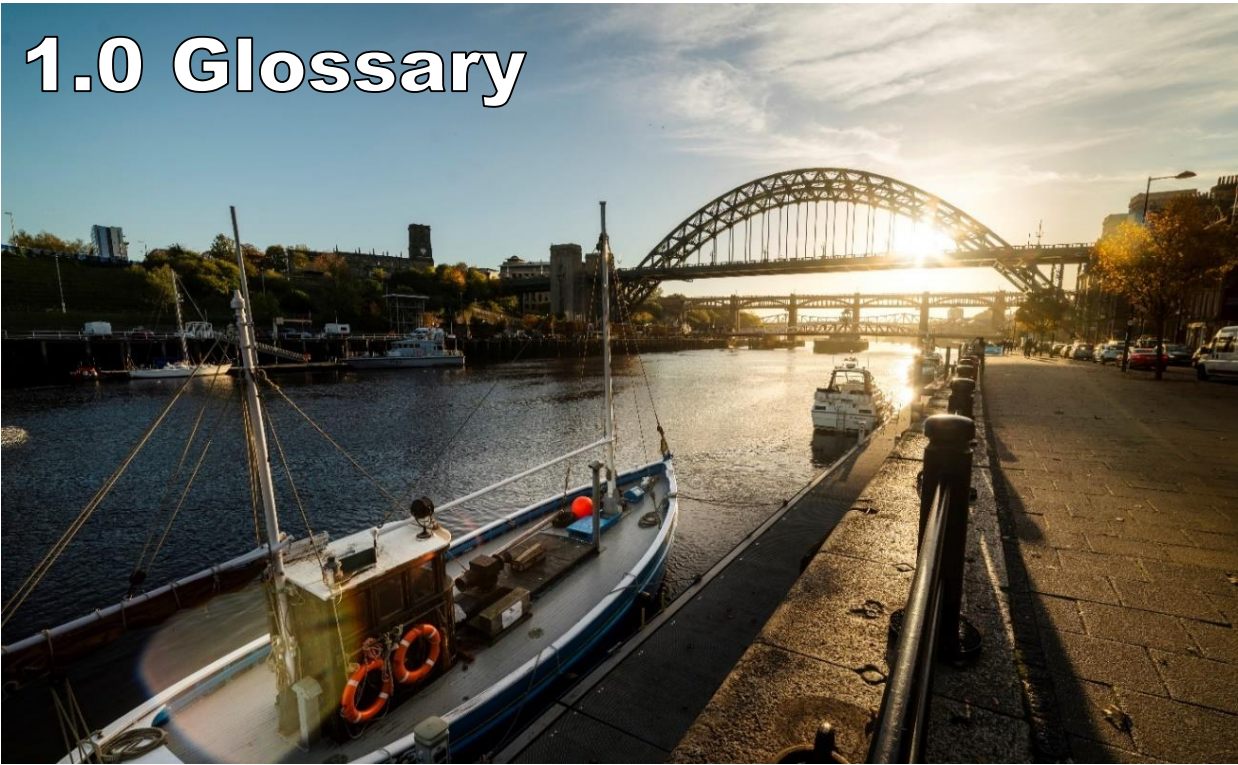


# Statement of Accounts 2020/21



<b>Contents</b>	<b>Page</b>
<b>1.0 Glossary of Terms</b>	<b>1</b>
<b>2.0 Statement of Responsibilities for the Statement of Accounts</b>	
2.1 The Council's Responsibilities	9
<b>3.0 Core Financial Statements and Notes</b>	
3.1 Movement in Reserves Statement	11
3.2 Comprehensive Income and Expenditure Statement	12
3.3 Balance Sheet	13
3.4 Cash Flow Statement	14
3.5 Index of Explanatory Notes to the Core Financial Statements	15
3.6 Explanatory Notes to the Core Financial Statements	16
<b>4.0 Supplementary Financial Statements and Notes</b>	
4.1 Housing Revenue Account (HRA)	137
4.1.1 Housing Revenue Account Income and Expenditure Account	138
4.1.2 Statement of Movement on the Housing Revenue Account	139
4.1.3 Index of Explanatory Notes to the Housing Revenue Account	140
4.1.4 Explanatory Notes to the Housing Revenue Account	140
4.2 Collection Fund	146
4.2.1 Collection Fund Income and Expenditure Account	146
4.2.2 Change in Collection Fund Balance	147
4.2.3 Index of Explanatory Notes to the Collection Fund	148
4.2.4 Explanatory Notes to the Collection Fund	148
<b>5.0 Group Financial Statements and Explanatory Notes</b>	
5.1 Group Introduction	152
5.2 Group Movement in Reserves Statement	155
5.3 Group Comprehensive Income and Expenditure Statement	156
5.4 Group Balance Sheet	157
5.5 Group Cash Flow Statement	158
5.6 Index of Explanatory Notes to the Group Financial Statements	159
5.7 Explanatory Notes to the Group Financial Statements	159
<b>6.0 Supporting Information</b>	
6.1 Index	176
6.2 External Audit Opinion	179

# 1.0 Glossary



Newcastle  
City Council 

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 Reserve	A sum set aside for a specific purpose.
Emoluments	Payments received in cash and benefits for employment.
Events after the Balance Sheet Date	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.
Existing Use Value - Social Housing (EUV-SH)	This is a vacant possession valuation of Council dwellings adjusted to reflect the continuing occupation by a secure tenant. A further adjustment is made to reflect the difference between open market rented property and social rented property.
Expected Rate of Return on Pensions 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	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.
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.

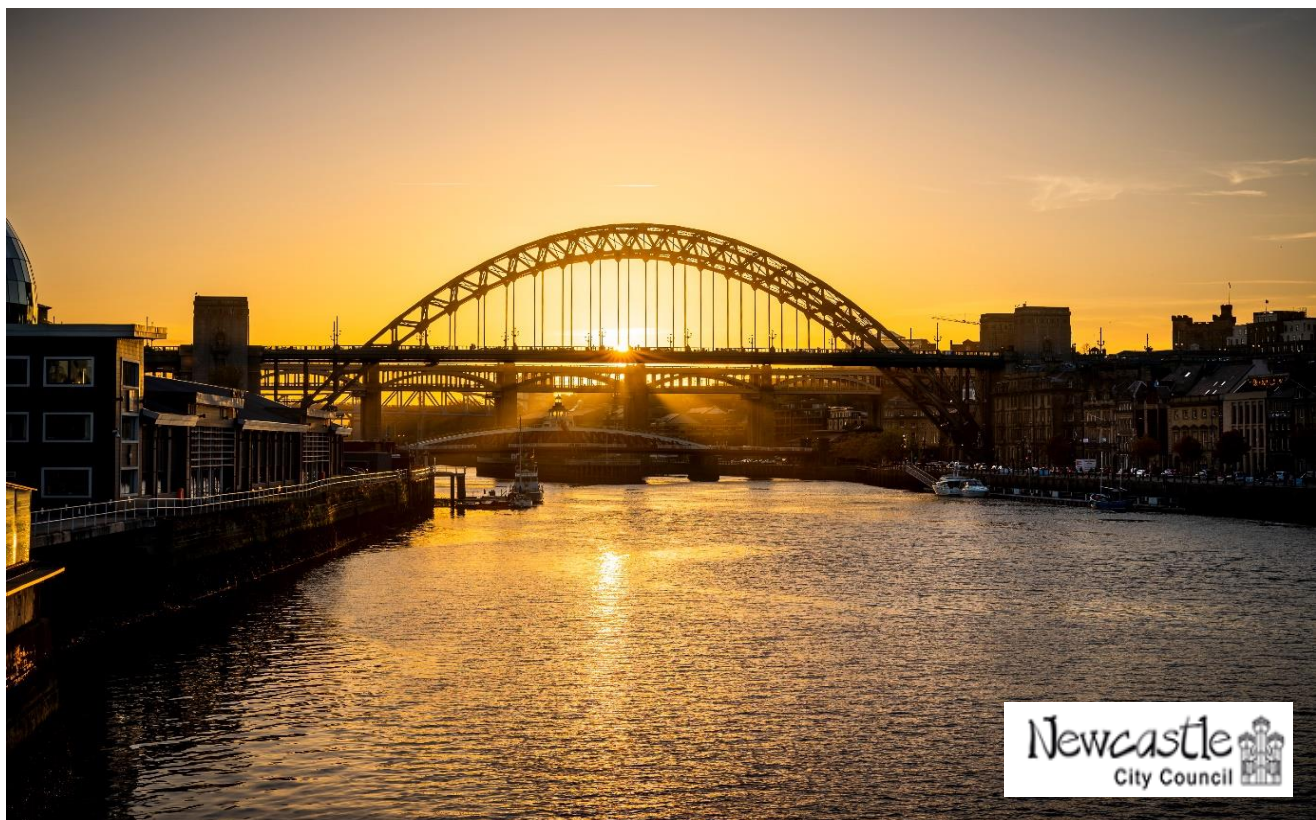
Strain on the Fund When an employee aged over 55 retires early as a result of redundancy, their employee and employer pension contributions stop. Pension benefits become payable earlier and will be paid for longer which creates a shortfall in the level of funding required to provide full pension benefits 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

### 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 Director of Resources
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the Statement of Accounts

#### The Director of Resources' Responsibilities

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

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

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

#### The Director of Resources has also:

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

#### Certification of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Newcastle City Council at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Signed:



Tony Kirkham, Director of Resources

Date: 30.09.2021

#### Approval of the Accounts

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

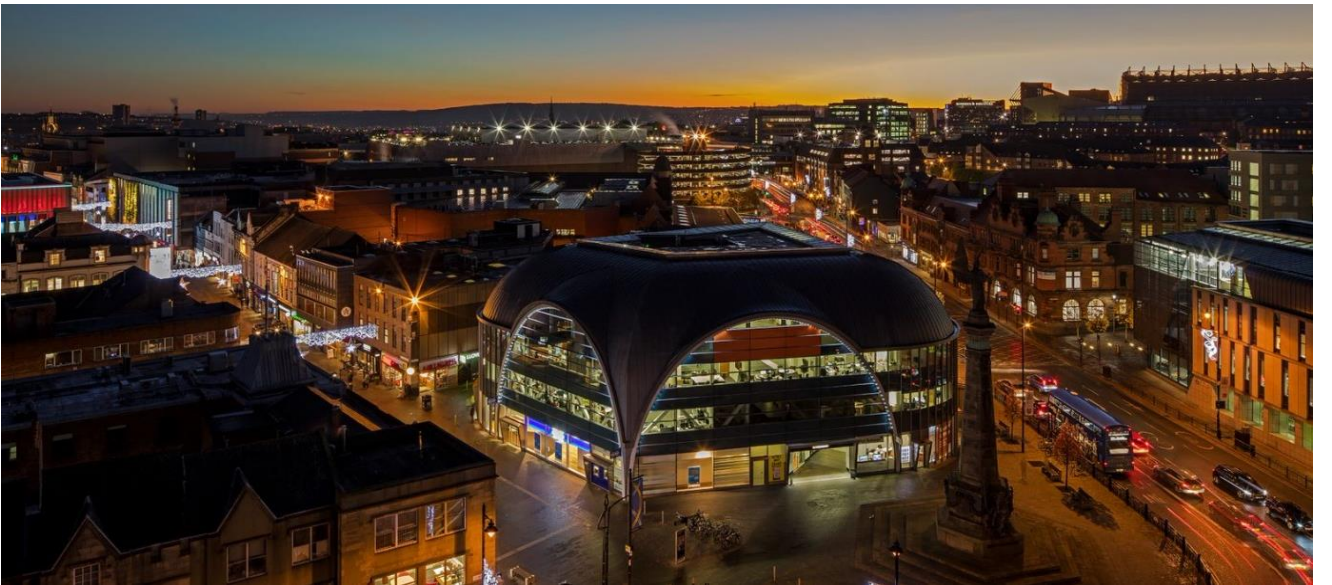
Signed:



Chair of Constitutional Committee

Date: 30.09.2021

# 3.0 Core Financial Statements



### 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 2019</b>		<b>(10,134)</b>	<b>(102,587)</b>	<b>(9,535)</b>	<b>(9,365)</b>	<b>(342)</b>	<b>(15,871)</b>	<b>(34,534)</b>	<b>(182,368)</b>	<b>(115,553)</b>	<b>(297,921)</b>
<b>Movement in reserves during 2019/20</b>											
<b>Total Comprehensive Income &amp; Expenditure</b>		111,363	-	49	-	-	-	-	111,412	(86,859)	24,553
Adjustments for the restatement of financial instruments	2	-	-	-	-	-	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (Note 2)		(108,694)	-	3,216	-	(672)	1,127	505	(104,518)	104,518	-
<b>Net (Increase)/ Decrease before transfers to Earmarked Reserves</b>	32	2,669	-	3,265	-	(672)	1,127	505	6,894	17,659	24,553
<b>Transfers (to)/from Earmarked Reserves (Note 32)</b>		(2,669)	2,669	(3,265)	3,265	-	-	-	-	-	-
<b>(Increase)/Decrease in 2019/20</b>		-	2,669	-	3,265	(672)	1,127	505	6,894	17,659	24,553
<b>Balance at 31 March 2020 carried forward</b>		<b>(10,134)</b>	<b>(99,918)</b>	<b>(9,535)</b>	<b>(6,100)</b>	<b>(1,014)</b>	<b>(14,744)</b>	<b>(34,029)</b>	<b>(175,474)</b>	<b>(97,894)</b>	<b>(273,368)</b>
<b>Balance at 31 March 2020 carried forward</b>											
<b>Total Comprehensive Income &amp; Expenditure</b>		60,626	-	(5,839)	-	-	-	-	54,787	71,235	126,022
Adjustments between accounting basis & funding basis under regulations (Note 2)	2	(159,037)	-	9,973	-	100	1,973	5,235	(141,756)	141,756	-
<b>Net (Increase)/ Decrease before transfers to Earmarked Reserves</b>	32	(98,411)	-	4,134	-	100	1,973	5,235	(86,969)	212,991	126,022
<b>Transfers (to)/from Earmarked Reserves (Note 32)</b>	32	98,411	(98,411)	(4,134)	4,134	-	-	-	-	-	-
<b>(Increase)/Decrease in 2020/21</b>		-	(98,411)	-	4,134	100	1,973	5,235	(86,969)	212,991	126,022
<b>Balance at 31 March 2021 carried forward</b>		<b>(10,134)</b>	<b>(198,329)</b>	<b>(9,535)</b>	<b>(1,966)</b>	<b>(914)</b>	<b>(12,771)</b>	<b>(28,794)</b>	<b>(262,443)</b>	<b>115,098</b>	<b>(147,345)</b>

### 3.2 Comprehensive Income and Expenditure Statement

2019/20				Note	2020/21		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
237,385	(186,992)	50,393	Children, Education and Skills	1	232,685	(192,972)	39,713
185,663	(87,981)	97,682	ASC & Integrated Services		209,430	(114,536)	94,894
89,661	(38,327)	51,334	Place		66,139	(50,254)	15,885
43,549	(13,884)	29,665	Resources		42,632	(14,308)	28,324
69,449	(49,445)	20,004	Operations & Reg Services		69,930	(35,312)	34,618
10,836	(1,962)	8,874	City Futures		12,203	(4,516)	7,687
21,536	(19,818)	1,718	Public Health Service		23,185	(23,250)	(65)
89,634	(89,059)	575	Housing Benefit Payments		85,843	(84,787)	1,056
97,296	(109,743)	(12,447)	Local Authority Housing (HRA)		89,541	(111,147)	(21,606)
26,939	(6,226)	20,713	Corporate Costs		7,754	(5,127)	2,627
<b>871,948</b>	<b>(603,437)</b>	<b>268,511</b>	<b>Cost of Services</b>		<b>839,342</b>	<b>(636,209)</b>	<b>203,133</b>
36,203	(12,630)	23,573	Other Operating Expenditure	3	56,790	(7,343)	49,447
106,915	(12,315)	94,600	Financing & Investment Income & Expenditure	4	103,145	(9,717)	93,428
-	(275,272)	(275,272)	Taxation & Non-Specific Grant Income and Expenditure	5	19,661	(310,882)	(291,221)
		<b>111,412</b>	<b>(Surplus) / Deficit on Provision of Services</b>				<b>54,787</b>
	(8,881)		(Surplus)/Deficit on Revaluation of Non Current Assets	33			(13,157)
	5,042		(Surplus)/Deficit on Revaluation of Financial Assets held at Fair Value through Other Comprehensive Income	33			(778)
	(83,020)		Re-measurements of the defined benefit liability	33			85,170
	<b>(86,859)</b>		<b>Other Comprehensive Income &amp; Expenditure</b>				<b>71,235</b>
		<b>24,553</b>	<b>Total Comprehensive Income &amp; Expenditure (Surplus)/Deficit</b>				<b>126,022</b>

### 3.3 Balance Sheet

31 Mar 2020		Note	31 Mar 2021
£000			£000
1,569,123	Property, Plant & Equipment	16	1,573,560
108,869	Heritage Assets	17	109,072
128,832	Investment Property	18	82,056
60	Intangible Assets	-	227
22,288	Long Term Investments	19	21,079
104,181	Long Term Debtors	19	104,841
<b>1,933,353</b>	<b>Long Term Assets</b>		<b>1,890,835</b>
10,048	Short Term Investments	19	33,000
4,229	Assets Held for Sale	23	3,560
1,663	Inventories	-	1,584
97,686	Short Term Debtors	21	136,649
72,778	Cash and Cash Equivalents	22	125,741
<b>186,404</b>	<b>Current Assets</b>		<b>300,534</b>
(16,951)	Bank Overdraft	22	-
(42,405)	Short Term Borrowing	19	(12,702)
(90,969)	Short Term Creditors	24	(159,941)
(19,002)	Provisions	25	(17,630)
<b>(169,327)</b>	<b>Current Liabilities</b>		<b>(190,273)</b>
(183,720)	Long Term Creditors	19	(173,426)
(275)	Deferred Liabilities	19	(249)
(749,836)	Long Term Borrowing	19	(768,333)
(6,976)	Provisions	25	(7,451)
(43,345)	Grants Receipts in Advance	5	(90,452)
(692,910)	Pension Liability	29	(813,840)
<b>(1,677,062)</b>	<b>Long Term Liabilities</b>		<b>(1,853,751)</b>
<b>273,368</b>	<b>Net Assets</b>		<b>147,345</b>
(175,474)	Usable Reserves	31	(262,443)
(97,894)	Unusable Reserves	33	115,098
<b>(273,368)</b>	<b>Total Reserves</b>		<b>(147,345)</b>

#### Director of Resources Certificate

I certify that the accounts set out on pages 10 to 174 give a true and fair view of the financial position of the City Council as at 31 March 2021.



Signed: Tony Kirkham, Director of Resources

## 3.4 Cash Flow Statement

2019/20 £000		Note	2020/21 £000
(111,412)	Net (Deficit)/Surplus on the provision of services		(54,787)
249,823	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 35)	35	262,482
(120,943)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	35	(44,041)
<b>17,468</b>	<b>Net cash flows from Operating Activities</b>		<b>163,654</b>
(36,600)	Investing Activities	36	(25,153)
27,506	Financing Activities	37	(68,587)
<b>8,374</b>	<b>Net (Decrease)/Increase in cash and cash equivalents</b>		<b>69,914</b>
47,453	Cash and cash equivalents at the beginning of the reporting period		55,827
<b>55,827</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	22	<b>125,741</b>

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

Notes are listed in alphabetical order for ease of identification.

Note	Note No.	Page
Accounting standards issued but have not yet been adopted	38	101
Adjustments between accounting basis and funding basis under regulations	2	20
Current Assets held for Sale	23	73
Assumptions made about the future and other major sources of estimation uncertainty	40	104
Capital expenditure & capital financing	34	99
Cash & cash equivalents	22	73
Cash Flow Statement – financing activities	35	100
Cash Flow Statement – investing activities	36	101
Cash Flow Statement – operating activities	37	101
Contingent liabilities	27	78
Short Term Creditors	24	74
Critical judgements in applying accounting policies	39	102
Short Term Debtors	21	73
Dedicated schools grant	12	42
Defined benefit pension schemes	29	80
Events after the balance sheet date	41	108
Expenditure and funding analysis	1	17
External audit costs	11	42
Financial instruments	19	63
Financing & investment income & expenditure	4	29
Taxation and Non-Specific Grant Income & Expenditure	5	30
Heritage assets	17	60
Impairment charges	14	45
Investment properties	18	61
Leases	13	43
Material items of income and expenditure	6	33
Members' allowances	8	36
Nature & extent of risks arising from financial instruments	20	69
Officers' remuneration	9	37
Other operating expenditure	3	29
Pension schemes accounted for as defined contribution schemes	28	80
Pooled budgets	7	35
Private Finance Initiatives and similar contracts	26	76
Property, plant & equipment	16	54

Note	Note No.	Page
Provisions	25	74
Related parties	15	46
Statement of Accounting Policies	42	111
Termination benefits	10	40
Transfers to/from earmarked reserves	32	90
Trust Fund Accounts	30	89
Unusable reserves	33	94
Usable reserves	31	89

### 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.

**1a. Expenditure and Funding Analysis**

2019/20		2020/21				
Net Expenditure Chargeable to The General Fund and HRA Balances	£000	Adjustments Between Funding and Accounting Basis			Net Expenditure in the Comprehensive Income and Expenditure Statement	£000
		Adjustment for Capital Purposes	Net Change for Pension Adjustment	Other Differences		
	£000	£000	£000	£000	£000	£000
37,693	4,682	8,107	(89)	50,393	39,393	50,393
93,708	(99)	4,112	(39)	97,682	94,894	97,682
22,706	26,430	2,274	(76)	51,334	15,885	51,334
25,153	(150)	4,598	64	29,665	28,324	29,665
9,735	2,014	8,226	29	20,004	34,618	20,004
5,858	1,757	1,245	14	8,874	7,687	8,874
1,518	(20)	208	12	1,718	(65)	1,718
575	-	-	-	575	1,056	575
(10,000)	(2,447)	-	-	(12,447)	(21,606)	(12,447)
23,094	3,309	(5,690)	-	20,713	2,627	20,713
<b>210,040</b>	<b>35,476</b>	<b>23,080</b>	<b>(85)</b>	<b>268,511</b>	<b>203,133</b>	<b>268,511</b>
(204,106)	34,607	17,270	(4,870)	(157,099)	(148,346)	(157,099)
<b>5,934</b>	<b>70,083</b>	<b>40,350</b>	<b>(4,955)</b>	<b>111,412</b>	<b>54,787</b>	<b>111,412</b>
(131,621)				(125,687)		(125,687)
5,934				(94,278)		(94,278)
<b>(125,687)</b>				<b>(219,965)</b>		<b>(219,965)</b>

\* 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.

### **Adjustments for Capital Purposes**

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- 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 Pension Adjustments**

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**

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.

## 1b Segmental Income

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	
	2019/20	2020/21
	£000	£000
Children, Education and Skills	(12,636)	(10,850)
ASC & Integrated Services	(20,881)	(19,062)
Place	(24,792)	(31,034)
Resources	(4,076)	(3,233)
Operations & Reg Services	(42,212)	(28,032)
City Futures	(435)	(405)
Public Health Service	(443)	(255)
Local Authority Housing (HRA)	(110,400)	(111,748)
Corporate Costs	(176)	(174)
Other Income and Expenditure	(6,342)	(2,682)
<b>Total</b>	<b>(222,214)</b>	<b>(207,475)</b>

## 1c Expenditure and Income Analysed by Nature

	Note	2019/20 £000	2020/21 £000
<b>Expenditure</b>			
Employee benefit expenses		298,938	282,410
Other services expenses		440,993	448,730
Depreciation, amortisation, impairment & REFCUS		152,327	120,082
Interest payments & investment expenditure	4	99,235	98,608
Precepts & levies	3	16,291	16,442
Payments to Housing Capital Receipts Pool	3	2,925	2,528
Loss / (Gain) on the disposal of non current assets	3	4,357	30,477
Government grant expenditure	5	-	19,661
<b>Total expenditure</b>		<b>1,015,066</b>	<b>1,018,938</b>
<b>Income</b>			
Fees charges and other service income		(299,891)	(293,549)
Interest and investment income	4	(4,635)	(5,180)
Income from council tax & non-domestic rates	5	(216,251)	(135,199)
Government grants and contributions	5	(382,877)	(530,223)
<b>Total income</b>		<b>(903,654)</b>	<b>(964,151)</b>
<b>(Surplus) / Deficit on the Provision of Service</b>		<b>111,412</b>	<b>54,787</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.

2020-21	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		(24,739)	(29,049)	-	-	-	53,788
Revaluation Gains/(Losses) on Property, Plant and Equipment		(6,660)	5,335	-	-	-	1,325
Movements in the fair value of Investment Properties		(44,956)	-	-	-	-	44,956
Amortisation of intangible assets		(47)	-	-	-	-	47
Capital grants and contributions applied		21,831	569	-	-	-	(22,400)
Revenue expenditure funded from capital under statute		(19,968)	-	-	-	-	19,968
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		(33,345)	(4,477)	-	-	-	37,822
Change in Fair Value of Financial Assets funded by Capital and classified as FVPL		(2,046)	-	-	-	-	2,046

2020/21	Note	Usable Reserves					Capital Grants Unapplied	Movement in Unusable Reserves
		General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve			
		£000	£000	£000	£000	£000	£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		37,727	1,794	-	-	-	(39,521)	
Capital expenditure charged against the General Fund & HRA		1,040	504	-	-	-	(1,544)	
<b>Adjustments involving the Capital Grants Unapplied Account:</b>								
Grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement		4,108	206	-	-	(4,314)	-	
Application of grants to capital financing transferred to the Capital Adjustment Account	33	-	26	-	-	9,550	(9,576)	
<b>Adjustments involving the Capital Receipts Reserve:</b>								
Transfer of cash sale proceeds credited as part of the Gain/(Loss) on disposal to the Comprehensive Income and Expenditure Statement		2,257	5,070	-	(7,327)	-	-	
Use of the Capital Receipts Reserve to finance new capital expenditure	33	-	-	-	5,308	-	(5,308)	
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		(2,528)	-	-	2,528	-	-	

2020/21	Note	Usable Reserves					Capital Grants Unapplied 176	Movement in Unusable Reserves £000
		General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000			
Transfer to/from Deferred Capital Receipts Reserve	33	(81)	-	-	-	-	81	
Debt Redeemed Using Capital Receipts	33	-	-	-	1,465	-	(1,465)	
Account for Finance Lease Disposal		-	-	-	-	-	-	
<b>Adjustment involving the Major Repairs Reserve:</b>								
Use of the Major Repairs Reserve to finance new capital expenditure		-	-	25,902	-	-	(25,902)	
Use of Major Reserves to redeem debt		-	-	4,200	-	-	(4,200)	
Reversal of MRA credited to the HRA		-	30,002	(30,002)	-	-		
<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		785	(8)	-	-	-	(777)	
<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		(70,270)	-	-	-	-	70,270	

2020/21	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		34,510	-	-	-	-	(34,510)
<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		(4,297)	-	-	-	-	4,297
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		(49,363)	-	-	-	-	49,363
<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		(2,997)	-	-	-	-	2,997
<b>Total Adjustments 2020-21</b>		<b>(159,037)</b>	<b>9,973</b>	<b>100</b>	<b>1,973</b>	<b>5,235</b>	<b>141,756</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 the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

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

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

2019/20	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		(24,349)	(34,849)	-	-	-	59,198
Revaluation losses / gains on Property, Plant and Equipment		(29,150)	1,529	-	-	-	27,621
Movements in the fair value of Investment Properties		(46,723)	-	-	-	-	46,723
Amortisation of intangible assets		(51)	-	-	-	-	51
Capital grants and contributions applied		20,948	2,895	-	-	-	(23,843)
Revenue expenditure funded from capital under statute		(18,734)	-	-	-	-	18,734
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		(9,888)	(7,099)	-	-	-	16,987
Change in Fair Value of Financial Assets funded by Capital and classified as FVPL		(4,160)	-	-	-	-	4,160
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment		27,410	2,130	-	-	-	(29,540)
Capital expenditure charged against the GF & HRA balance		816	428	-	-	-	(1,244)
<b>Adjustments involving the Capital Grants Unapplied Account:</b>	33						

2019/20	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		9,728	725	-	-	(10,453)	-
Application of grants to capital financing transferred to the Capital Adjustment Account		-	-	-	-	10,958	(10,958)
<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		3,776	7,871	-	(11,647)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	-	-	6,348	-	(6,348)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		(2,925)	-	-	2,925	-	-
Transfer to/ from Deferred Capital Receipts Reserve		-	-	-	599	-	(599)
Debt Redeemed Using Capital Receipts		-	-	-	2,902	-	(2,902)
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		-	-	28,917	-	-	(28,917)
Reversal of MRA credited to the HRA		-	29,589	(29,589)	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account (Note 21):</b>	33						

2019/20	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 finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		781	(4)	-	-	-	(777)
<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)		(72,320)	-	-	-	-	72,320
Employer's pensions contributions and direct payments to pensioners payable in the year		31,970	-	-	-	-	(31,970)
<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		(328)	-	-	-	-	328
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		4,422	-	-	-	-	(4,422)
<b>Adjustment involving the Accumulated Absences Account:</b>	33						

2019/20	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 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		86	-	-	-	-	(86)
<b>Total Adjustments 2019-20</b>		<b>(108,694)</b>	<b>3,216</b>	<b>(672)</b>	<b>1,127</b>	<b>505</b>	<b>104,518</b>

### 3 Other Operating Expenditure

	Note	2019/20 £000	2020/21 £000
Parish Council precepts		73	83
Levies		16,218	16,359
Payments to the Government Housing Capital Receipts Pool		2,925	2,528
(Profit)/Loss on the disposal of non current assets		4,357	30,477
<b>Total</b>		<b>23,573</b>	<b>49,447</b>

### 4 Financing and Investment Income and Expenditure

	Note	2019/20 £000	2020/21 £000
Interest payable and similar charges	19	41,421	40,766
Interest on defined benefit liability	29	17,270	15,570
Interest receivable and similar income	19	(4,635)	(5,180)
Income and expenditure in relation to investment properties and changes in their fair value	18	40,544	42,272
<b>Total</b>		<b>94,600</b>	<b>93,428</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 2020/21: -

Credited to Taxation and Non Specific Grant Income	Note	2019/20 £000	2020/21 £000
Council Tax		(113,402)	(115,832)
Business Rates		(102,849)	(19,367)
Business Rates Top Up Grant		(6,913)	(17,552)
Non-Specific Government Grants Income		(27,255)	(142,854)
Non-Specific Government Grants Expenditure*		-	19,661
Capital Grants, Contributions and Donated Assets		(24,853)	(15,277)
<b>Total</b>		<b>(275,272)</b>	<b>(291,221)</b>

Non-Specific Government Grants Detail	Note	2019/20 (Restated) £000	2020/21 £000
Revenue Support Grant		-	(26,637)
New Homes Bonus		(6,089)	(6,592)
Section 31 Grant		(10,882)	(49,179)
Social Care Support Grant		-	(8,046)
Health & Social Care COVID-19		(10,284)	(16,860)
S31 CTR COVID-19 Hardship		-	(6,007)
LA Discretionary Grant Fund		-	(3,235)
Local Restrictions Support Grant (Open)		-	(2,269)
Additional Restrictions Support Grant		-	(8,628)
COVID-19 Income Loss Scheme		-	(10,844)
NNDR Tax Income Guarantee		-	(3,787)
Other Grants		-	(770)
<b>Total</b>		<b>(27,255)</b>	<b>(142,854)</b>

*Non-Specific Government Grants Expenditure Detail	Note	2019/20 £000	2020/21 £000
Test and Trace Support Payments		-	112
LA Discretionary Grant Fund		-	3,235
Local Restrictions Support Grant (Open)		-	2,269
Additional Restrictions Support Grant		-	8,628
Section 31 Grant		-	5,417
<b>Total</b>		<b>-</b>	<b>19,661</b>

Capital Grants, Contributions and Donated Assets Detail	Note	2019/20 £000	2020/21 £000
School Condition Allowance		(2,188)	(3,205)
LGF Claim NAC Ph2+3 Combined		(585)	(1,384)
Loadman St		(739)	(1,536)
Transforming Cities TCFT1		(365)	(1,123)
Other grants		(20,896)	(8,017)
Donated Heritage Assets		(80)	(12)
<b>Total</b>		<b>(24,853)</b>	<b>(15,277)</b>

Revenue Grants Credited to Services	Note	2019/20 (Restated) £000	2020/21 £000
Dedicated Schools Grant	12	(122,276)	(122,759)
Pupil Premium Grant		(8,659)	(8,014)
Primary Schools Meals Grant		(1,819)	(1,938)
Teacher pension employer grant		(1,619)	(2,856)
Adult ESFA Grant		(3,355)	(1,397)
Housing Benefit Administration		(1,154)	(1,159)
Mandatory Rent Rebates		(40,764)	(37,439)
Mandatory Rent Allowances		(46,878)	(46,424)
Troubled Families		(834)	(1,003)
Public Health Grant		(22,888)	(23,887)
Social Care Support Grant		(2,564)	(1,500)
Improved Better Care Fund		(14,877)	(16,377)
Independent Living Fund		(1,120)	(1,120)
Adult NTCA Grant		-	(1,897)
North of Tyne COVID-19 Funding		-	(1,321)
Infection Control - COVID-19		-	(6,520)
Test & Trace Outbreak Surge		-	(1,201)
Public Health COVID-19 Test and Trace		-	(2,186)
Health & Social Care COVID-19		-	(1,675)
Private Finance Initiative Subsidy		(29,538)	(29,538)
NO2 Implementation Fund		-	(3,000)
NO2 Clean Air Fund		-	(6,900)
Other Grants		(16,063)	(22,754)
<b>Total</b>		<b>(314,408)</b>	<b>(342,865)</b>

Capital Grants Credited to Services	Note	2019/20 £000	2020/21 £000
School Expansion Programme		(312)	(5,627)
Westerhope Day Centre Site/Parkway - ALBM1		(1,437)	(2,051)
Disabled Facilities Grant		(2,297)	(1,683)
Other Grants		(5,399)	(2,314)
<b>Total</b>		<b>(9,445)</b>	<b>(11,675)</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	2019/20 £000	2020/21 £000
<b>Revenue Grants</b>			
Other Grants		(13,372)	(8,247)
<b>Capital Grants</b>			
School Expansion Programme		-	(1,572)
Department for Transport Various Schemes-incl		-	(4,128)
LGF Claim NAC Ph2+3 Combined		(3,533)	(2,149)
Pothole Funding Allocation		-	(2,801)
Disabled Facilities Grant		-	(1,937)
City Cycle Ambition Fund		(2,585)	(1,989)
Clean Air Fund-Vehicle Upgrade scheme		-	(9,000)
Clean Air-Implementation Fund		-	(1,000)
LAD1b Green Homes		-	(1,719)
PS Decarbonisation - SANXPSDS		-	(26,999)
NPIF UTMC enhancements		(1,097)	-
Ncle Labs Bioshere - Helix		(3,000)	-
Civic Centre Refurb - Courts		(1,284)	-
Section 106 Contributions from Private Developers		(13,232)	(23,189)
Other Grants		(5,242)	(5,722)
<b>Total</b>		<b>(43,345)</b>	<b>(90,452)</b>

## 6 Material Items of Income and Expenditure

During 2020/21 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, inflation which affects 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 addition the McCloud/Sargeant ruling on judges pension and fire fighter schemes identified a requirement for these pension funds to ensure that members pension benefits are not affected by Government reforms to the pension schemes. This has implications for other public sector pension schemes reformed at the same time. In addition the Lloyds Bank High Court case ruling states that all pension schemes need to equalise Guaranteed Minimum Pensions between male and female employees. The actuary has now factored in the impact on the pension scheme of these high court judgements.

2020/21 saw the introduction of the Goodwin ruling, highlighting changes required to public service pension schemes where provisions for survivors 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. These changes are yet to be reflected in the LGPS regulations so are not included in pension calculations as at 31st March 2021.

Further details on all of the above can be found in Note 29.

### Provisions

The Collection Fund NDR appeals provision at 31 March 2021 was £32.547m. 51% (£16.599m) of the provision lies with MHCLG and the Tyne and Wear Fire Rescue Authority (TWFRA) and has therefore been transferred to the NDR agency debtor/creditor account. The Council's short term provisions have reduced by the transferred amount. This compares to 26% of the provision in 2019/20, during which the Council took part in a one year NNDR pilot scheme for increased rates retention. Other grant income from MHCLG was reduced accordingly during 2019/20.

### Asset Transfers

Walbottle Campus Technology College converted to academy status on 1st September 2020, at a net book value of £32.153m. This has been treated as a disposal in the 2020/21 financial statements.

### **Material Revaluation Decreases and Impairment**

In 2020/21 material revaluation losses on Eldon Square have been charged to CIES totalling £44m.

### **COVID-19 Grants**

During 2020/21 the Council received £147.898m in grant funding relating to the COVID-19 pandemic. Of this total, the Council acted as an agent for £81.258m (55%), where the Council distributed grant monies to eligible recipients and had no control over the amount allocated. The Council acted as Principal for the remaining £66.640m (45%), having discretion over who receives the grant.

## 7 Pooled Budgets

The Better Care Fund represents a collaboration between NHS England, Newcastle Gateshead CCG 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 Newcastle Gateshead CCG 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. Newcastle Gateshead CCG has the responsibility for commissioning health services pursuant to the National Health Service Act 2006 in the city of Newcastle upon Tyne.

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 27 schemes that are included in the Better Care Fund Plan. Winter Pressures grant £1,500,831 which formed part of the pooled budget is rolled into iBCF in 20-21. This grant funds five schemes approved by the Wellbeing for Life Board and NHS England.

Earlier in the year, Health and Wellbeing Boards (HWBs) were advised that BCF policy and planning requirements would not be published during the initial response to the COVID-19 pandemic and that they should prioritise continuity of provision, social care capacity and system resilience and spend from ringfenced BCF pots based on local agreements in 2020-2021, pending further guidance.

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 iBCF grant allocations were increased at Spring Budget 2017 with an additional £2 billion funding. This additional funding was also pooled into the Better care Fund over the period 2017-18 to 2019-20. The condition that the iBCF must be pooled into the Better Care Fund continued in 2020-21. 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.

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

	2019/20	2020/21
	£'000	£'000
<b>Expenditure from the pooled budget</b>		
<b>Better Care Fund and Improved Better Care Fund</b>		
Newcastle City Council - Revenue	26,825	27,385
Newcastle City Council - Capital	2,399	2,399
NHS Newcastle Gateshead CCG	12,491	13,160
<b>Expenditure met from the pooled budget</b>	<b>41,715</b>	<b>42,944</b>

	2019/20	2020/21
	£'000	£'000
<b>Contributions to the pooled budget</b>		
<b>Better Care fund and Improved Better Care Fund</b>		
Newcastle City Council including iBCF from MHCLG	(18,777)	(18,777)
NHS Newcastle Gateshead CCG	(22,938)	(24,167)
<b>Contributions to the pooled budget</b>	<b>(41,715)</b>	<b>(42,944)</b>

Contributions provided through Newcastle City Council from MHCLG grant and through the CCG 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:

	2019/20	2020/21
	£000	£000
Allowances	875	869
Expenses	40	(1)
National Insurance contributions payable	29	30
<b>Total</b>	<b>944</b>	<b>898</b>

## 9 Officers' Remuneration

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

		Salary, Fees and Allowances	Bonuses	Benefits in Kind*	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive <sup>1</sup> Patricia Ritchie	2020/21	188,948	-	-	-	-	188,948
	2019/20	183,891	-	-	-	-	183,891
Director of Resources	2020/21	145,760	-	-	-	27,549	173,309
	2019/20	141,859	-	-	-	25,535	167,394
Director of Operations & Reg. Services	2020/21	148,519	-	10,279	-	24,290	183,088
	2019/20	113,396	-	12,720	-	20,411	146,527
Director of Place	2020/21	119,123	-	750	-	22,686	142,559
	2019/20	117,498	-	750	-	21,285	139,533
Director of City Futures <sup>2</sup>	2020/21	134,864	-	228	-	25,532	160,624
	2019/20	43,730	-	32	-	7,889	51,651
Director of Children Education and Skills <sup>3</sup>	2020/21	135,799	-	-	-	25,660	161,459
	2019/20	62,432	-	-	-	-	62,432
Director of Adult Social Care and Integrated Services <sup>4</sup>	2020/21	119,280	-	750	-	22,686	142,716
	2019/20	105,785	-	750	-	7,000	113,535
Director of Public Health <sup>5</sup>	2020/21	108,777	37,117	-	-	20,847	166,741
	2019/20	105,866	37,956	-	-	20,681	164,503
Assistant Director of Legal Services	2020/21	91,156	-	2,868	-	17,770	111,794
	2019/20	86,358	-	2,484	-	15,992	104,834

\* The amounts included within this column include both the salary sacrifice and the P11D benefit in kind values. Comparators for 2019/20 have been restated.

1 Excludes payment of £2,205 in respect to performing the duties of Acting Returning Officer during elections. The Chief Executive is not a member of the Tyne & Wear Pension Fund, therefore no pension contribution is made by the Council.

2 Comparator figure for 2019/20 covers the period 1 December 2019 to 31 March 2020.

3 Comparator figure for 2019/20 covers the period 1 December 2019 to 31 March 2020, appointed on a permanent basis from 30 March 2020.

4 Comparator figure for 2019/20 covers the period 2 December 2019 to 31 March 2020 and includes £67,147 of salary relating to their previous post of Assistant Director Adult Social Care.

5 Includes payment of £36,192 in relation to Clinical Excellence Points, these costs are recovered from Public Health England (PHE) and additional payment of £925.06 awarded by PHE in 2020/21.

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

Remuneration Band	Officers 2020/21	Teachers 2020/21	Total 2020/21	Officers 2019/20	Teachers 2019/20	Total 2019/20
£50,000 - £54,999	94	3	97	41	6	47
£55,000 - £59,999	32	-	32	15	3	18
£60,000 - £64,999	25	-	25	15	2	17
£65,000 - £69,999	2	1	3	7	-	7
£70,000 - £74,999	5	-	5	4	4	8
£75,000 - £79,999	11	2	13	2	-	2
£80,000 - £84,999	1	-	1	3	1	4
£85,000 - £89,999	4	-	4	3	-	3
£90,000 - £94,999	3	-	3	3	-	3
£95,000 - £99,999	-	-	-	-	-	-
£100,000 - £104,999	-	-	-	-	-	-
£105,000 - £109,999	-	-	-	-	1	1
£110,000 - £114,999	-	-	-	-	-	-
£115,000 - £119,999	-	-	-	-	-	-
£120,000 - £124,999	-	-	-	1	-	1
£125,000 - £129,999	-	-	-	-	-	-
£130,000 - £134,999	-	-	-	1	-	1
£135,000 - £139,999	1	-	1	-	-	-
<b>Total</b>	<b>178</b>	<b>6</b>	<b>184</b>	<b>95</b>	<b>17</b>	<b>112</b>

The figures disclosed for officers in 2020/21 have increased, this is partly because in previous years figures were presented with the impact of salary sacrifice removed. Salary sacrifice is where an officer can take a reduction in pay in exchange for a non-cash benefit. To increase transparency in reporting figures for 2020/21 have been calculated using gross pay i.e. pay before the salary sacrifice has been deducted, this results in 25 additional officers meeting the disclosure requirements in 2020/21.

The previous table includes 7 officers (8 officers and 1 teacher in 2019/20) who are no longer employed by the Council and who received one-off redundancy payments during the year. Without this one-off redundancy payment, all of these officers would have received remuneration less than £50,000. The table also includes 26 officers (4 officers in 2019/20) who received overtime or allowance payments, without these payments the officers would have received remuneration less than £50,000.

As a result of the 2020/21 pay award of 2.75%, 29 officers on salary scale point 47 now receive remuneration which exceeds £50,000.

## 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 45 employees in 2020/21 (93 in 2019/20), incurring total costs of £1.44m (£1.87m in 2019/20). The following table also includes costs relating to strain on the fund payments of £0.893m in 2020/21 (£0.776m in 2019/20).

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
							£m	£m
£0 - £20,000	37	10	29	17	66	27	474,817	234,418
£20,001 - £40,000	7	1	6	2	13	3	382,510	74,053
£40,001 - £60,000	1	-	5	6	6	6	276,462	283,084
£60,001 - £80,000	1	-	2	3	3	3	198,702	230,108
£80,001 - £100,000	-	2	3	1	3	3	277,854	255,743
£100,001 - £150,000	1	3	1	-	2	3	261,441	363,130
<b>Total</b>	<b>47</b>	<b>16</b>	<b>46</b>	<b>29</b>	<b>93</b>	<b>45</b>	<b>1,871,786</b>	<b>1,440,536</b>

The above table includes 2 employees (16 in 2019/20) identified as demonstrably committed to leaving the Council at a cost of £0.035m (£0.637m in 2019/20), there were no strain on the fund payments related to these employees in 2020/21 (£0.347m in 2019/20). The prior year comparator figures for 2019/20 have been re-stated to exclude costs relating to demonstrably committed redundancies for 2018/19 which were included in the figures in error. The value of this adjustment is £0.165m.

Demonstrably committed employees are those who are committed to leaving the Council as at 31 March 2021 and for which severance packages have been agreed but where their leaving date will be after the 1 April 2021. The cost for these employees has been estimated, and an accrual has been raised in 2020/21 to account for these costs. 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 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.

The table also includes schools. There were 6 compulsory redundancies for schools in 2020/21 at a cost of £0.016m and 11 other departures for schools at a cost £0.134m. In 2019/20, there were 24 compulsory redundancies for schools at a cost of £0.156m and 16 other departures for schools at a cost £0.208m.

## 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.

	2019/20 £000	2020/21 £000
Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year.	204	231
Fees payable in respect of statutory inspections.	-	4
Fees payable for the certification of grant claims and returns for the year.	23	23
Fees payable for any other work carried out by the appointed auditors during the year.	27	-
PSAA rebate.	(15)	-
<b>Total</b>	<b>239</b>	<b>258</b>

## 12 Dedicated Schools Grant

The Council's expenditure on schools is funded by the Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2020/21 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total 139
(a) Final DSG for 2020/21 before academy and high needs recoupment	53,388	184,997	238,385
(b) Academy and high needs figure recouped for 2020/21	-	(115,770)	(115,770)
<b>(c) Total DSG after academy and high needs figure recoupment for 2020/21</b>	<b>53,388</b>	<b>69,227</b>	<b>122,615</b>
(d) Plus: Brought forward from 2019/20	9,524	-	9,524
(e) Less: Carry forward to 2020/21 agreed in advance	-	-	-
<b>(f) Agreed initial budgeted distribution in 2020/21 (c+d+e)</b>	<b>62,912</b>	<b>69,227</b>	<b>132,139</b>
(g) In year adjustments	144	-	144
<b>(h) Final budget distribution for 2020/21</b>	<b>63,056</b>	<b>69,227</b>	<b>132,283</b>
(i) Less: Actual central expenditure	(51,709)	-	(51,709)
(j) Less: Actual ISB deployed to schools	-	(69,227)	(69,227)
(k) Plus: Local authority contribution for 2020/21	-	-	-
<b>(l) Carry forward to 2021/22 (h+i+j+k)</b>	<b>11,347</b>	<b>-</b>	<b>11,347</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 b, Code of Practice on Local Authority Accounting in the United Kingdom Guidance notes for practitioners 2020/21 accounts

Line (g) adjustments

In Year Adjustments:-

Early Years additional 2019-20 allocation                      £0.144m

## 13 Leases

### Council as Lessee

#### Operating Leases

The Council has entered into operating agreements to use land, buildings, and equipment.

Future operating lease payments to which the council is committed at 31 March 2021 are:

	31 Mar 2020 £000	31 Mar 2021 £000
<b>Land &amp; Buildings</b>		
Not later than one year	766	779
Later than one year and not later than five years	2,598	2,551
Later than five years	3,157	2,565
<b>Total</b>	<b>6,521</b>	<b>5,895</b>
<b>Vehicles, Plant &amp; Equipment</b>		
Not later than one year	89	82
Later than one year and not later than five years	95	80
<b>Total</b>	<b>184</b>	<b>162</b>
<b>Summary</b>		
Not later than one year	855	861
Later than one year and not later than five years	2,693	2,631
Later than five years	3,157	2,565
<b>Total Land &amp; Buildings, Vehicles, Plant &amp; Equipment</b>	<b>6,705</b>	<b>6,057</b>

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

	2019/20 £000	2020/21 £000
<b>Minimum lease payments</b>	<b>1,100</b>	<b>876</b>

### Finance Leases

The Council has entered into finance agreements to use land and buildings.

Future finance lease payments to which the council is committed at 31 March 2021 are:

<b>Land &amp; Buildings</b>	31 Mar 2020 £000	31 Mar 2021 £000
Not later than one year	1,592	3,071
Later than one year and not later than five years	6,466	12,292
Later than five years	29,598	96,547
<b>Total</b>	<b>37,656</b>	<b>111,910</b>

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

	2019/20 £000	2020/21 £000
<b>Minimum lease payments</b>	<b>902</b>	<b>2,903</b>

### Council as Lessor

#### Operating Leases

The Council has granted a number of non-cancellable leases to organisations (commercial and community) for the use of Council-owned buildings and land. These leases have been accounted for in 2020/21 as being operating leases and the future minimum lease payments are:

	31 Mar 2020 £000	31 Mar 2021 £000
Not later than one year	5,679	7,669
Later than one year and not later than five years	15,107	19,683
Later than five years	97,544	118,313
<b>Total</b>	<b>118,330</b>	<b>145,665</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.

### 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 YHN in relation to vehicles that they lease from NCC.

Future minimum rentals receivable under non-cancellable finance leases at 31 March 2021 are:

	31 Mar 2020 £000	31 Mar 2021 £000
Not later than one year	632	617
Later than one year and not later than five years	2,491	2,461
Later than five years	12,999	12,435
<b>Total</b>	<b>16,122</b>	<b>15,513</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 2020/21, the Council recognised impairment losses of (£14.2m) and impairment reversals of £13.2m in the accounts.

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

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

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

The impairment loss can be split between the GF (£2.3m) and the HRA (£11.9m).

The impairment reversals relate to the GF £0.4m and HRA £12.8m.

Impairment reversals occur in situations where an asset is revalued and the accumulated impairment charge is subsequently reversed.

The amount charged to the HRA relates mainly to dwellings and is charged against the local authority (HRA) line in the CIES. The General Fund charge mainly relates to various operational assets, mainly the Civic Centre, Grainger Market and Land for Development. 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.

## 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 2020/21 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 2020/21 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 Newcastle Gateshead Clinical Commissioning Group (CCG) and NHS England to support the local integration of health and social care. This pooled budget was established under the Government's Better Care Fund. Transactions and balances are detailed in Note 7.

### **Newcastle International Airport Ltd / NIAL Holdings Limited**

Under the Airport Act 1986, Newcastle International Airport Limited (NIAL) was formed and seven local authorities were allocated shares in consideration for all the property, rights and liabilities that were transferred into the new company. 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 AMP Capital Investors Limited 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 £11.263m (£10.485m in 2019/20). 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. The spread of COVID-19 across the world towards the end of 2019/20 led to a sudden decline in air travel prompting the value of the shareholding to be impaired. During 2020/21 air travel to and from the airport was significantly reduced and whilst a vaccine towards the virus has been developed the travel sector has yet to see any significant increases in passenger numbers. As a result, the majority of the impairment recognised last year has been retained. 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 2021 (£0.903m for the year ended 31 December 2020). 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 2019/20). 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 has accepted that under the unprecedented circumstances the airport can defer interest repayments for the following three and a half years (two years in 2019/20) 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 once the catch up payments commence. This has resulted in a further restatement of the loan value with a modification loss of £1.173m (£1.162m in 2019/20) being recognised. The increase in loss 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 £0.262m (£0.172m in 2019/20) 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 loss before tax of £34.025m and a loss after tax of £31.835m for the year ended 31 December 2020. In the previous year, the Group made a profit before tax of £11.007m and a profit after tax of £7.502m.

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 2019.

To factor in the impact of COVID-19 a weighted average of forecast earnings before interest, depreciation and tax (EBITDA) has been derived and compared against existing EBITDA prior to the pandemic in order to generate a downward revaluation in the share value. To ensure reasonableness this percentage has been compared against the movement in shareholdings in other world airports where the shares are actively traded.

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**

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), 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 of Tyne Combined Authority (NTCA)**

The North East Combined Authority came into existence on the 15 April 2014 as the Combined Authority for the LA7 area. By the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 the boundaries of NECA were changed on the 2 November 2018. As a result of these governance changes the boundaries of NECA now cover the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland.

NECA and the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (NTCA) will work together on a number of areas to support the region, including Transport. All seven local Authorities will remain members of the North East Local Enterprise Partnership, the North East Joint Transport Committee, and supports Invest North East England. The North East Local Enterprise Partnership (North East LEP) will continue to advocate for the region as a whole and provide strong, collaborative leadership to grow the North East economy through an effective partnership with the public, private, education and third sectors.

Expenditure relates primarily to the Transport levy payable by the Council, while income consists of payments for service level agreements (SLAs) provided by the Council to NTCA.

### **Leazes Homes Limited (Leazes)**

Leazes Homes provides social housing to residents of Newcastle-upon-Tyne. YHN provide a range of housing management services to Leazes under a management agreement signed 1 January 2015, which was subsequently amended in a new management agreement commencing in November 2018 for a five year period. It is a company limited by guarantee with charitable status, and is governed by a Board of Trustees (numbering between 4 and 7) who are also members of the Company. One of the Trustees is appointed by the Council.

NCC provides services to Leazes including providing loans and grant assistance via its Fairer Housing Unit for affordable housing schemes.

### **Tyne & Wear Archives & Museums (TWAM)**

TWAM is a joint service of the four local authorities (Newcastle, South Tyneside, North Tyneside and Gateshead). The TWAM 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. TWAM has a separate management agreement with Newcastle University, to manage the Great North Museum, and Sunderland City Council is a partner in respect of the Joint Archive Service. TWAM provides some specialist museum services to Sunderland museums funded by Arts Council and some services including exhibition design on a commercial basis.

The allocation of costs is governed by Service Level Agreements enabling the partners to pay agreed charges. Costs are classified under four major headings - Operational, Specialist, Archives and Corporate.

### **Armstrong Centre Company Ltd**

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

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

### **Tynexe Commercial Ltd**

The principal activity is to oversee the development of building projects. The company commenced in 2016/17. NCC provided Tynexe Commercial limited with an initial loan to the value of £2m.

### **Tynexe Residential Ltd**

A wholly owned subsidiary of Tynexe Ltd and therefore linked to Armstrong Centre Company Ltd 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 Ltd**

A joint undertaking between Gateshead Council, Newcastle Council and more than 175 public and private sector members. NGI is a strategic public private partnership delivering economic growth for NewcastleGateshead and the wider North East. Its mission is to inspire people to visit and to live, learn, work and invest in and around Newcastle Gateshead. Objectives are delivered by working closely with a wide range of partners and stakeholders, collaborating to maximise potential economic social and environmental value of Newcastle Gateshead.

It is a company limited by guarantee and each of the members has undertaken to contribute £1 towards any deficit in the event of the company being wound up. Its principal activity is the destination marketing agency for the North East area.

### **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.

### **Eldon Square Company Ltd**

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

### **Newcastle Futures Ltd**

Newcastle Futures exists to assist unemployed residents within economically deprived areas of Newcastle to access job and training opportunities and is a company limited by guarantee. Members are the Council and the North East Chamber of Commerce. The business is run by the directors (number between 6 and 16 with 1 nominated by the Council). The liability of each member is limited to £1.

### **New Tyne West Development Company LLP**

A public-private sector partnership set up specifically to deliver a sustainable new neighbourhood for Scotswood, located 3 miles to the west of the city centre of Newcastle upon Tyne. The principal activity of the LLP is to facilitate the regeneration and development of the Scotswood area of Newcastle. The LLP comprises 2 members, the Council and 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.

The Council made no loan to LLP during the 12 months to 31st March 2021 (£0m in 2019/20), at which time the total drawn down to date was £4,974k. The loan is non interest bearing, is due for repayment after more than one year and is secured on the assets of the LLP.

## Science Central

NCC has an interest in three partnership companies –

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 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 Science Central Management LLP. This will be wound up once the NCC and NU complete the remaining developments.

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 (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 a new subsidiary, Newcastle Science Central Holdings Ltd was created and holds the Council’s interest in the Science Central companies. The year-end is 31st March.

## Regenerate Assets Co.

Regenerate Assets Co - jointly owned by Newcastle City Council (NCC) 60% share capital equating to £249,994 ordinary shares of £1 each and Engie Urban Energy Group 40% Share capital equating to £166,663 ordinary shares of £1 each. The company has a loan value with Newcastle City Council equating to £7.777m reported in 2020/21.

The principal activity of Regenerate Newcastle Supply 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.

### Entities Controlled or Significantly Influenced by the Council

The Council has a number of subsidiaries over which it has control, and other companies which it exerts significant influence.

	2019/20		2019/20		2019/20		2019/20		2020/21		2020/21			
	£'m	Receivables	£'m	Payables	£'m	Income	£'m	Expenditure	£'m	Receivables	£'m	Income	£'m	Expenditure
North of Tyne Combined Authority (NTCA)	-	-	(0.7)	(0.6)	16.0	-	-	-	-	-	-	-	-	16.1
Leazes Homes	29.0	-	-	(2.5)	0.1	27.9	-	-	(3.9)	-	-	(3.9)	-	0.0
Tyne & Wear Archives & Museums (TWAM)	1.3	(1.7)	(0.2)	(0.2)	1.0	0.0	(2.6)	(0.3)	1.0	-	-	(0.3)	-	1.0
Armstrong Centre Company Ltd	-	-	-	(0.2)	-	1.9	-	(0.1)	-	-	-	(0.1)	-	-
Tynexe Residential Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Newcastle Gateshead Initiative Ltd	-	-	-	-	1.0	-	-	-	-	-	-	-	-	0.8
Newcastle Mansion House	0.7	-	-	-	0.1	0.8	-	-	-	-	-	-	-	-
Eldon Square Company Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Newcastle Futures Ltd	-	-	-	(0.1)	0.3	-	-	(0.2)	-	-	-	(0.2)	-	0.5
New Tyne West Development Company LLP	5.1	-	-	-	-	5.0	-	-	-	-	-	-	-	-
Science Central LLP	0.5	(0.1)	(0.1)	(0.1)	0.6	-	-	-	-	-	-	-	-	-
Regenerate Asset Co.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total value of transactions with related party</b>	<b>36.5</b>	<b>(2.5)</b>	<b>(3.7)</b>	<b>(3.7)</b>	<b>19.1</b>	<b>35.6</b>	<b>(2.6)</b>	<b>(4.5)</b>	<b>18.4</b>					

\* Figures are taken from draft accounts for 2020/21 where available

## 16 Property, Plant &amp; Equipment

Movements in 2020/21	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 2020</b>	907,057	316,714	116,920	461,866	1,438	1,916	17,543	1,823,454	108,460
Additions	26,115	4,134	4,066	17,434	41	-	8,988	60,778	347
Acquisitions of Leased Assets	-	21,101	-	-	-	-	-	21,101	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(23,517)	(2,165)	-	-	-	-	-	(25,682)	280
Revaluation increases/(decreases) recognised in the Derecognition - Disposals	1,525	(8,221)	(1,303)	-	-	-	-	(7,999)	(2,888)
Assets reclassified (to)/from Held for Sale	(4,467)	(30,828)	(11,160)	-	-	-	-	(46,455)	(26,391)
Other reclassifications	-	669	-	-	-	-	-	669	-
	12,663	1,814	-	-	-	-	(12,618)	1,859	-
<b>At 31 March 2021</b>	<b>919,376</b>	<b>303,218</b>	<b>108,523</b>	<b>479,300</b>	<b>1,479</b>	<b>1,916</b>	<b>13,913</b>	<b>1,827,725</b>	<b>79,808</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2020	(50,213)	(18,188)	(51,547)	(133,442)	(404)	(8)	(530)	(254,331)	(39,821)
Depreciation charge	(28,348)	(4,265)	(8,338)	(11,870)	(28)	(8)	-	(52,857)	(2,279)
Depreciation written out to the Revaluation Reserve	29,777	7,134	-	-	-	4	-	36,915	2,208
Depreciation written out to the Deficit on the Provision of Services	(2,146)	1,063	665	-	-	5	-	(413)	2,566
Impairment losses/(reversals) recognised in Revaluation Reserve	(811)	2,548	-	-	-	-	-	1,737	-
Impairment losses recognised in the Deficit on the Provision of Services	(11,646)	(2,507)	-	-	(41)	-	-	(14,193)	-
Impairment reversals recognised in the Deficit on the Provision of Services as a result of revaluation	19,229	1,116	-	-	-	-	-	20,345	-
Derecognition - Disposals	-	-	8,633	-	-	-	-	8,633	-
Reclassifications	413	1	-	-	-	-	(414)	-	-
<b>At 31 March 2021</b>	<b>(43,745)</b>	<b>(13,098)</b>	<b>(50,587)</b>	<b>(145,312)</b>	<b>(473)</b>	<b>(7)</b>	<b>(944)</b>	<b>(254,165)</b>	<b>(37,326)</b>
<b>Net Book Value</b>									
<b>At 31 March 2021</b>	<b>875,631</b>	<b>290,120</b>	<b>57,936</b>	<b>333,988</b>	<b>1,006</b>	<b>1,909</b>	<b>12,969</b>	<b>1,573,560</b>	<b>42,482</b>
<b>At 31 March 2020</b>	<b>856,844</b>	<b>298,527</b>	<b>65,373</b>	<b>328,424</b>	<b>1,034</b>	<b>1,908</b>	<b>17,013</b>	<b>1,569,123</b>	<b>68,639</b>

Comparative Movements in 2019/20	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 2019</b>	902,424	338,298	114,562	444,750	3,428	1,712	25,221	<b>1,830,395</b>	108,390
Additions	39,057	11,718	22,076	17,116	3	-	17,743	<b>107,713</b>	341
Acquisitions of Leased Assets	-	4,135	-	-	-	-	-	<b>4,135</b>	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(18,364)	104	-	-	-	(21)	-	<b>(18,281)</b>	7
: Revaluation increases/(decreases) recognised in the	(12,293)	(35,899)	(6,773)	-	(225)	-	-	<b>(55,190)</b>	(109)
Derecognition - Disposals	(7,099)	(6,943)	(12,945)	-	(1,768)	-	-	<b>(28,755)</b>	(169)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	<b>-</b>	-
Other reclassifications	3,332	5,301	-	-	-	225	(25,421)	<b>(16,563)</b>	-
<b>At 31 March 2020</b>	<b>907,057</b>	<b>316,714</b>	<b>116,920</b>	<b>461,866</b>	<b>1,438</b>	<b>1,916</b>	<b>17,543</b>	<b>1,823,454</b>	<b>108,460</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2019	(57,234)	(32,406)	(55,045)	(122,018)	(2,276)	(5)	(1,030)	<b>(270,014)</b>	(37,174)
Depreciation charge	(27,651)	(3,985)	(9,328)	(11,424)	(28)	(8)	-	<b>(52,424)</b>	(2,901)
Depreciation written out to the Revaluation Reserve	21,620	1,197	-	-	-	4	-	<b>22,821</b>	78
Depreciation written out to the Deficit on the Provision of Services	5,569	486	96	-	-	5	-	<b>6,156</b>	7
Impairment losses/(reversals) recognised in Revaluation Reserve	4,164	(148)	-	-	-	-	-	<b>4,016</b>	-
Impairment losses recognised in the Deficit on the Provision of Services	(19,262)	(1,736)	-	-	-	-	-	<b>(20,998)</b>	-
Impairment reversals recognised in the Deficit on the Provision of Services as a result of revaluation	23,081	12,448	-	-	225	-	-	<b>35,754</b>	-
Derecognition - Disposals	-	-	12,730	-	1,675	-	-	<b>14,405</b>	169
Reclassifications	(500)	5,957	-	-	-	(4)	500	<b>5,953</b>	-
<b>At 31 March 2019</b>	<b>(50,213)</b>	<b>(18,187)</b>	<b>(51,547)</b>	<b>(133,442)</b>	<b>(404)</b>	<b>(8)</b>	<b>(530)</b>	<b>(254,331)</b>	<b>(39,821)</b>

**Depreciation:**

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

- Council Dwellings 26 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

**Capital Commitments:**

At 31 March 2021, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years budgeted to cost £36m. Similar commitments at 31 March 2020 were £37m. The major commitments (£1m or more) are:

<b>Housing Revenue Account Programme</b>	<b>£m</b>
Fire Door Replacement Scheme	4
Citywide Windows & Doors Programme	2
Hexham House & Titan House Demolition	2
Roofing Programme	2
Adaptions Programme	1
Aln Crescent & Broomyhill Road New Build Scheme	1
	<hr/>
	<u>12</u>
 <b>General Fund Programme</b>	
School Expansion Programme Broadway East First School	8
School Expansion Programme Simonside Primary	3
Slatyford Lane Replacement Children's Home	1
Central Gateway Phase 2 Southern Access	3
LED Replacement - Streetlights	2
Local Authority Delivery 1b scheme Green Homes	2
Grainger Market Arcade Roof	2
Scotswood Housing Development	1
Local Authority Delivery 1 scheme Green Homes	1
Thornley Road New Homes	1
	<hr/>
	<u>24</u>
 <b>Total Commitments</b>	
	<hr/>
	<u><b>36</b></u>

## 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 Ministry of Housing, Communities and Local Government to reflect their status as social housing. Consequently council dwellings are included in the balance sheet at 44% of current value (2019/20, 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 table overleaf 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
2020/21	875,632	173,196	1,909	82,056	<b>1,132,793</b>
2019/20	-	32,158	-	-	<b>32,158</b>
2018/19	-	53,727	-	-	<b>53,727</b>
2017/18	-	636	-	-	<b>636</b>
2016/17	-	1,151	-	-	<b>1,151</b>
2015/16	-	104	-	-	<b>104</b>
<b>Total Cost or Valuation</b>	<b>875,632</b>	<b>260,972</b>	<b>1,909</b>	<b>82,056</b>	<b>1,220,569</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 2021 management were unaware of any changes in market conditions that meant that the cost of replacing the assets has material changed.

- Of the assets that are valued using the investment method, many of these are subject to agreements to local covenants and are subsequently of fairly low value. With regards to the high value investment assets (such as Eldon Square and Partnership House) a detailed impairment review was carried out post valuation date to assess the impact of COVID-19 on the value of these assets and adjustments have been made where applicable (Eldon square was revalued to £93m in 2019/20 and revalued again in 2020/21 to £49m). This has included taking into account changes in market yields as a result of the impact of COVID-19 on the retail sector. The values disclosed in relation to Investment properties may fluctuate further as a result of any future COVID-19 related factors, for example, future lockdown restrictions.

## 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 2019	698	908	106,858	108,464
Additions	-	-	80	80
Disposals	-	-	-	-
Revaluations	-	-	325	325
TWAM Adjustments	-	-	-	-
<b>31 March 2020</b>	<b>698</b>	<b>908</b>	<b>107,263</b>	<b>108,869</b>
<b>Cost or Valuation</b>				
1 April 2020	698	908	107,263	108,869
Additions	-	-	12	12
Disposals	-	-	-	-
Revaluations	-	-	191	191
TWAM Adjustments	-	-	-	-
<b>31 March 2021</b>	<b>698</b>	<b>908</b>	<b>107,466</b>	<b>109,072</b>

### Museums

Heritage Assets are assets that are managed by the Tyne & Wear Archives & Museums Joint Committee 'principally for their contribution to knowledge or culture'.

The 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 July 2020 and March 2021 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 April 2019 for insurance purposes and there has been no movement in the current year.

### Civic Insignia

The Council holds a collection of Civic Insignia which is held on the Balance Sheet at its insurance valuation. The collection is valued every 5 years by an external valuer and is deemed to have a high residual value so is not subject to depreciation. 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:

	2019/20 £000	2020/21 £000
Rental income from investment property	(7,699)	(4,387)
Direct operating expenses arising from investment property	48,243	46,659
<b>(Surplus) / Deficit</b>	<b>40,544</b>	<b>42,272</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:

	2019/20 £000	Fair Value Level	2020/21 £000
Balance at start of the year	164,969		128,832
Additions:			
Transfers	10,610		(1,857)
Subsequent expenditure	(24)		37
Impairment	-		-
Net gains / (losses) from fair value adjustments	(46,723)	2	(44,956)
<b>Balance at end of the year</b>	<b>128,832</b>		<b>82,056</b>

### Investment Properties Valuations

- Of the assets that are valued using the investment method, many of these are subject to agreements to local covenants and are subsequently of fairly low value. With regards to the high value investment assets (such as Eldon Square and Partnership House) a detailed impairment review was carried out post valuation date to assess the impact of COVID-19 on the value of these assets and adjustments have been made where applicable (Eldon square was revalued to £93m in 2019/20 and revalued again in 2020/21 to £49m). This has included taking into account changes in market yields as a result of the impact of COVID-19 on the retail sector. The values disclosed in relation to Investment properties may fluctuate further as a result of any future COVID-19 related factors, for example, future lockdown restrictions.

## 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 2020	31 Mar 2021
	£000	£000
<b>Financial assets at amortised cost</b>		
Trade receivables (short term Debtors less Council Tax)	85,529	128,986
Other loans and receivables	104,181	104,841
Held to maturity investments (short term)	10,048	33,000
<b>Financial assets at fair value through other comprehensive income (FVOCI) designated equity instruments</b>		
Unquoted equity investment at cost	154	154
Designated equity instrument	10,485	11,262
<b>Financial assets at fair value through profit and loss (FVPL)</b>		
Investments not held solely for the purpose of principal and interest	11,649	9,663
<b>Cash</b>	<b>55,827</b>	<b>125,741</b>
<b>Total</b>	<b>277,873</b>	<b>413,647</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 2020	31 Mar 2021
	£000	04/06/1900
Trade receivables	112,226	158,792
Loss allowance	(26,697)	(29,806)
<b>Total</b>	<b>85,529</b>	<b>128,986</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 debt investments

	31 Mar 2020	31 Mar 2021
	£000	24/06/1900
Loans to other local authorities - North Tyneside Council (transferred debt)	2,498	2,403
Finance Lease	921	840
Leazes Homes	28,015	26,958
The Cedars	1,420	1,370
Airport Loan	12,412	14,539
Loans to Cultural and Heritage Organisations	7,559	7,505
Stephenson Quarter Loan	17,786	18,661
Greenwich Leisure Ltd Loan	2,338	2,338
Your Homes Newcastle Loan	6,500	6,500
Falcons Rugby Club Loan	6,191	5,891
Fusion Lifestyle	5,711	5,787
Eagles Community Foundation	2,951	2,991
Re-Generate	7,777	7,777
Tynexe Commercial	2,000	1,881
Other Loans	1,351	1,312
Less loss allowance for debt investments at amortised cost	(1,249)	(1,912)
<b>Total</b>	<b>104,181</b>	<b>104,841</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 2020	31 Mar 2021
	£000	£000
Held to maturity investments (short term)	10,048	33,000

### 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 2020	31 Mar 2021
	£000	£000
Unquoted equity investment at cost	154	154
Airport Investment	10,485	11,262
<b>Total</b>	<b>10,639</b>	<b>11,416</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 2020	31 Mar 2021
	£000	£000
Science Central	6,159	4,687
New Tyne West Development Company	5,490	4,976
<b>Total</b>	<b>11,649</b>	<b>9,663</b>

**Cash**

	31 Mar 2020	31 Mar 2021
	£000	£000
Cash in hand	72,778	125,741
Cash overdrawn	(16,951)	-
<b>Total</b>	<b>55,827</b>	<b>125,741</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 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 2020	31 Mar 2021
	£000	£000
<b>Borrowings:</b>		
Short term borrowing	(42,405)	(12,702)
Financial liabilities at amortised cost - long term borrowing	(749,836)	(768,333)
<b>Total borrowings</b>	<b>(792,241)</b>	<b>(781,035)</b>
<b>Other Long Term Liabilities:</b>		
Long term creditors - PFI finance lease	(183,720)	(173,426)
Deferred liabilities	(275)	(249)
<b>Total other Long term liabilities</b>	<b>(183,995)</b>	<b>(173,675)</b>
<b>Short term creditors:</b>		
Short term creditors (less Council Tax)	(78,644)	(142,370)
<b>Total Short term creditors</b>	<b>(78,644)</b>	<b>(142,370)</b>

### Income, Expense, Gains and Losses

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

	2019/20			2020/21		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Amortised Cost £000	Total £000
Interest expense	41,421	-	41,421	40,766	-	40,766
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>41,421</b>	<b>-</b>	<b>41,421</b>	<b>40,766</b>	<b>-</b>	<b>40,766</b>
Investment income	-	(4,635)	(4,635)	-	(5,180)	(5,180)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(4,635)</b>	<b>(4,635)</b>	<b>-</b>	<b>(5,180)</b>	<b>(5,180)</b>
<b>Net (Gain)/Loss for the year</b>	<b>41,421</b>	<b>(4,635)</b>	<b>36,786</b>	<b>40,766</b>	<b>(5,180)</b>	<b>35,586</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 2021, 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 2020/21 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 2020		Fair Value Level	31 Mar 2021	
	Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
Financial liabilities	(784,936)	(1,077,819)	2	(752,845)	(1,032,062)
Long term creditors - PFI finance lease liabilities	(183,720)	(183,720)	2	(173,426)	(173,426)
Deferred Liabilities	(275)	(275)	2	(249)	(249)
<b>Total</b>	<b>(968,931)</b>	<b>(1,261,814)</b>		<b>(926,520)</b>	<b>(1,205,737)</b>

Financial Assets	31 Mar 2020		Fair Value Level	31 Mar 2021	
	Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
<b>Amortised Cost</b>					
Long-term investments	22,289	22,289	3	21,079	21,079
Long-term debtors	104,182	133,435	3	104,841	180,558
<b>Total</b>	<b>126,471</b>	<b>155,724</b>		<b>125,920</b>	<b>201,637</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 2021 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 £288.7m as at the 31 March 2021 (a net debt figure of £243.1m). However, only £153.9m was deemed at risk and the Council provided a bad debt provision of £45.6m against risk of default on the debt, a net debt figure of £108.3m. This net value represents the maximum customer credit risk to which the Council is exposed. The remaining £134.8m of the £288.7m on the Balance Sheet refers to debt not deemed at risk and is owed by Government Departments, Other Local Authorities, NHS bodies, Public Corporations and Trading Funds.

## Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to 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 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 and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31 Mar 2020 £000	31/03/2021 £000
Between 1-2 years	4,617	15,650
Between 2-5 years	38,901	32,499
Between 5-10 years	23,306	18,760
More than 10 years	683,012	701,424
<b>Total</b>	<b>749,836</b>	<b>768,333</b>
Less than 1 year	42,405	12,702
<b>Total borrowing</b>	<b>792,241</b>	<b>781,035</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 2021 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 2020/21 and variable interest rate loans. Existing fixed rate loans, which make up the greater proportion of the portfolio, would not be affected. Loans wherein the terms give the lender an option to change the interest rate at specific dates during the year have been excluded from the calculation. For example, our advisors Arlingclose have determined that the likelihood of a LOBO being called in the next 5 years because of interest rate rises is very small, and the fact that interest rates have fluctuated during the lives of these loans but lenders have not exercised their options to change the rates, treasury management officers consider these loans to be fixed rate.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on borrowings	14
Increase in interest receivable on investments	(2,004)
<b>Impact Deficit on the Provision of Services</b>	<b>(1,990)</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 2022 or later. Changes to interest rates will not impact on such loans. As a result only loans taken out in 2020/21 or loans maturing in 2020/21 that require new borrowing have been included in determining the figure quoted.

### **Price Risk**

The Council has shareholdings in LIFTCo to the value of £0.15m and £5.0m 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 2021 was £11.3m. The Council also holds an investment in Science Central LLP of £6.2m as at 31 March 2021.

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 2020 £000	31 Mar 2021 £000
Central Government Bodies	26,496	60,869
Other Local Authorities	6,759	7,320
NHS Bodies	4,763	8,290
Public Corporations & Trading Funds	351	1,418
Other Entities & Individuals	59,317	58,752
<b>Total</b>	<b>97,686</b>	<b>136,649</b>

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

- External Sundry Debtors £36.2m (£36.5m 2019/20)
- Monies owed by Housing tenants for rent and service charges £3.4m (£3.8m 2019/20)
- Private Finance Initiative prepayment £17.7m (£17.1m 2019/20)
- Overdraft balances within the Council's bank account belonging to other organisations £1.5m (£1.9m 2019/20)

## 22 Cash and Cash Equivalents

	31 Mar 2020 £000	31 Mar 2021 £000
Cash held by the Council	166	170
Short-term deposits with financial institutions	72,612	120,600
Bank Balance / (Overdraft)	(16,951)	4,971
<b>Total Cash and Cash Equivalents</b>	<b>55,827</b>	<b>125,741</b>

## 23 Current Assets Held for Sale

	31 Mar 2020 £000	31 Mar 2021 £000
<b>Balance at start of year</b>	6,325	4,229
Assets newly classified as held for sale:	-	-
Property, Plant and Equipment	-	(669)
Assets sold	(2,096)	-
<b>Balance at year-end</b>	<b>4,229</b>	<b>3,560</b>

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

## 24 Short Term Creditors

	31 Mar 2020 £000	31 Mar 2021 £000
Central Government Bodies	(17,641)	(73,520)
Other Local Authorities	(3,949)	(2,685)
NHS Bodies	(613)	(895)
Public Corporations and Trading Funds	(73)	(313)
Other Entities and Individuals	(68,693)	(82,528)
<b>Total</b>	<b>(90,969)</b>	<b>(159,941)</b>

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

- External Revenue Sundry Creditors, £27.2m (2019/20 £15.2m)
- Monies held on behalf of other organisations; cash held and invested under treasury management agreements on behalf of partner organisations, £5.8m (2019/20 £9.7m)
- Cash Received in Advance relating to 2021/22, £12.4m (2019/20 £8.3m)
- Outstanding Purchase Orders NCC Creditors Control £3.9m (2019/20 £5.9m)
- Private Finance Initiative lease Creditor, £10.6m (2019/20 £10.0m)
- Capital Sundry Creditors, £2.3m (2019/20 £1.2m)
- Employee Holiday Pay, £8.3m (2019/20 £5.4m)
- Council Tax Creditors £4.0m (2019/20 £3.7m)
- Non Domestic Rates Creditors £2.7m (2019/20 £5.7m)
- Other Creditors, £5.4m (2019/20 £3.7m)

## 25 Provisions

	Insurance £000	Business Rates £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2020</b>	<b>(6,976)</b>	<b>(19,002)</b>	-	<b>(25,978)</b>
Additional provisions made in 2020-21	-	(14,837)	(1,682)	<b>(16,519)</b>
Amounts used in 2020-21	(475)	6,945	-	<b>6,470</b>
Unused amounts reversed in 2020-21	-	1,025	-	<b>1,025</b>
Amounts reclassified in 2020-21	-	9,921	-	<b>9,921</b>
<b>Balance at 31 March 2021</b>	<b>(7,451)</b>	<b>(15,948)</b>	<b>(1,682)</b>	<b>(25,081)</b>
Which is split				
Short term	-	(15,948)	(1,682)	<b>(17,630)</b>
Long term	(7,451)	-	-	<b>(7,451)</b>

## Insurance

The Council funds up the first £0.250 - £0.294m of public and employers liability, property damage and motor third party claims, subject to aggregate protection. Motor accidental damage claims are wholly self-funded.

The insurance provision of £7.451m at 31 March 2021 (31 March 2020 £6.976m) 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 also held in respect of alteration of lists and appeals (£15.948) against the 2010 (£2.752m) and 2017 (£13.196m) business rates valuation lists. (31 March 2020 £19.002m).

## Other Provisions

There are no forecast redundancies for 2021/22 in the City Councils agreed budget. (31 March 2020 £0m).

As part of the Council's response to supporting the sustainability of the general residential care market in the city during the COVID-19 pandemic, a provision has been created for £1.648m to provide funding for time-limited financial support to the sector to help providers meet the additional void costs relating to the pandemic. Costs will not be incurred until 2021/22 but the expenditure relates to the period April to December 2020.

Following a review within the Civic Facilities service it has been identified that some fees and charges for non-statutory services have not had VAT accounted for correctly. An estimate of potential liability dating back to April 2017 is £0.034m as at 31 March 2021, based on information from the relevant recording systems. Further analysis is required to finalise any payment to HMRC.

## 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 2020/21 amounted to £6.4m (2019/20 £6.5m). The estimated payment to be made in 2021/22 is £6.4m, 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 2020/21 the contract payment was £7.3m (2019/20 £7.8m). The estimated payment to be made in 2021/22 is £7.4m.

### 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 2020/21 were £13.1m (2019/20 £13.1m) and estimated payments for 2021/22 are £13.3m.

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 2020/21 was £9.8m (2019/20 £9.7m). The estimated payment to be made in 2021/22 is £9.9m.

### 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 2020/21 amounted to £3.7m (2019/20 £3.6m) and the estimated payments for 2021/22 are £3.7m.

### 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 2020/21 contract payments were £1.7m (2019/20 £1.7m) and the estimated payment for 2021/22 is £1.7m.

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 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total 155
Payable in 2021/22	13,354	10,638	16,416	<b>40,408</b>
Payable within 2 to 5 years	54,536	48,159	58,105	<b>160,800</b>
Payable within 6 to 10 years	64,689	65,071	44,956	<b>174,716</b>
Payable within 11 to 15 years	43,541	60,097	17,842	<b>121,480</b>
Payable within 16 to 20 years	4,382	6,561	592	<b>11,535</b>
<b>Total</b>	<b>180,502</b>	<b>190,526</b>	<b>137,911</b>	<b>508,939</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:

	2019/20 £000	2020/21 £000
<b>Balance outstanding at start of year</b>	<b>(202,742)</b>	<b>(193,713)</b>
Payments during the year	9,370	9,997
Adjustment - BSF Lifecycle Prepayment	-	-
Capital expenditure incurred in the year	(341)	(347)
<b>Balance outstanding at year-end</b>	<b>(193,713)</b>	<b>(184,063)</b>

## 27 Contingent Liabilities

At 31 March 2021, the Council has the following contingent liabilities:

- The Council has a contingent liability in respect of Your Homes Newcastle pension fund. The Council has confirmed that it will assume any liabilities relating to YHN pension fund both in terms of the current funding and deficit and any ongoing funding obligations/liabilities. The deficit on the pension fund stood at £56.5m at 31st March 2021 (31 March 2020 £33.3m), however any liability would only be payable if the admitted body did not have sufficient assets to meet the pension liabilities. The above liability is included in the group accounts as part of the pension liability and reserve.
- The Council also provides pension guarantees for 20 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 £0.6m. The total deficit on these bodies stood at £1.3m as at 31 March 2021, (31 March 2020 £1.3m). 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.

- The Council agreed to provide a maximum contribution up to £9.5m to Urban Green (formerly Newcastle Parks and Allotment Trust) should they need to use it, which became available on 1 April 2019, with payments profiled over a 10 year period. Payments of £1.7m were made during 2020/21 (2019/20 £2.0m) leaving a potential maximum remaining liability of £5.1m after deducting 21/22 projected spend (2019/20 £7.5m).

The Council also provides a guarantee to Urban Greens membership of the Tyne and Wear Pension Fund. The fund currently has a nil deficit with the next valuation figures available in 2022.

- The Council is liaising with the Environment Agency regarding a matter which could give rise to a potential liability but this (and the quantum of any liability) has yet to be established.
- An assessment of the above contingent liabilities suggests that they remain contingent and that Newcastle 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 2020/21, the Council paid £8.8m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.6% of pensionable pay. The figures for 2019/20 were £8.2m and 20.5%. 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	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
Current service cost	54,490	52,960	-	-
Past service costs	560	1,740	-	-
<b>Financing and Investment Income and Expenditure:</b>				
Interest on net defined benefit liability/(asset)	15,480	14,010	1,790	1,560
<b>Pension expense recognised in profit and loss</b>	<b>70,530</b>	<b>68,710</b>	<b>1,790</b>	<b>1,560</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	75,260	(316,920)	-	-
Actuarial (gains)/losses due to changes in financial assumptions	(42,400)	428,230	(870)	4,820
Actuarial (gains)/losses due to changes in demographic assumptions	(38,930)	-	(1,910)	-
Actuarial (gains)/losses due to changes in liability assumptions	(73,810)	(29,980)	(360)	(980)
<b>Total amount recognised in Other Comprehensive Income and Expenditure</b>	<b>(79,880)</b>	<b>81,330</b>	<b>(3,140)</b>	<b>3,840</b>
<b>Total amount recognised</b>	<b>(9,350)</b>	<b>150,040</b>	<b>(1,350)</b>	<b>5,400</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	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
<b>Opening balance at 1 April</b>	<b>(2,275,690)</b>	<b>(2,169,870)</b>	<b>(77,540)</b>	<b>(70,540)</b>
Current service cost	(54,490)	(52,960)	-	-
Interest cost	(53,910)	(49,280)	(1,790)	(1,560)
Contributions by participants	(9,280)	(9,350)	-	-
Actuarial gains/(losses) on liabilities - financial assumptions	42,400	(428,230)	870	(4,820)
Actuarial gains/(losses) on liabilities - demographic assumptions	38,930	-	1,910	-
Actuarial gains/(losses) on liabilities - experience	73,810	29,980	360	980
Net benefits paid out	68,920	66,890	5,650	5,590
Past service costs	(560)	(1,740)	-	-
<b>Closing balance at 31 March</b>	<b>(2,169,870)</b>	<b>(2,614,560)</b>	<b>(70,540)</b>	<b>(70,350)</b>

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2019/20 £000	2020/21 £000
<b>Opening balance at 1 April</b>	<b>1,617,650</b>	<b>1,547,500</b>
Interest income on assets	38,430	35,270
Remeasurement gains/(losses) on assets	(75,260)	316,920
Employer contributions	26,320	28,920
Contributions by scheme participants	9,280	9,350
Net benefits paid out	(68,920)	(66,890)
<b>Closing balance at 31 March</b>	<b>1,547,500</b>	<b>1,871,070</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	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(2,080,440)	(2,166,530)	(2,275,690)	(2,169,870)	(2,614,560)
Discretionary benefits	(85,340)	(83,310)	(77,540)	(70,540)	(70,350)
Fair value of assets in the Local Government Pension Scheme	1,486,440	1,541,330	1,617,650	1,547,500	1,871,070
<b>Surplus/(deficit) in the scheme:</b>	<b>(679,340)</b>	<b>(708,510)</b>	<b>(735,580)</b>	<b>(692,910)</b>	<b>(813,840)</b>
Local Government Pension Scheme	(594,000)	(625,200)	(658,040)	(622,370)	(743,490)
Discretionary benefits	(85,340)	(83,310)	(77,540)	(70,540)	(70,350)
<b>Total</b>	<b>(679,340)</b>	<b>(708,510)</b>	<b>(735,580)</b>	<b>(692,910)</b>	<b>(813,840)</b>

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows; active members 37%, deferred pensioners 17% and pensioners 46%.

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £2.615bn has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a negative pension balance of £814m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £28.34m (2019-20 £28.03m). In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2021 are £5.62m 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 2019.

### **Changes in Estimation Basis**

A RPI-CPI 'wedge' (the difference between the two inflationary rates) of 0.8% 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. This compares to an assumption of 0.8% before 2030 and 0.5% after 2030 used at the last accounting date.

Similarly an Inflation Risk Premium (IRP) of 0.2% is used prior to 2030 and a rate of 0.6% p.a is used from 2030 for pensions accounting as at 31st March 2021. This compares to an assumption of 0.2% at the last accounting date.

### **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. The consultation closed on 8 October 2020 and at 31st March 2021 MHCLG has not yet published its consultation response.

The approach taken for 2020/21 replicates that taken in 2019/20. 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 last year (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.

The Actuaries approach has been to value full CPI Inflation pension increases on GMPs of members whose State Pension Age is on or after 6 April 2016. This is an approximate method of recognising 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 is consulting on its approach to compensating affected members. Whilst the final remedy arising from that consultation may be different to the method we are proposing for accounting in 2021, we expect the outcome will include extension of full indexation for many of the members who are yet to be compensated and therefore the Actuary approach is a reasonable estimate.

**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. HM Treasury and the SAB had paused their reviews following the 'McCloud' judgement in the Court of Appeal. These have now been unpaused and HMT Directions are expected to be made over 2021 which will allow the Treasury and SAB reviews to proceed. It is unlikely the outcome of those reviews will be known in 2021 and currently no changes in benefits or member contributions are expected until 2024.

**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 2021.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20	2020/21	2019/20	2020/21
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.8	21.9	21.8	21.9
Women	25.0	25.1	25.0	25.1
Rate for discounting scheme liabilities	2.3%	2.1%	2.3%	2.1%
Rate of inflation - Consumer Price Index	2.0%	2.7%	2.0%	2.7%
Rate of increase in pensions	2.0%	2.7%	2.0%	2.7%
Pension accounts revaluation rate	2.0%	2.7%	0.0%	0.0%
Rate of increase in salaries	3.5%	4.2%	0.0%	0.0%

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

	31 March 2020	31 March 2021		
	% Total	% Quoted	% Unquoted	% Total
Equity investments	54.8	48.4	7.1	55.5
Property	9.0	0.0	7.9	7.9
Government bonds	4.1	2.2	0.0	2.2
Corporate bonds	15.3	19.8	0.0	19.8
Cash	2.3	4.0	0.0	4.0
Other*	14.5	4.7	5.9	10.6
<b>Total</b>	<b>100.0</b>	<b>79.1</b>	<b>20.9</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.

	Funded 2019/20 £000	Funded 2020/21 £000	Unfunded 2019/20 £000	Unfunded 2020/21 £000
<b>Actual Return on Assets</b>				
Interest income on assets	38,430	35,270	-	-
Remeasurement gain/(loss) on assets	(75,260)	316,920	-	-
<b>Actual return on assets</b>	<b>(36,830)</b>	<b>352,190</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 2021 and the projected service cost for the year ending 31 March 2022 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)	2,564.88	2,614.56	2,666.85
% change in present value of total obligation	-1.90%	0.00%	2.00%
Projected service cost (£m)	72.31	74.78	77.32
Approximate % change in projected service cost	-3.30%	0.00%	3.40%

#### 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)	2,622.40	2,614.56	2,606.72
% change in present value of total obligation	0.30%	0.00%	-0.30%
Projected service cost (£m)	74.78	74.78	74.78
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)	2,659.01	2,614.56	2,572.73
% change in present value of total obligation	1.70%	0.00%	-1.60%
Projected service cost (£m)	77.32	74.78	72.31
Approximate % change in projected service cost	3.40%	0.00%	-3.30%

**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)	2,708.68	2,614.56	2,523.05
% change in present value of total obligation	3.60%	0.00%	-3.50%
Projected service cost (£m)	77.85	74.78	71.79
Approximate % change in projected service cost	4.10%	0.00%	-4.00%

\* 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.

### 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.

Trust Fund	Income £000	Expenditure £000	Net Expenditure £000	Assets £000	Liabilities £000
Fire Brigade Relief Fund	-	-	-	31	(31)
Richard Thompson Bequest	-	-	-	48	(48)
Sir Thomas White Bequest	-	-	-	199	(199)
Thomas Davison Bequest	-	-	-	72	(72)
Museums Service Trust Funds	-	-	-	119	(119)
Education Scholarship and Prize Funds	-	-	-	60	(60)
Other Trust Funds	-	19	19	296	(296)
Mansion House	(31)	158	127	561	(561)
<b>Total</b>	<b>(31)</b>	<b>177</b>	<b>146</b>	<b>1,386</b>	<b>(1,386)</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.

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

### 31 Usable Reserves

	31 Mar 2020 £000	31 Mar 2021 £000
General Fund Balance	(10,134)	(10,134)
Earmarked General Fund Balances	(99,918)	(198,329)
Housing Revenue Account (HRA)	(9,535)	(9,535)
Earmarked HRA Balances	(6,100)	(1,967)
Housing Major Repairs Reserve	(1,014)	(914)
Capital Receipts Reserve	(14,744)	(12,771)
Capital Grants Unapplied	(34,029)	(28,794)
<b>Total Usable Reserves</b>	<b>(175,474)</b>	<b>(262,443)</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 2020/21

	Balance at 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000
<b>General Fund Earmarked Reserves</b>							
ADZ Reserve (1)	1,298	386	-	1,684	2,825	(3,203)	1,306
One-off funding Reserve (2)	(6,172)	1,599	(958)	(5,531)	677	-	(4,854)
Asset Management Reserve (3)	3,858	1,373	-	5,231	901	(787)	5,345
Byker District Heating Scheme Reserve (4)	455	306	(131)	630	-	(630)	-
Collection Fund Reserve (5)	(7,370)	-	-	(7,370)	2,113	(50,633)	(55,890)
Developers Contributions Reserve (6)	(758)	-	(5)	(763)	111	(215)	(867)
Directorate Commitment Reserve (7)	(1,335)	228	(69)	(1,176)	1,016	(677)	(837)
Financial Risk & Resilience Reserve (8)	(7,000)	-	-	(7,000)	-	-	(7,000)
Housing Benefit Subsidy Reserve (9)	(2,157)	1,012	-	(1,145)	989	(596)	(752)
Interim Capital Funding Reserve (10)	1,221	-	(77)	1,144	-	(783)	361
Major Developments Reserve (11)	1,902	2,037	(136)	3,803	1,459	(3,690)	1,572
Pension Reserve (12)	(4,039)	2,012	(311)	(2,338)	-	(69)	(2,407)
Public Health Reserve (13)	(2,067)	778	-	(1,289)	1,187	(1,837)	(1,939)
Revenue Grants to be Applied (14)	(6,824)	3,942	(1,425)	(4,307)	2,834	(14,749)	(16,222)
Ring-fenced Reserve (15)	(15,583)	716	(4,513)	(19,380)	1,410	(5,205)	(23,175)
Risk Management & Insurance Reserve	(2,372)	50	(1,000)	(3,322)	102	(176)	(3,396)
Strategic Reserve (16)	(4,635)	6,021	(3,975)	(2,589)	5,620	(11,995)	(8,964)
Transformation Reserve (17)	(1,285)	4,577	(4,125)	(833)	1,397	(5,834)	(5,270)
Treasury Management Reserve (18)	(8,411)	-	(2,023)	(10,434)	-	(4,355)	(14,789)
Single Point of Leadership (19)	(575)	855	(908)	(628)	1,109	(273)	208
Parks Trust Subsidy (20)	(1,450)	-	(950)	(2,400)	-	(950)	(3,350)
PFI Reserve (21)	(4,580)	523	-	(4,057)	534	(112)	(3,635)
School Kitchen Reserve (22)	(700)	239	(188)	(649)	89	(188)	(748)
Capital Projects Development Reserve (23)	(450)	246	(500)	(704)	151	(500)	(1,053)
NNDR Pool Reserve (24)	-	1,014	-	1,014	-	(1,088)	(74)
Estates Management Fund Reserve (25)	-	-	-	-	415	(1,500)	(1,085)
Digital Screen Income (26)	-	-	-	-	2	(245)	(243)
Electoral Services reserve (27)	-	-	-	-	-	(168)	(168)
Other Reserves	(1,071)	381	(414)	(1,104)	299	(597)	(1,402)
<b>Total</b>	<b>(70,100)</b>	<b>28,295</b>	<b>(21,708)</b>	<b>(63,513)</b>	<b>25,240</b>	<b>(111,055)</b>	<b>(149,328)</b>

**Other General Fund Earmarked Reserves**

Balances held by Schools under a scheme of delegation	(9,465)	-	(789)	(10,254)	197	(4,460)	(14,517)
PFI Lifecycle Replacement Reserve (28)	(14,631)	807	(2,209)	(16,033)	600	(2,259)	(17,692)
Financial Instruments (29)	(8,391)	10,145	(1,588)	166	604	(62)	708
COVID-19 Grant Funding Reserve (30)	-	-	(10,284)	(10,284)	12,784	(20,000)	(17,500)
<b>Total</b>	<b>(32,487)</b>	<b>10,952</b>	<b>(14,870)</b>	<b>(36,405)</b>	<b>14,185</b>	<b>(26,781)</b>	<b>(49,001)</b>

<b>Total General Fund</b>	<b>(102,587)</b>	<b>39,247</b>	<b>(36,578)</b>	<b>(99,918)</b>	<b>39,425</b>	<b>(137,836)</b>	<b>(198,329)</b>
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**Housing Revenue Account Earmarked Reserves**

Demolitions Reserve (31)	(3,365)	569	-	(2,796)	1,170	-	(1,626)
Welfare Reform Reserve (32)	(3,000)	2,411	-	(589)	589	-	-
Transformation Reserve (33)	(3,000)	285	-	(2,715)	2,375	-	(340)
<b>Total HRA</b>	<b>(9,365)</b>	<b>3,265</b>	<b>-</b>	<b>(6,100)</b>	<b>4,134</b>	<b>-</b>	<b>(1,966)</b>

<b>Total General Fund &amp; HRA</b>	<b>(111,952)</b>	<b>42,512</b>	<b>(36,578)</b>	<b>(106,018)</b>	<b>43,559</b>	<b>(137,836)</b>	<b>(200,295)</b>
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- 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) 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.
- 3) 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.
- 4) The Byker District Heating Scheme Reserve hold cash outflows arising in the early years of the Byker district heating scheme refurbishment project, which will be repaid by Byker Community Trust in future years.
- 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) The Directorate Commitments Reserve holds funding to meet future financial commitments of directorates.
- 8) The Financial Risk & Resilience Reserve holds funding to help meet any shortfalls arising from the implementation of budget proposals.
- 9) The Housing Benefit Subsidy Reserve holds funding to mitigate future cost pressures in this area.

- 10) The Interim Capital Funding Reserve holds cash outflows arising from capital works, which will be repaid in future years.
- 11) The Major Developments Reserve holds cash outflows arising in the early years of specific development projects.
- 12) The Pensions Reserve holds funding to mitigate future cost pressures in relation to the council's pension liabilities.
- 13) The Public Health Reserve holds unspent public health grant funding to be used to meet future financial commitments.
- 14) The Revenue Grants to be Applied Reserve holds unspent grant funding to be used to meet future financial commitments.
- 15) The Ring-fenced Reserve holds funding that may only be spent on specific ring-fenced activities.
- 16) The Strategic Reserve holds funding to support the council's medium term financial plan.
- 17) The Transformation Reserve holds funding set aside for future transformation / public sector reform work.
- 18) The Treasury Management Reserve holds funding to mitigate future cost pressures in relation to the council's external debt portfolio.
- 19) The Single Point of Leadership Reserve holds surplus funding generated by the Single Point of Leadership (i.e. jointly delivered construction / repairs and maintenance service with YHN).
- 20) The Parks Trust Subsidy Reserve holds funding to meet the cost of future years' subsidy payments to the Urban Green Newcastle.
- 21) The PFI Reserve holds funding to meet future payments under the council's PFI contracts.
- 22) The School Kitchen Reserve holds funding to replace / refurbish school kitchens used by council staff to provide school meals to children.
- 23) The Capital Projects Development Reserve holds funding to meet the internal and external costs of developing capital projects.
- 24) The NNDR Pool Reserve holds cash outflows related to the business rates pool in 2019-20 that will be recovered from the Collection Fund in future years.
- 25) Estates Management Fund Reserve holds funding to meet future maintenance liabilities on council buildings
- 26) Elections Services Reserve holds funding to meet the costs of future elections.
- 27) Digital Screen Income 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.
- 28) 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.
- 29) 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
- 30) The COVID- 19 Grant Funding Reserve holds funding provided by government to mitigate cost pressures in relation to COVID-19.
- 31) The Demolitions Reserve is in place to ensure that there is sufficient financing available for current regeneration plans.

- 32) The Welfare Reform Reserve is earmarked for projects that will drive efficiencies and help to meet the challenges of welfare reform.
- 33) The Transformation Reserve is for the transformation of HRA / YHN and the Repairs Service, including investment in IT to improve efficiency.

### 33 Unusable Reserves

	31 Mar 2020 £000	31 Mar 2021 £000
Revaluation Reserve	(426,917)	(422,582)
Financial Instruments Revaluation Reserve	(10,146)	(10,924)
Capital Adjustment Account	(373,300)	(340,757)
Financial Instruments Adjustment Account	23,897	23,120
Pensions Reserve	692,910	813,840
Deferred Capital Receipts Reserve	(937)	(855)
Collection Fund Adjustment Account	(8,753)	44,907
Accumulated Absences Account	5,352	8,349
<b>Total Unusable Reserves</b>	<b>(97,894)</b>	<b>115,098</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.

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>(425,143)</b>	<b>(426,917)</b>
Upward revaluation of assets	(21,302)	(32,485)
(Upward)/Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	12,421	19,328
<b>(Surplus) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(8,881)</b>	<b>(13,157)</b>
Difference between fair value depreciation and historical cost depreciation	2,177	2,209
Accumulated gains on assets sold or scrapped	4,930	15,283
<b>Amount written off to the Capital Adjustment Account</b>	<b>7,107</b>	<b>17,492</b>
<b>Balance at 31 March</b>	<b>(426,917)</b>	<b>(422,582)</b>

### Financial Instrument Revaluation Reserve

The Financial Instrument Revaluation Reserve replaces the Available for Sale Reserve following the introduction of IFRS9. The 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.

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>(15,188)</b>	<b>(10,146)</b>
Revaluation of investments not charged to the Deficit on the Provision of Services	5,042	(778)
<b>Balance at 31 March</b>	<b>(10,146)</b>	<b>(10,924)</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.

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>(435,915)</b>	<b>(373,300)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	-	-
Charges for depreciation and impairment of non current assets	59,198	53,788
Revaluation losses/(gains) on Property, Plant and Equipment	27,621	1,325
Amortisation of intangible assets	51	47
Revenue expenditure funded from capital under statute	18,734	19,968
Debt redeemed using capital receipts	(2,902)	(5,665)
Write down/(back) of long term debtors	-	-
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	16,987	37,822
Fair Value Profit and Loss Change IFRS 9	4,160	2,046
Adjusting amounts written out of the Revaluation Reserve	(7,107)	(17,492)
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(6,348)	(5,308)
Use of the Major Repairs Reserve to finance new capital expenditure	(28,917)	(25,902)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(23,843)	(22,400)
Application of grants to capital financing from the Capital Grants Unapplied Account	(10,958)	(9,576)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(29,540)	(39,521)
Capital expenditure charged against the General Fund and HRA balances	(1,244)	(1,545)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	46,723	44,956
<b>Balance at 31 March</b>	<b>(373,300)</b>	<b>(340,757)</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.

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>24,673</b>	<b>23,897</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	(776)	(777)
<b>Balance at 31 March</b>	<b>23,897</b>	<b>23,120</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 debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>735,580</b>	<b>692,910</b>
Remeasurements of the net defined benefit liability/(asset)	(83,020)	85,170
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	72,320	70,270
Employer's pensions contributions and direct payments to pensioners payable in the year	(31,970)	(34,510)
<b>Balance at 31 March</b>	<b>692,910</b>	<b>813,840</b>

### 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.

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>(338)</b>	<b>(937)</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(602)	80
Transfer to Capital Receipts Reserve upon receipt of cash	3	1
<b>Balance at 31 March</b>	<b>(937)</b>	<b>(855)</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.

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>(4,659)</b>	<b>(8,753)</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	328	4,297
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	(4,422)	49,363
<b>Balance at 31 March</b>	<b>(8,753)</b>	<b>44,907</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.

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>5,438</b>	<b>5,352</b>
Amounts accrued at the end of the current year	(86)	2,997
<b>Balance at 31 March</b>	<b>5,352</b>	<b>8,349</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.

	2019/20 £000	2020/21 £000
<b>Opening Capital Financing Requirement</b>	<b>1,052,692</b>	<b>1,096,365</b>
<b>Capital investment:</b>		
Property, Plant and Equipment	108,372	60,778
Investment Properties	(24)	37
Intangible Assets	34	214
Revenue Expenditure Funded from Capital under Statute	18,734	19,968
Long term debtor & Assets Held for Sale	22,618	316
Finance Leases	-	21,101
<b>Sources of finance:</b>		
Capital receipts	(9,250)	(10,973)
Capital receipts - repayment of principal from long-term debtors	(2,391)	(2,011)
Government grants and other contributions	(34,721)	(31,964)
<b>Sums set aside from revenue:</b>		
Direct revenue contributions	(30,161)	(27,447)
Fair value adjustment to LTD	-	-
Minimum Revenue Provision	(29,540)	(39,521)
<b>Closing Capital Financing Requirement</b>	<b>1,096,363</b>	<b>1,086,863</b>
<b>Explanation of movements in year:</b>		
Increase/(decrease) in underlying need to borrow (supported by government financial assistance)	-	-
Increase in underlying need to borrow (unsupported by government financial assistance)	43,330	(9,849)
Assets acquired under PFI contracts	341	347
<b>Increase (Decrease) in Capital Financing Requirement</b>	<b>43,671</b>	<b>(9,502)</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**

	2019/20 £000	2020/21 £000
<b>Surplus/(Deficit) on the provision of services</b>	<b>(111,411)</b>	<b>(54,787)</b>
<b>Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements</b>		
Depreciation/Impairment & Amortisation	86,870	55,160
Increase/(Decrease) in Creditors	17,439	74,105
(Increase)/Decrease in Debtors	(25,114)	5,499
(Increase)/Decrease in Stock	163	79
Movement in Pension Liability	40,350	35,760
Carrying amount of long and short term investments sold	75,000	10,000
Carrying amount of non-current assets held for sale, sold or derecognised	16,987	37,822
Other non-cash items charged to the net surplus or deficit on the provision of services	38,128	44,058
<b>Total</b>	<b>249,823</b>	<b>262,482</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	(34,296)	(26,714)
Proceeds from the sale of long term and short term investments	(75,000)	(10,000)
Proceeds from the sale of PPE, Investment Property, Intangible Assets & Heritage Assets	(11,647)	(7,327)
<b>Total</b>	<b>(120,943)</b>	<b>(44,041)</b>
<b>Net cash flow from operating activities</b>	<b>17,469</b>	<b>163,654</b>

The cash flows for operating activities include the following items:

	2019/20 £000	2020/21 £000
Interest received	757	165
Interest paid	(41,150)	(40,913)

**36 Cash Flow Statement - Investing Activities**

	2019/20 £000	2020/21 £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(112,597)	(82,136)
Purchase of short-term and long-term investments	(39,571)	(30,905)
Other payments for investing activities	(9,372)	(605)
Proceeds from the sale of Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets	11,647	7,327
Proceeds from short-term and long-term investments	75,000	10,000
Other receipts from investing activities	38,293	71,166
<b>Net cash flows from investing activities</b>	<b>(36,600)</b>	<b>(25,153)</b>

**37 Cash Flow Statement - Financing Activities**

	2019/20 £000	2020/21 £000
Cash receipts of short and long-term borrowing	72,617	23,968
Other receipts from financing activities	559	(46,957)
Cash payments for the reduction of the outstanding liabilities relating to on-balance sheet PFI contracts	(11,640)	(10,264)
Repayments of short and long-term borrowing	(34,030)	(35,334)
<b>Net cash flows from financing activities</b>	<b>27,506</b>	<b>(68,587)</b>

**38 Accounting Standards Issued, Not Adopted****Impact of the adoption of the new accounting standards on the 2020/21 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 2021/22 (the Code) has introduced changes in accounting policy in relation to the following IFRS (International Financial Reporting Standard) statements:

- Definition of a Business - Amendments to IFRS 3 Business Combinations

Newcastle City Council will follow IFRS 3 and account for any assets/liabilities acquired as part of an acquisition or merger, this will be on a fair value basis should such a circumstance arise

- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7

Newcastle City Council do not undertake hedge accounting so this does not affect our accounts

- Interest Rate Benchmark reform phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Newcastle City Council have no investments or loans linked to interest rate benchmarks so this does not affect our accounts

### 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 maintains the current position that only Your Homes Newcastle should be included in the Group accounts.

- 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.

- 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 in relation to COVID-19. The COVID-19 virus is likely to affect the work carried out by RICS Regulated Members in a variety of ways, with varying impacts. The exact consequences of the COVID-19 outbreak are unknown but inspecting property is likely to be difficult either through a firm's own internal procedures, government imposed restrictions or unwillingness of occupants to grant access. Access to evidential data such as comparables may also be less freely available
- Determining how a grant received should be accounted for based upon whether the Council is acting as the principal or agent. This has been particularly important due to the increase in grants to deal with the financial impact of the COVID-19 pandemic.

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 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 have categorised them according to the criteria set out above.

Following a review of the Council's contracts, Private Finance Initiative (PFI) schemes have been recognised on the balance sheet as they meet the criteria of IFRIC12, however no other contracts are within the scope of IFRIC12.

#### 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 2021 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 2021 and the projected service cost for the year ending 31 March 2022 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 £2,564.9m a variance of £49.7m, whereas a decrease of (0.1%) p.a. results in an increase to £2,666.9m by £52.3m. The percentage change in the present value of the total obligation would be (3.3%) and 3.4% 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 £2,622.4m, a variance of £7.8m, whereas a decrease of (0.1%) p.a. results in a decrease to £2,606.7m by £7.9m. 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 by £44.5m to £2,659m, whereas a decrease of (0.1%) p.a. results in a decrease to £2,572.7m, a variance of £41.9m. The percentage change in the present value of the total obligation would be 3.4% and (3.3%) 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 £2,708.7m, an increase of £94.1m, whereas an increase of +1 year results in a reduction to £2,523m, a variance of £91.6m. The percentage change in the present value of the total obligation would be 4.1% and (4%) respectively.</p> <p>See note 29 for more details on pension liability.</p>
Arrears	<p>At 31 March 2021, the Council had a gross balance of sundry debtors of £181.8m. A review of historic arrears collection rates suggested that an impairment of doubtful debts of 24% (£43.8m) was appropriate, resulting in net debtors of £138m. 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 £43.8m to be set aside as an allowance.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	<p>The Council holds provisions of £25.08m. 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>	<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 the on the level of provision needed by £0.745m.</p> <p>See note 25 for more details on provisions.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about levels of repairs and maintenance that will be incurred in relation to individual assets. Assets are valued, in accordance with Royal Institute of Chartered Surveyors (RICS) valuation standards, involving the use of a number of property indices which can be volatile at times and may result in valuation changes from year to year. The COVID-19 virus is likely to affect the work carried out by RICS Regulated Members in a variety of ways, with varying impacts. The exact consequences of the COVID-19 outbreak are unknown but inspecting property may become difficult either through a firm's own internal procedures, government imposed restrictions or unwillingness of occupants to grant access. Access to evidential data such as comparables may also be less freely available. 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.</p> <p>Property valuations have been conducted in line with all current RICS guidance in relation to COVID-19.</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>

#### 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:

- The UK left the EU on 31 January 2020. The transition period that was in place, during which nothing changed, ended on 31 December 2020. The rules governing the new relationship between the EU and UK took effect on 1 January 2021, at which point the terms under which the UK left the European Union were implemented.

The European Parliament and the Council of the European Union ratified the agreement in April 2021 meaning the agreement is formally in force from 1st May 2021.

- The new agreement may have implications for local authorities in that any subsequent volatility in stock markets, exchange rates, interest rates and future availability of funding could potentially impact on amounts disclosed within the financial statements.

The significant areas impacted could include:

- The availability of grant funding and impact on other funding streams.
- The valuation of land and buildings.
- The fair value of long-term borrowing (but not the principal sum or interest payable).
- The liability related to defined benefit pension schemes, which is dependent on a large number of factors including investment performance, bond yields and inflation.
- Unusable reserves – any movement in the liability related to defined benefit pension schemes or movement in the value of land and buildings will be offset within unusable reserves.

### Going Concern

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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 2021 to at least 12 months from the date of signing the accounts (anticipated September 2021) in order to support the Council's conclusion around going concern.

Newcastle City Council approved an updated medium-term financial plan ("MTFP") in March 2021. As part of that MTFP the budget set for 2021/22 included £231.1m (excluding 2021-22 adult social care precept). An indicative budget of £235m (excluding 2021-22 adult social care precept) is being progressed for 2022/23. These budgets project a sustainable position.

The Council's current Reserves Strategy sets a minimum uncommitted general fund balance of circa £17.1 million made up of the general fund balance (£10.1 million) and the financial risk & resilience reserve (£7.0 million). In addition, the council has a high level of other usable reserves including the Covid-19 financial risk reserve, the strategic reserve, the treasury management reserve, and the transformation reserve. HRA balances reflect a significant and long term social housing programme commitment.

The Council has a high level of short term cash investments, totalling £158.7 million at 31 March 2021 and a projected £168.3 million at 30 September 2021. The council's cash flow is monitored daily by management and the Council does not forecast any cash flow shortage through to 31 October 2022.

The most recent financial forecast was considered by the Cabinet on 20 September 2021 and the next update will be presented to Cabinet on 15 November 2021. The General Fund and HRA capital programmes were reviewed and updated following the financial year end and reported to Cabinet on 20 September 2021. 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 as demonstrated in the final outturn reports considered by Council in June.

The Council has a track record of responding to areas of overspend.

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.

#### Impairment of Investment on Science Central

Additional information came to light after year end that the value of the Council's investments in Science Central needed to be impaired by £1.473m.

This has increased the deficit in the Comprehensive Income and Expenditure Statement, reduced the value of investments and affected the overall net worth of the Council. However, as such an event, which is purely a technical adjustment, cannot affect the Council tax payer per Government statute the impact is written out through the Movement in Reserves Statement and the does not affect the reserves available to meet service provision.

#### Pension Liability Adjustment

In completing the draft accounts the Council relied upon the actuary report that needed to use an estimated index in determining the return on assets held by the Tyne and Wear Pension Fund. Since the completion of the draft accounts the actual return on assets invested has become available. This return is significantly higher than the estimated index with the result that the pension deficit has reduced by 64.6m.

This will amend the Other Comprehensive Income and Expenditure total in the Comprehensive Income and Expenditure Statement and reduces the pension liability on the balance sheet and unusable reserves and increases the net worth of the Council.

## 42 Statement of Accounting Policies

### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020-21 financial year and its position at the year-end of 31 March 2021. 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 2020-21 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 from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded 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 gain 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 the Theatre Royal, 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 a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the 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 [www.twpf.info](http://www.twpf.info).

Both schemes provided 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 Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

## The Local Government Pension Scheme

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

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate 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 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 on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise 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. Events after the Balance Sheet Date**

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

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

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

### **8. Fair Value Measurement**

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

- 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 asset or liability.

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

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

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

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

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

## **9. Financial Instruments**

### **Financial Liabilities**

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

For the majority of the 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 elected into 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. This 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 arising 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 of 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.

## 10. Government Grants & Contributions

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

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

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

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

## 11. 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.

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

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

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

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

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

The Code of Practice requires local authorities to produce group accounts to reflect significant activities provided to Council taxpayers by other organisations in which an authority has an interest. The Council has reviewed its interests in other bodies and has concluded that its subsidiary, Your Homes Newcastle (YHN), is materially significant to the overall financial position of the Council and so group accounts are being produced as part of the 2020-21 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.

As the Council is the sole shareholder of/ultimate controlling body of YHN, its 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 YHN 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 YHN have been reviewed and aligned to those of the Council where necessary. Areas that have been identified as not resulting in a material difference between the performance reported under UK GAAP - FRS102 (the applicable accounting framework of YHN) and EU-adopted IFRS as adapted by the Code (the applicable accounting framework of the Council) have not been adjusted for. These areas are:

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

### **13. Inventories & Long-Term Contracts**

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

### **14. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on 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.

## **15. Leases**

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

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

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

### **a) The Council as Lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

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

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

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

### **Operating Leases**

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

### **b) The Council as Lessor**

#### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

### **Operating Leases**

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

### **Leasing Disclosure Note**

For the leasing disclosure note a management decision has been taken to set a de-minimis level of £500 annual rental in the preparation of the note where the Council is lessor and a de-minimis level of £10,000 where the Council is the lessee. This is designed to ensure that tight deadlines for the accounts are met and has no material impact on the disclosure.

### **16. 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.

## 17. Property, Plant & Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

The calculation to depreciate Council dwellings changed in 2017-18 from using the MRA (Major Repairs Allowance) as a proxy for depreciation and componentisation of council houses to depreciating on an asset life basis. Council dwellings have been componentised into land and buildings and an average depreciation life has been calculated to account for land life cycle and current housing stock condition. The existing use value has then been divided by this average life to determine the in-year depreciation amount. This average 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
Infrastructure	5-60
Plant	50
Equipment	3-25
Vehicles	3-10
Purchased Software	3-5
Community Assets	20-999

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council's policy is that all assets with a carrying value greater than or equal to £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.

### **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 of 11.2% on Schools PFI, 7.1% Street Lighting PFI, 5.8% Building Schools for the Future PFI, 9.3% Library PFI and 3.8% to 9.7% on Customer Service Centres PFI on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);

- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

## 19. Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation 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 - 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 Liabilities

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

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

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

## 21. Contingent Assets

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

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

## **22. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. 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. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations 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 the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

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

## 26. Heritage Assets

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 Valuations Standards - Global & UK 10th Edition.

The valuation requirements include the following:

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

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

## **28. Apprenticeship Levy**

The Apprenticeship Levy is a system for funding apprenticeship training and is based upon employers pay bills. 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 an allowance of £15,000 means that 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 charged to directorate payroll costs. The expenditure on training costs is charged to the digital account but is shown as a training expense, funded by Government Grant income in the Comprehensive Income and Expenditure Account.

# 4.0 Supplementary Financial Statements and 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

2019/20 £000	Expenditure	2020/21 £000
23,859	Repairs & Maintenance	26,804
37,047	Supervision & Management	36,130
1,691	Rents, Rates, Taxes & Other Charges	2,325
33,320	Depreciation, Impairment & Revaluation Losses of Non-Current Assets (Notes H4 and H7)	23,714
350	Debt Management Costs	37
1,029	Movement in the Allowance for Bad Debts	531
<b>97,296</b>	<b>Total Expenditure</b>	<b>89,541</b>
	<b>Income</b>	
(95,865)	Dwelling Rents	(97,102)
(1,499)	Non-Dwelling Rents	(1,463)
(11,151)	Charges for Services & Facilities	(11,496)
(1,228)	Contributions Towards Expenditure	(1,086)
<b>(109,743)</b>	<b>Total Income</b>	<b>(111,147)</b>
<b>(12,447)</b>	<b>Net Expenditure or (Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>(21,606)</b>
365	HRA Services' Share of Corporate & Democratic Core	218
<b>(12,082)</b>	<b>Net Expenditure or (Income) for HRA Services</b>	<b>(21,388)</b>
	<b>HRA Share of the Operating Income and Expenditure included in the Whole Authority</b>	
(772)	(Gain) or Loss on Sale of HRA Non-Current Assets	(592)
16,599	Interest Payable & Similar Charges	16,944
(76)	Interest & Investment Income	(2)
(3,620)	Capital Grants & Contributions Receivable	(801)
<b>49</b>	<b>(Surplus)/Deficit for the year on HRA services</b>	<b>(5,839)</b>

## 4.1.2 Statement of Movement on the HRA Balance

2019/20 £000		2020/21	
		£000	£000
(9,534)	Balance on the HRA at the end of the previous reporting period		(9,535)
49	(Surplus) or Deficit for the year on the HRA Income & Expenditure Statement	(5,839)	
	Adjustments between accounting basis and funding under statute:		
(4)	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(8)	
772	Gain or loss on sale of HRA non-current assets (reversal)	592	
	Capital Expenditure funded by the Housing Revenue Account	192	
2,130	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)	1,794	
<b>2,947</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>(3,269)</b>	
(2,948)	Transfers (to) or from earmarked reserves	3,269	
(1)	(Increase) or decrease in year on the HRA		-
<b>(9,535)</b>	<b>Balance on the HRA at the end of the current reporting period</b>		<b>(9,535)</b>
	<b>Transfers to or from (earmarked) reserves:</b>		
29,589	Transfer to/from the major repairs reserve		30,003
(29,700)	Transfer to/from the capital adjustment account		(22,913)
(2,837)	Transfer to/from other earmarked reserves		(3,821)
<b>(2,948)</b>			<b>3,269</b>

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

Note No.	Note	Page
H1	Housing Stock Analysis	140
H2	Assets Balance Sheet Valuation	141
H3	Vacant Possession Valuation of HRA Dwellings	141
H4	Impairment & Revaluation Losses	141
H5	Capital Expenditure & Financing	142
H6	Capital Receipts	142
H7	Depreciation Charges	144
H8	Rent Arrears	144
H9	Secretary of State Directives	145
H10	Your Homes Newcastle	145
H11	Revenue Expenditure Funded from Capital under Statute (REFCUS)	145

### 4.1.4 Explanatory Notes to the Housing Revenue Account

#### H1 An analysis of the City's Housing Stock is as follows:

	01 Apr 2020 No's	31 Mar 2021 No's
Houses & Bungalows	14,714	14,672
Low Rise Flats/Maisonettes	3,316	3,336
Mid Rise Flats/Maisonettes	3,485	3,485
High Rise Flats/Maisonettes	3,593	3,590
<b>Stock at 31st March (Fully Owned)</b>	<b>25,108</b>	<b>25,083</b>
Shared Ownership Properties	2	2
<b>Stock at 31st March (inc. Shared Ownership)</b>	<b>25,110</b>	<b>25,085</b>
<b>Analysis of the movement in stock;</b>		
Stock at 1st April	25,263	25,110
Additions	33	116
Sales	(180)	(112)
Demolitions	(1)	-
Pending Demolitions	(4)	(29)
Reclassified Properties	(1)	-
Shared Properties	-	-
<b>Stock at 31st March (inc. Shared Ownership)</b>	<b>25,110</b>	<b>25,085</b>

## H2 Housing Revenue Account Assets: Balance Sheet Valuation

Asset Category	01 Apr 2020 £000	31 Mar 2021 £000
<b>Property, Plant &amp; Equipment</b>		
Council Dwellings	856,838	875,626
Other Land & Buildings	17,427	16,859
Vehicles, Plant, Furniture & Equipment	4,633	3,293
Infrastructure & Community Assets	1,778	2,492
	<b>880,676</b>	<b>898,270</b>
Assets Under Construction	16,155	11,775
Surplus Assets (not held for sale)	-	-
Investment Properties	-	-
Assets Held for Sale	-	-
<b>Total</b>	<b>896,831</b>	<b>910,045</b>

## H3 Vacant Possession Valuation of HRA Dwellings as at 1 April 2020

Dwelling Type	Vacant Possession £000	Existing Use Value for Social Housing (EUV-SH) £000
General Needs Council Housing	1,973,363	868,280
Sheltered Housing	15,449	6,798
Shared Ownership Properties	128	56
<b>Total</b>	<b>1,988,940</b>	<b>875,134</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 Housing Revenue Account Impairment & Revaluation Losses 2020/21

Impairment charges and revaluation gains on PPE of £6.3m net gain (£3.7m net loss in 2019/20) have been made in the HRA, of which dwellings is a £6.9m gain (£2.9m loss in 2019/20) and other property is a £0.6m loss (£0.8m loss in 2019/20).

The in-year credit of £6.3m can be split between impairment losses £11.9m and impairment reversals (£12.8m) recognised in the I&E Statement and revaluation gains (£5.3m)

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

## H5 Housing Revenue Account Capital Expenditure & Financing

The table below provides details of Capital Expenditure:

Capital Expenditure	2019/20 £000	2020/21 £000
Council Dwellings	39,057	26,115
Other Land & Buildings	768	508
Vehicles, Plant & Equipment	-	24
Infrastructure	866	802
Assets Under Construction	14,510	8,651
<b>Total</b>	<b>55,201</b>	<b>36,100</b>

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

Funding Source	2019/20 £000	2020/21 £000
Major Repairs Reserve	28,917	25,903
Borrowing	20,180	7,489
Grants & Other Contributions	2,620	328
Usable Capital Receipts	2,056	1,778
Revenue Contributions	-	192
Earmarked Reserves	428	339
Capital Contributions	1,000	71
<b>Total</b>	<b>55,201</b>	<b>36,100</b>

## H6 Housing Revenue Account Capital Receipts

	2019/20 Gross Receipt £000	2020/21 Gross Receipt £000
Sale of Houses	(8,093)	(5,204)
Sale of Land	-	(11)
Sale of Other Property	-	-
	<b>(8,093)</b>	<b>(5,215)</b>
Repayment of Advances	(3)	(1)
<b>Total</b>	<b>(8,096)</b>	<b>(5,216)</b>

The Local Government Act 2003 stipulates that income from the disposal of assets must be split into usable and reserved elements.

The reserved element, paid over to the national pool, is £2.5m in 2020/21 (£2.6m in 2019/20) 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 are retained to replace dwelling stock (retained 1-4-1 receipts).

## H7 Housing Revenue Account Depreciation Charge

Asset Category	2019/20 £000	2020/21 £000
<b>Operational Assets:</b>		
Council Dwellings	27,651	28,348
Other Land & Buildings	216	203
Vehicles, Plant, Furniture & Equipment	1,660	1,363
Infrastructure & Community Assets	62	88
	<b>29,589</b>	<b>30,002</b>
<b>Non-Operational Assets:</b>		
Assets Under Construction	-	-
Surplus Assets (not held for sale)	-	-
<b>Total</b>	<b>29,589</b>	<b>30,002</b>

## H8 Housing Revenue Account Rent Arrears

This note details the amount of rent arrears and the aggregate balance sheet provision in respect of uncollectable debts.

	End of Rent Year	
	31 March 2020	31 March 2021
	£000	£000
Rent collection arrears	9,351	9,145
Provision in respect of uncollectable rent arrears	7,289	7,740

	End of Rent Year	
	31 March 2020	31 March 2021
	£000	£000
<b>Breakdown of Rent Collection Arrears:</b>		
<b>Current Tenants:</b>		
Arrears on current tenancies	5,240	4,704
Housing Benefit overpayments	115	111
Court costs	336	309
Insolvency	82	34
	<b>5,773</b>	<b>5,158</b>
Former Tenant Arrears	3,578	3,987
<b>Total</b>	<b>9,351</b>	<b>9,145</b>

**H9 Explanation of any sums directed by the Secretary of State to be debited to the HRA**

The HRA made repayments of debt to the value of £1.8m (£2.1m in 2019/20) in relation to unsupported prudential borrowing in 2020/21.

The HRA incurred expenditure to the value of £0.0m zero (£0.0m zero in 2019/20) in relation to Revenue Expenditure Funded from Capital Under Statute (REFCUS) in 2020/21.

**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 HRA has 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 £16.8m (£17.1m for 2019/20)

The YHN service provision fee for the provision of additional housing-related services was £7.9m (£8.1m for 2019/20)

The total management fee paid to YHN was £24.7m (£25.2m in 2019/20)

**H11 Revenue Expenditure Funded from 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 2020/21 or 2019/20.

## 4.2 Collection Fund

### 4.2.1 Collection Fund Income and Expenditure Account

2019/20				2020/21		
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>			
-	(129,937)	(129,937)	Income from Council Tax	-	(131,310)	(131,310)
-	-	-	Transfers from General Fund - Council Tax S13A(1) (c) discounts	-	(5,423)	(5,423)
(152,708)	-	(152,708)	Income from Business Rates	(66,837)	-	(66,837)
(1,450)	-	(1,450)	Recovery of deficit from Central Government	(54)	-	(54)
(1,421)	-	(1,421)	Recovery of deficit from Newcastle City Council General Fund	-	-	-
(29)	-	(29)	Recovery of deficit from Tyne and Wear Fire and Rescue Authority	-	-	-
<b>(155,608)</b>	<b>(129,937)</b>	<b>(285,545)</b>	<b>Total Income</b>	<b>(66,891)</b>	<b>(136,733)</b>	<b>(203,624)</b>
			<b>Expenditure</b>			
			<b>Precepts and demands:</b>			
33,733	-	33,733	• Central Government	67,988	-	67,988
99,849	109,786	209,635	• Newcastle City Council (including Parish Councils)	66,628	115,270	181,898
-	8,968	8,968	• Police & Crime Commissioner for Northumbria	-	9,238	9,238
1,349	5,496	6,845	• Tyne & Wear Fire & Rescue Authority	1,360	5,662	7,022
			<b>Contributions towards previous year's collection fund surplus</b>			
-	4,017	4,017	• Distribution of surplus to Newcastle City Council General Fund	2,102	4,860	6,962
-	280	280	• Distribution of surplus to Police and Crime Commissioner for Northumbria	-	397	397
-	203	203	• Distribution of surplus to Tyne and Wear Fire and Rescue Authority	21	243	264
			<b>Business Rates:</b>			
4,898	-	4,898	• Transitional protection payments made to Central Government	3,073	-	3,073
469	-	469	• Costs of collection	474	-	474

2019/20				2020/21		
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>			
508	-	508	• Enterprise Zones	516	-	516
2,004	-	2,004	• NDD Areas	-	-	-
			<b>Provisions:</b>			
770	1,042	1,812	• Write offs	553	526	1,079
3,662	-	3,662	• Increase / (Reduction) in Provision for Appeals	13,812	-	13,812
1,411	515	1,926	• Bad Debt Provisions	8,885	5,280	14,165
<b>148,653</b>	<b>130,307</b>	<b>278,960</b>	<b>Total Expenditure</b>	<b>165,412</b>	<b>141,476</b>	<b>306,888</b>
<b>(6,955)</b>	<b>370</b>	<b>(6,585)</b>	<b>Movement on Fund Balance</b>	<b>98,521</b>	<b>4,743</b>	<b>103,264</b>

#### 4.2.2 Change in Collection Fund Balance

2019/20				2020/21		
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
5,185	(8,019)	(2,834)	Opening balance at 1 April	(1,770)	(7,648)	(9,418)
(6,955)	371	(6,584)	Deficit / (surplus) for the year	98,521	4,743	103,264
<b>(1,770)</b>	<b>(7,648)</b>	<b>(9,418)</b>	<b>Closing balance at 31 March</b>	<b>96,751</b>	<b>(2,905)</b>	<b>93,846</b>

### 4.2.3 Index of Explanatory Notes to the Collection Fund

Note No.	Note	Page
CF1	Council Tax	148
CF2	Business Rates	149
CF3	Redistribution of Collection Fund Deficit	149
CF4	Collection Fund Balance	150

### 4.2.4 Explanatory Notes to the Collection Fund

#### CF1 Council Tax

The 2020-21 Collection Fund account reflects the requirement for a billing authority to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR) and for any residual surplus or deficit arising from community charge transactions.

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

	2019/20	2020/21
Council Tax base	66,761	67,429
Council Tax (Band D) amount payable per property	1,860	1,929

Band	Proportion	No of Properties		No of Band D Equivalent		Council Tax Charge	
		2019/20	2020/21	2019/20	2020/21	£	£
A	6 / 9	76,467	76,605	25,549	25,638	1,240	1,286
B	7 / 9	20,444	20,626	10,217	10,228	1,447	1,501
C	8 / 9	19,165	19,328	13,077	13,328	1,653	1,715
D	9 / 9	8,914	9,093	7,299	7,395	1,860	1,929
E	11 / 9	4,568	4,720	4,708	4,912	2,273	2,358
F	13 / 9	2,272	2,316	2,995	3,038	2,687	2,787
G	15 / 9	1,715	1,735	2,672	2,657	3,100	3,215
H	18 / 9	121	134	244	233	3,720	3,858
		133,666	134,557	66,761	67,429		

## 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.

	2019/20	2020/21	Change
Rate in the pound - business rates multiplier	0.504	0.512	0.008
Rate in the pound - Small business rates multiplier	0.491	0.499	0.008
<b>Total business rates rateable value (£)</b>	<b>374,113,756</b>	<b>367,099,665</b>	(7,014,091)

## CF3 Redistribution of Collection Fund surpluses and deficits

The (surplus) / deficit on the closing balance of the Collection Fund as at 31 March 2021 will be credited / debited to the Council's General Fund and major precepting authorities respectively in future years.

Collection Fund closing balances:	2019/20	2020/21
	£000	£000
- Council Tax	(7,648)	(2,905)
- Business Rates	(1,770)	96,750
<b>Total</b>	<b>(9,418)</b>	<b>93,845</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 futures 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 2020-21 are apportioned among precepting bodies as follows:

	2019/20	2020/21
	£000	£000
Newcastle City Council - Council Tax	(6,872)	(2,576)
Police and Crime Commissioner for Northumbria - Council	(420)	(206)
Tyne and Wear Fire and Rescue Authority - Council Tax	(356)	(123)
Newcastle City Council - Business Rates	(1,881)	47,482
Ministry for Housing, Communities and Local Government - Business Rates	129	48,301
Tyne and Wear Fire and Rescue Authority - Business	(18)	968
<b>Total</b>	<b>(9,418)</b>	<b>93,845</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

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 (YHN), is materially significant to the overall financial position of the Council and so Group Accounts are being produced as part of the 2020/21 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 into the Group Financial Statements.

#### Your Homes Newcastle

On 1st April 2004, YHN Ltd was formed to manage the housing stock of the Council which represents its principal activity. YHN is a private limited company, limited by guarantee with the Council having one-third of the voting rights. Its management responsibilities are contained in a formal management agreement and any change to its role and responsibilities would require a variation to that agreement. Its present role is as follows:

- Assessment of housing needs
- Provision of general housing management services
- Management of the Rent Income Account for the Council Housing stock
- Determination and management of investment in, and renewals and major repairs to, the housing stock
- Council house sales administration
- Management of, but not the operational activities associated with, the provision of services such as lighting, caretaking and cleaning, security and wardens for sheltered spaces on housing estates

The provision of the above services such as repairs is undertaken by a Council directorate or a third party supplier in line with 'best value' but not by YHN. YHN is paid a management fee to fund the staff costs and related other administration expenses. The management fee totalled £24.7m, compared to £25.2m in 2019/20.

YHN is a company limited by guarantee with the liability of members limited to £1.0m. In the event of incurring deficits, YHN would request the City Council to cover that deficit, representing a risk to the Council. However, any deficits arising from an overspend in housing management costs in the past would have been borne by the Council through the Housing Revenue Account so the risk to the Council is no greater than previously. The Council has put in place arrangements to manage this risk through an agreed delivery plan, protocols and Section 151 reporting. Conversely any surpluses earned by YHN would normally be returned to the Council through a reduced management fee.

### **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	Total Usable Reserves		
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2019</b>		(10,134)	(102,587)	(9,535)	(9,365)	(342)	(15,871)	(34,534)	18,532	(163,836)	(115,553)	(279,389)
<b>Movement in reserves during 2019/20</b>												
Total Comprehensive Income & Expenditure		111,363	-	49	-	-	-	-	6,070	117,482	(86,859)	30,623
Adjustments for the restatement of financial instruments		-	-	-	-	-	-	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations		(108,694)	-	3,216	-	(672)	1,126	505	-	(104,519)	104,519	-
Net (Increase)/ Decrease before transfers to Earmarked Reserves		2,669	-	3,265	-	(672)	1,126	505	6,070	12,963	17,660	30,623
Transfers (to)/from Earmarked Reserves		(2,669)	2,669	(3,265)	3,265	-	-	-	-	-	-	-
(Increase)/Decrease in 2019/20		-	2,669	-	3,265	(672)	1,126	505	6,070	12,963	17,660	30,623
<b>Balance at 31 March 2020 carried forward</b>		(10,134)	(99,918)	(9,535)	(6,100)	(1,014)	(14,745)	(34,029)	24,602	(150,873)	(97,893)	(248,766)
<b>Movement in reserves during 2020/21</b>												
Total Comprehensive Income & Expenditure		60,626	-	(5,839)	-	-	-	-	21,590	76,377	71,235	147,612
Adjustments for the restatement of financial instruments		-	-	-	-	-	-	-	-	-	-	-
Adjustments between accounting basis & funding basis under regulations		(159,037)	-	9,973	-	100	1,973	5,235	-	(141,756)	141,756	-
Net (Increase)/ Decrease before transfers to Earmarked Reserves		(98,411)	-	4,134	-	100	1,973	5,235	21,590	(65,379)	212,991	147,612
Transfers (to)/from Earmarked Reserves		98,411	(98,411)	(4,134)	4,134	-	-	-	-	-	-	-
(Increase)/Decrease in 2020/21		-	(98,411)	-	4,134	100	1,973	5,235	21,590	(65,379)	212,991	147,612
<b>Balance at 31 March 2021 carried forward</b>		(10,134)	(198,329)	(9,535)	(1,966)	(914)	(12,772)	(28,794)	46,192	(216,251)	115,098	(101,153)

### 5.3 Group Comprehensive Income and Expenditure Statement

2019/20				Note	2020/21		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
237,385	(186,992)	50,393	Children, Education and Skills		232,685	(192,972)	39,713
185,663	(87,981)	97,682	ASC & Integrated Services		209,430	(114,536)	94,894
89,661	(38,327)	51,334	Place		66,139	(50,254)	15,885
43,549	(13,884)	29,665	Resources		42,632	(14,308)	28,324
69,449	(49,445)	20,004	Operations & Reg Services		69,930	(35,312)	34,618
10,836	(1,962)	8,874	City Futures		12,203	(4,516)	7,687
21,536	(19,818)	1,718	Public Health Service		23,185	(23,250)	(65)
89,634	(89,059)	575	Housing Benefit Payments		85,843	(84,787)	1,056
110,359	(117,691)	(7,332)	Local Authority Housing (HRA)		115,216	(116,366)	(1,150)
26,939	(6,226)	20,713	Corporate Costs		7,754	(5,127)	2,627
<b>885,011</b>	<b>(611,385)</b>	<b>273,626</b>	<b>Cost of Services</b>		<b>865,017</b>	<b>(641,428)</b>	<b>223,589</b>
36,203	(12,597)	23,606	Other Operating Expenditure		56,790	(7,349)	49,441
107,544	(12,022)	95,522	Financing & Investment Income & Expenditure		103,911	(9,442)	94,469
-	(275,272)	(275,272)	Taxation & Non-Specific Grant Income & Expenditure		19,661	(310,783)	(291,122)
		<b>117,482</b>	<b>Deficit/ (Surplus) on Provision of Services</b>				<b>76,377</b>
	(8,881)		(Surplus)/Deficit on Revaluation of Non Current Assets				(13,157)
		5,042	(Surplus)/Deficit on Revaluation of Financial Assets held at Fair Value through Other Comprehensive Income				(778)
	(83,020)		Re-measurements of the defined benefit liability				85,170
	<b>(86,859)</b>		<b>Other Comprehensive Income &amp; Expenditure</b>				<b>71,235</b>
		<b>30,623</b>	<b>Total Comprehensive Income &amp; Expenditure (Surplus)/Deficit</b>				<b>147,612</b>

## 5.4 Group Balance Sheet

31 Mar 2020 £000		Note	31 Mar 2021 £000
1,574,139	Property, Plant & Equipment	GA6	1,578,728
108,869	Heritage Assets		109,072
128,832	Investment Property		82,056
60	Intangible Assets		227
22,288	Long Term Investments		21,079
97,176	Long Term Debtors		97,915
<b>1,931,364</b>	<b>Long Term Assets</b>		<b>1,889,077</b>
10,048	Short Term Investments		33,000
4,229	Assets Held for Sale		3,560
2,151	Inventories		2,116
98,025	Short Term Debtors	GA7	137,674
78,150	Cash and Cash Equivalents	GA8	135,028
<b>192,603</b>	<b>Current Assets</b>		<b>311,378</b>
(16,951)	Bank Overdraft	GA8	-
(42,405)	Short Term Borrowing		(12,702)
(86,778)	Short Term Creditors	GA9	(158,987)
(19,002)	Provisions		(17,630)
<b>(165,136)</b>	<b>Current Liabilities</b>		<b>(189,319)</b>
(183,473)	Long Term Creditors		(173,178)
(275)	Deferred Liabilities		(249)
(749,836)	Long Term Borrowing		(768,333)
(6,976)	Provisions		(7,451)
(43,345)	Grants Receipts in Advance		(90,452)
(726,160)	Pension Liability	GA11	(870,320)
<b>(1,710,065)</b>	<b>Long Term Liabilities</b>		<b>(1,909,983)</b>
<b>248,766</b>	<b>Net Assets</b>		<b>101,153</b>
(175,474)	Council Usable Reserves	GA12	(262,443)
24,602	Usable Reserves of Group Entities	GA12	46,192
(97,894)	Unusable Reserves		115,098
<b>(248,766)</b>	<b>Total Reserves</b>		<b>(101,153)</b>

## 5.5 Group Cash Flow Statement

2019/20 £000		2020/21 £000
(117,482)	Net (Deficit)/Surplus on the provision of services	(76,377)
257,706	Adjustments to net surplus or deficit on the provision of services for non cash movements	288,141
(121,442)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(44,041)
<b>18,782</b>	<b>Net cash flows from Operating Activities</b>	<b>167,723</b>
(39,265)	Investing Activities	(25,306)
27,450	Financing Activities	(68,588)
<b>6,967</b>	<b>Net (Decrease)/Increase in cash and cash equivalents</b>	<b>73,829</b>
54,232	Cash and cash equivalents at the beginning of the reporting period	61,199
<b>61,199</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>135,028</b>

## 5.6 Index of Explanatory Notes to the Group Financial Statements

Note No.	Note	Page
GA1	Adjustments between Group and Council Accounting policies	159
GA2	Financing and Investment Income and Expenditure	159
GA3	Officers' Remuneration	160
GA4	Termination Benefits	161
GA5	External Audit Costs	162
GA6	Property, Plant and Equipment	163
GA7	Short Term Debtors	165
GA8	Cash and Cash Equivalents	165
GA9	Short Term Creditors	166
GA10	Contingent Liabilities	166
GA11	Defined Benefit Pensions Schemes	166
GA12	Usable Reserves	174

## 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	2019/20 £000	2020/21 £000
Interest payable and similar charges		41,430	40,792
Interest on defined benefit liability		17,890	16,310
Interest receivable and similar income		(4,342)	(5,180)
Income and expenditure in relation to investment properties and changes in their fair value		40,544	42,548
<b>Total</b>		<b>95,522</b>	<b>94,470</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 2019/20	Teacher 2019/20	Total 2019/20	Officer 2020/21	Teacher 2020/21	Total 2020/21
£50,000 - £54,999	51	6	57	104	3	107
£55,000 - £59,999	20	3	23	36	-	36
£60,000 - £64,999	17	2	19	25	-	25
£65,000 - £69,999	9	-	9	3	1	4
£70,000 - £74,999	5	4	9	6	-	6
£75,000 - £79,999	3	-	3	12	2	14
£80,000 - £84,999	4	1	5	3	-	3
£85,000 - £89,999	5	-	5	7	-	7
£90,000 - £94,999	3	-	3	4	-	4
£95,000 - £99,999	1	-	1	1	-	1
£100,000 - £104,999	-	-	-	1	-	1
£105,000 - £109,999	1	1	2	-	-	-
£110,000 - £114,999	-	-	-	-	-	-
£115,000 - £119,999	-	-	-	-	-	-
£120,000 - £124,999	1	-	1	-	-	-
£125,000 - £129,999	-	-	-	1	-	1
£130,000 - £134,999	2	-	2	-	-	-
£135,000 - £139,999	-	-	-	1	-	1
£140,000 - £144,999	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	1	-	1
£150,000 - £154,999	-	-	-	-	-	-
£155,000 - £159,999	1	-	1	-	-	-
<b>NCC Officers' Remuneration -</b>	<b>123</b>	<b>17</b>	<b>140</b>	<b>205</b>	<b>6</b>	<b>211</b>

## GA4 Termination Benefits

The following table includes actual leavers within the 2020/21 financial year - i.e. those employees whose contracts were terminated and left by 31 March 2021.

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	£ 2019/20	£ 2020/21
£0 - £20,000	43	11	40	22	83	33	582,124	283,575
£20,001 - £40,000	7	1	8	2	15	3	546,781	74,053
£40,001 - £60,000	1	-	8	7	9	7	436,758	335,706
£60,001 - £80,000	1	-	2	4	3	4	198,702	308,430
£80,001 - £100,000	1	2	4	2	5	4	361,226	337,920
£100,001 - £150,000	1	3	1	-	2	3	261,441	363,130
£150,000 +	-	-	-	-	-	-	-	-
<b>Total</b>	<b>54</b>	<b>17</b>	<b>63</b>	<b>37</b>	<b>117</b>	<b>54</b>	<b>2,387,031</b>	<b>1,702,813</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.

	2019/20 £000	2020/21 £000
Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year.	204	231
Fees payable in respect of statutory inspections.	-	4
Fees payable for the certification of grant claims and returns for the year.	23	23
Fees payable for any other work carried out by the appointed auditors during the year.	27	-
PSAA rebate	(15)	-
Fees payable with regard to external audit services for subsidiaries	25	79
<b>Total</b>	<b>264</b>	<b>337</b>

## GA6 Property, Plant &amp; Equipment

Movements in 2020/21	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 2020	907,057	316,714	135,218	461,866	1,438	1,916	17,543	1,841,752	108,460
Additions	26,115	4,134	4,705	17,434	41	-	8,988	61,417	347
Acquisitions of Leased Assets	-	21,101	-	-	-	-	-	21,101	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(23,517)	(2,165)	-	-	-	-	-	(25,682)	280
Revaluation increases/(decreases) recognised in the Derecognition - Disposals	1,525	(8,221)	(1,303)	-	-	-	-	(7,999)	(2,888)
Assets reclassified (to)/from Held for Sale	(4,467)	(30,828)	(12,093)	-	-	-	-	(47,388)	(26,391)
Other reclassifications	-	669	-	-	-	-	-	669	-
	12,663	1,814	1,530	-	-	-	(12,618)	3,389	-
<b>At 31 March 2021</b>	<b>919,376</b>	<b>303,218</b>	<b>128,057</b>	<b>479,300</b>	<b>1,479</b>	<b>1,916</b>	<b>13,913</b>	<b>1,847,259</b>	<b>79,808</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2020	(50,213)	(18,187)	(64,829)	(133,442)	(404)	(8)	(530)	(267,612)	(39,821)
Depreciation charge	(28,348)	(4,265)	(10,219)	(11,870)	(28)	(8)	-	(54,739)	(2,279)
Depreciation written out to the Revaluation Reserve	29,777	7,134	-	-	-	4	-	36,915	2,208
Depreciation written out to the Deficit on the Provision of Services	(2,146)	1,063	665	-	-	5	-	(413)	2,566
Impairment losses/(reversals) recognised in the Revaluation Reserve	(811)	2,548	-	-	-	-	-	1,737	-
Impairment losses recognised in the Deficit on the Provision of Services	(11,646)	(2,507)	-	-	(41)	-	-	(14,194)	-
Impairment reversals recognised in the Deficit on the Provision of Services as a result of revaluation	19,229	1,116	-	-	-	-	-	20,345	-
Derecognition - Disposals	-	-	9,256	-	-	-	-	9,256	-
Reclassifications	413	1	174	-	-	-	(414)	174	-
<b>At 31 March 2021</b>	<b>(43,744)</b>	<b>(13,097)</b>	<b>(64,953)</b>	<b>(145,312)</b>	<b>(473)</b>	<b>(7)</b>	<b>(944)</b>	<b>(268,531)</b>	<b>(37,326)</b>
<b>Net Book Value</b>									
<b>At 31 March 2021</b>	<b>875,632</b>	<b>290,121</b>	<b>63,104</b>	<b>333,988</b>	<b>1,006</b>	<b>1,909</b>	<b>12,969</b>	<b>1,578,728</b>	<b>42,482</b>

Movements in 2019/20	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>									
<u>At 1 April 2019</u>	902,424	338,298	131,527	444,750	3,428	1,712	25,221	1,847,360	108,390
Additions	39,057	11,718	23,586	17,116	3	-	17,743	109,223	341
Acquisitions of Leased Assets	-	4,135	-	-	-	-	-	4,135	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(18,364)	104	-	-	-	(21)	-	(18,281)	7
Revaluation increases/(decreases) recognised in the Derecognition - Disposals	(12,293)	(35,899)	(6,773)	-	(225)	-	-	(55,190)	(109)
Assets reclassified (to)/from Held for Sale	(7,099)	(6,943)	(14,580)	-	(1,768)	-	-	(30,390)	(169)
Other reclassifications	-	-	-	-	-	-	-	-	-
	3,332	5,301	1,457	-	-	225	(25,421)	(15,106)	-
<b>At 31 March 2020</b>	907,057	316,714	135,217	461,866	1,438	1,916	17,543	1,841,751	108,460
<b>Accumulated Depreciation and Impairment</b>									
<u>At 1 April 2019</u>	(57,234)	(32,406)	(67,931)	(122,018)	(2,276)	(5)	(1,030)	(282,900)	(37,174)
Depreciation charge	(27,651)	(3,985)	(11,023)	(11,424)	(28)	(8)	-	(54,119)	(2,901)
Depreciation written out to the Revaluation Reserve	21,620	1,197	-	-	-	4	-	22,821	78
Depreciation written out to the Deficit on the Provision of Services	5,569	486	96	-	-	5	-	6,156	7
Impairment losses/(reversals) recognised in Revaluation Reserve	4,164	(148)	-	-	-	-	-	4,016	169
Impairment losses recognised in the Deficit on the Provision of Services	(19,262)	(1,736)	-	-	-	-	-	(20,998)	-
Impairment reversals recognised in the Deficit on the Provision of Services as a result of revaluation	23,081	12,448	-	-	225	-	-	35,754	-
Derecognition - Disposals	-	-	13,833	-	1,675	-	-	15,508	169
Reclassifications	(500)	5,957	197	-	-	(4)	500	6,150	-
<b>At 31 March 2020</b>	(50,213)	(18,187)	(64,828)	(133,442)	(404)	(8)	(530)	(267,612)	(39,652)
<b>Net Book Value</b>									
<b>At 31 March 2020</b>	856,844	298,527	70,389	328,424	1,034	1,908	17,013	1,574,139	68,808

**GA7 Short Term Debtors**

	31 Mar 2020 £000	31 Mar 2021 £000
Central Government Bodies	26,496	60,869
Other Local Authorities	6,759	7,320
NHS Bodies	4,763	8,290
Public Corporations and Trading Funds	351	1,418
Other Entities and Individuals	59,656	59,777
<b>Total</b>	<b>98,025</b>	<b>137,674</b>

**GA8 Cash and Cash Equivalents**

	31 Mar 2020 £000	31 Mar 2021 £000
Cash held by the Group	5,538	9,457
Short-term deposits with financial institutions	72,612	120,600
Bank (Overdraft) / Surplus	(16,951)	4,971
<b>Total Cash and Cash Equivalents</b>	<b>61,199</b>	<b>135,028</b>

**GA9 Short Term Creditors**

	31 Mar 2020 £000	31 Mar 2021 £000
Central government bodies	(17,641)	(73,520)
Other local authorities	(3,949)	(2,685)
NHS bodies	(613)	(895)
Public corporations and trading funds	(73)	(313)
Other entities and individuals	(64,502)	(81,574)
<b>Total</b>	<b>(86,778)</b>	<b>(158,987)</b>

**GA10 Contingent Liabilities**

Details of the Council's contingent liabilities can be found in Note 27 of the single entity statements. Other contingent liabilities for Your Homes Newcastle which differ from Note 27 are set out below

**Legal Cases**

YHN has four current claims for unfair dismissal that have been lodged with an Employee Tribunal against the Company during the financial year. The company has disclaimed liability and is defending the action. The date of these cases are still unknown and the outcomes are uncertain. The directors are of the view that no material losses will arise in respect of legal claims at the date of these financial statements.

**GA11 Defined Benefit Pension Schemes****Participation in the Pension Scheme**

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

Newcastle City Council and Your Homes Newcastle participate 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	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 138
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
Current service cost	60,260	59,200	-	-
Past service costs	890	1,890	-	-
<b>Financing and Investment Income and Expenditure:</b>				
Interest on net defined benefit liability/(asset)	16,100	14,750	1,790	1,560
<b>Pension expense recognised in profit and loss</b>	<b>77,250</b>	<b>75,840</b>	<b>1,790</b>	<b>1,560</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	66,630	(345,460)	-	-
Actuarial (gains)/losses due to changes in financial assumptions	(42,400)	475,590	(870)	4,820
Actuarial (gains)/losses due to changes in demographic assumptions	(38,930)	-	(1,910)	-
Actuarial (gains)/losses due to changes in liability assumptions	(68,110)	(30,940)	(360)	(980)
<b>Total amount recognised in Other Comprehensive Income and Expenditure</b>	<b>(82,810)</b>	<b>99,190</b>	<b>(3,140)</b>	<b>3,840</b>
<b>Total amount recognised</b>	<b>(5,560)</b>	<b>175,030</b>	<b>(1,350)</b>	<b>5,400</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	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
<b>Opening balance at 1 April</b>	<b>(2,459,000)</b>	<b>(2,354,680)</b>	<b>(77,540)</b>	<b>(70,540)</b>
Current service cost	(60,260)	(59,200)	-	-
Interest cost	(58,450)	(53,500)	(1,790)	(1,560)
Contributions by participants	(10,350)	(10,480)	-	-
Actuarial gains/(losses) on liabilities - financial assumptions	42,400	(475,590)	870	(4,820)
Actuarial gains/(losses) on liabilities - demographic assumptions	38,930	-	1,910	-
Actuarial gains/(losses) on liabilities - experience	79,510	30,940	360	980
Net benefits paid out	73,430	70,740	5,650	5,590
Past service costs	(890)	(1,890)	-	-
Net increase in liabilities from disposals/acquisitions	-	-	-	-
<b>Closing balance at 31 March</b>	<b>(2,354,680)</b>	<b>(2,853,660)</b>	<b>(70,540)</b>	<b>(70,350)</b>

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2019/20 £000	2020/21 £000
<b>Opening balance at 1 April</b>	1,774,640	1,699,060
Interest income on assets	42,350	38,750
Remeasurement gains/(losses) on assets	(83,890)	345,460
Employer contributions	29,040	30,680
Contributions by scheme participants	10,350	10,480
Net benefits paid out	(73,430)	(70,740)
Net increase in liabilities from disposals/acquisitions	-	-
<b>Closing balance at 31 March</b>	<b>1,699,060</b>	<b>2,053,690</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	2019/20 £000	2020/21 £000
<b>Present value of liabilities:</b>		
Local Government Pension Scheme	(2,354,680)	(2,853,660)
Discretionary benefits	(70,540)	(70,350)
Fair value of assets in the Local Government Pension Scheme	1,699,060	2,053,690
<b>Surplus/(deficit) in the scheme:</b>	<b>(726,160)</b>	<b>(870,320)</b>
Local Government Pension Scheme	(655,620)	(799,970)
Discretionary benefits	(70,540)	(70,350)
<b>Total</b>	<b>(726,160)</b>	<b>(870,320)</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 active members 37%, deferred pensioners 17% and pensioners 46%; for Your Homes Newcastle active members 41%, deferred pensioners 19% and pensioners 40%.

The liabilities show the underlying commitments that Newcastle City Council and Your Homes Newcastle have in the long run to pay post employment (retirement) benefits. The total combined liability of £2.854bn has a substantial impact on the net worth of the group as recorded in the balance sheet, resulting in a negative pension balance of £870m. However, statutory arrangements for funding the deficit mean that the financial position of the group remains healthy.

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid

The total contributions expected to be made to the Local Government Pension Scheme by the group in the year to 31 March 2022 is £30.02m (2020-21 £29.58m). In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2022 are £5.62m 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 2021.

The main financial assumptions used by the actuary for Your Homes Newcastle as set out below differ from those applied to the Council Valuation. Note 29 of the Council's core Financial Statements provide the assumptions used by the actuary for the Council.

	2019/20	2020/21
Rate for discounting scheme liabilities	2.3%	2.1%
Rate of inflation - Consumer Price Index	1.9%	2.7%
Rate of increase in pensions	1.9%	2.7%
Rate of increase to deferred pensions	1.9%	2.7%
Rate of increase in salaries	3.4%	4.2%

The main demographic assumptions used by the actuary are the same for Newcastle City Council and Your Homes Newcastle.

### Asset Allocation

Assets for Your Homes Newcastle are allocated in the same way as 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 2020.

The following table reconciles the actual return on assets to the Group Balance Sheet.

	Funded	Funded	Unfunded	Unfunded
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
<b>Actual Return on Assets</b>				
Interest income on assets	42,350	38,750	-	-
Remeasurement gain/(loss) on assets	(83,890)	345,460	-	-
<b>Actual return on assets</b>	<b>(41,540)</b>	<b>384,210</b>	-	-

### Funded LGPS Benefits

The sensitivity analysis used by the actuary for Your Homes Newcastle as set out below differs from that applied to the Council Valuation. 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)	233.84	239.10	244.60
% change in present value of total obligation	-2.20%	0.00%	2.30%
Projected service cost (£m)	8.98	9.31	9.65
Approximate % change in projected service cost	-3.50%	0.00%	3.60%

### 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)	239.82	239.10	238.38
% change in present value of total obligation	0.30%	0.00%	-0.30%
Projected service cost (£m)	9.31	9.31	9.31
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)	243.88	239.10	234.56
% change in present value of total obligation	2.00%	0.00%	-1.90%
Projected service cost (£m)	9.65	9.31	8.98
Approximate % change in projected service cost	3.60%	0.00%	-3.50%

**Post retirement mortality assumption**

Adjustment to mortality age rating assumption *	-1 year	Base Figure	+1 year
Present value of total obligation (£m)	247.71	239.10	230.73
% change in present value of total obligation	3.60%	0.00%	-3.50%
Projected service cost (£m)	9.69	9.31	8.94
Approximate % change in projected service cost	4.10%	0.00%	-4.00%

\* 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 Usable Reserves**

	31 Mar 2020 £000	31 Mar 2021 £000
General Fund Balance	(10,134)	(10,134)
Earmarked General Fund Balances	(99,918)	(198,329)
Housing Revenue Account (HRA)	(9,535)	(9,534)
Earmarked HRA Balances	(6,100)	(1,967)
Housing Major Repairs Reserve	(1,014)	(914)
Capital Receipts Reserve	(14,744)	(12,771)
Capital Grants Unapplied	(34,029)	(28,794)
Usable Reserves of Subsidiaries and Associates	24,602	46,192
<b>Total Usable Reserves</b>	<b>(150,872)</b>	<b>(216,251)</b>

# 6.0 Supporting Information



## 6.1 Index

Newcastle City Council	Page
<b>Statement of Responsibilities for the Statement of Accounts</b>	
<b>The Council's Responsibilities</b>	9

<b>Newcastle City Council - Core Financial Statements and Notes</b>		
	Movement in Reserves Statement	11
	Comprehensive Income and Expenditure Statement	12
	Balance Sheet	13
	Cash Flow Statement	14
	Index of Explanatory Notes to the Core Financial Statements:	15
1	Expenditure and Funding Analysis	17
2	Adjustments between accounting basis and funding basis under regulations	20
3	Other operating expenditure	29
4	Financing & investment income & expenditure	29
5	Taxation and Non-Specific Grant Income & Expenditure	30
6	Material items of income and expenditure	33
7	Pooled budgets	35
8	Members' allowances	36
9	Officers' remuneration	37
10	Termination benefits	40
11	External audit costs	42
12	Dedicated schools grant	42
13	Leases	43
14	Impairment charges	45
15	Related parties	46
16	Property, Plant & Equipment	54
17	Heritage assets	60
18	Investment properties	61
19	Financial instruments	63
20	Nature & extent of risks arising from financial instruments	69
21	Short Term Debtors	73
22	Cash & cash equivalents	73
23	Current Assets Held for Sale	73
24	Short Term Creditors	74
25	Provisions	74
26	Private Finance Initiatives and similar contracts	76
27	Contingent liabilities	78

Newcastle City Council		Page
28	Pension schemes accounted for as defined contribution schemes	80
29	Defined benefit pension schemes	80
30	Trust Fund Accounts	89
31	Usable reserves	89
32	Transfers to/from earmarked reserves	90
33	Unusable reserves	94
34	Capital expenditure & capital financing	99
35	Cash Flow Statement – operating activities	100
36	Cash Flow Statement – investing activities	101
37	Cash Flow Statement – financing activities	101
38	Accounting standards issued but have not yet been adopted	101
39	Critical judgements in applying accounting policies	102
40	Assumptions made about the future and other major sources of estimation uncertainty	104
41	Events after the balance sheet date	108
42	Statement of Accounting Policies	111

Newcastle City Council - Supplementary Financial Statements and Notes		
	Housing Revenue Account (HRA)	137
	Housing Revenue Account Income and Expenditure Account	138
	Statement of Movement on the Housing Revenue Account	139
	Index of Notes to Housing Revenue account:	139
H1	Housing Stock Analysis	140
H2	Assets Balance Sheet Valuation	141
H3	Vacant Possession Valuation of HRA Dwellings	141
H4	Impairment & Revaluation Losses	141
H5	Capital Expenditure & Financing	142
H6	Capital Receipts	142
H7	Depreciation Charges	144
H8	Rent Arrears	144
H9	Secretary of State Directives	145
H10	Your Homes Newcastle	145
H11	Revenue Expenditure Funded From Capital Under Statute (REFCUS)	145
	Collection Fund	146
	Collection Fund Income and Expenditure Account	146
	Change in Collection Fund Balance	147
	Index of Notes to Collection Fund:	148
CF1	Council Tax	148
CF2	Business Rates	149
CF3	Redistribution of Collection Fund Deficit	149
CF4	Collection Fund Balance	150

Newcastle City Council	Page
<b>Newcastle City Council - Group Accounts Financial Statements and Notes</b>	
Group Introduction	152
Group Movement in Reserves Statement	155
Group Comprehensive Income and Expenditure Statement	156
Group Balance Sheet	157
Group Cash Flow Statement	158
Index of Notes to Group Accounts:	
GA1 Adjustments between Group and Council accounting policies	159
GA2 Financing and Investment Income and Expenditure	159
GA3 Officers' Remuneration	160
GA4 Termination Benefits	161
GA5 External Audit Costs	162
GA6 Property, Plant & Equipment	163
GA7 Short Term Debtors	165
GA8 Cash and Cash Equivalents	165
GA9 Short Term Creditors	166
GA10 Contingent Liabilities	166
GA11 Defined Benefit Pensions Schemes	166
GA12 Usable Reserves	174
<b>Supporting Information</b>	
Index	176
External Audit Opinion	179

