal audit is programmed in for 2026.
Implementation of a new directorate structure and housing operational model to deliver housing services.	April 2026
Memorandums of Understanding in place and governance arrangements with Repairs and Construction Services to deliver repairs services – Work commenced in April 2025 following review of Repairs Policy.	Review April 2026
Publication of a new Housing Strategy – Work commenced in April 2025.	April 2026
Implementation of policy statement on Mandatory Housing Qualifications on approach to ensuring compliance against the Competency and Conduct Standard, as part of the Social Housing (Regulation) Act 2023.	Implemented October 2025