

Gateshead Council Summary Accounts 2006/07

Strategic Director's Statement

The Council's Statement of Accounts has been prepared in accordance with the Accounting Code of Practice. The figures in this summary were originally compiled having regard to proper accounting practice. For the purpose of this statement some modifications have been made to provide more meaningful information in a summary format.

A full copy of the Council's 2006/07 detailed accounts is available for examination upon request. Please contact Keith Purvis, Head of Financial Management on 0191 4333630.

D V Coates BA CPFA IRRV Strategic Director Finance & ICT

Financial Review

The following statement by the Strategic Director of Finance & ICT describes some of the key points on the Council's stewardship of public funds.

Financial Performance

The Council's General Fund Revenue Account reports expenditure and income relating to all services provided by the Council during the year, and shows how the net costs of these services have been financed by local taxpayers and Central Government Grants.

For 2006/07 the net revenue budget to be met from Government Grants and local taxpayers was approved by the Council at £174.217m, (£174.224m including Parish Precepts), resulting in budgeted net appropriations of £2m from the Insurance reserve and £3m from the General reserve to balance the budget.

The financial position at the year end shows an increase in the General fund balance of £0.323m after a net transfer to strategic reserves from the General fund of £17.148m. The net increase of £17.937m in the General fund balance before transfers to strategic reserves is mainly due to the receipt of additional income during the year, which was not reflected in the Council's budget. The most significant items of additional income in 2006/07 are a one-off Airport dividend of £10.431m and Local Authority Business Growth Initiative (LABGI) income of £6.6m. The Council's Cabinet have agreed to appropriate these sums to the key strategic reserve, the Gateshead Development Pool, to support prudential borrowing and investment in future years.

A number of Council services faced increasing budget pressures in 2006/07, resulting in the expenditure on these services exceeding the original budget estimate. However this difference does not take account of the planned use of the General Fund balance. In addition, although some services have spent in excess of their original estimate, action taken during the year combined with the additional income outlined above means that overall spending of the Council was contained within the original estimate. This is a significant achievement given the financial pressures faced by all Council services and enables the Council's sound financial position to be strengthened.

The Cost of Council Services – Revenue Account for the year ended 31 March 2007

The revenue account shown below presents the cost of running Council Services for the financial year ended 31 March 2007, and identifies how these costs were funded.

2005/06 £000s	Net Expenditure	2006/07 £000s
2,206	Central services to the public	2,498
40,187	Cultural, environmental and planning services	44,204
103,141	Education services	16,917
14,091	Highways, roads and transport services	13,681
1,398	Housing services	(3,750)
62,923	Social Services	69,193
20,396	Corporate and Democratic Costs	13,241
244,342	Net Cost of Services	155,984
1,235	(Gain) / Losses on the Disposal of Fixed Assets	558
9,242	Levies and Precepts	11,582
94	Total Net (Surplus)/Loss on Trading Undertakings	803
19,906	Interest payable and similar charges	21,193
358	Losses on the Repurchase of Borrowing	516
12,089	Amounts payable into the Housing Capital Receipts Pool	7,848
(5,511)	Interest and Investment Income	(17,259)
9,010	Pensions Interest Cost and Expected Return on Assets	5,770
290,765	Net Operating Expenditure	186,995
	Financed by:	
(69,734)	Precept Demanded from the Collection Fund	(73,266)
(3,000)	Collection Fund Transfer	(2,000)
(115,600)	Revenue Support Grant and Other Grants	(23,930)
(63,662)	Contribution from Non-Domestic Rate Pool	(78,756)
(38,769)	Net General Fund (Surplus) / Deficit	9,043
(17,004)	General Fund balance brought forward	(21,520)
(4,516)	(Surplus) / Deficit for the year	(789)
(21,520)	General Fund balance carried forward	(22,309)
Restated		
2005/06	Statement of Movement on the General Fund Balance	2006/07
£000s		£000s
38,769	(Surplus) / Deficit for the year on the Income and Expenditure Account	9,043
(43,285)	Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year (see note 2 to the core financial statements)	(9,832)
(4,516)	(Increase) / Decrease in General Fund Balance for the Year	(789)
(17,004)	General Fund Balance brought forward	(21,520)
(21,520)	General Fund Balance carried forward	(22,309)
(11,040)	Amount of General Fund balance held by schools under Local Management Scheme	(11,506)
(10,480)	Amount of General Fund balance generally available for new expenditure	(10,803)
(21,520)		(22,309)

Balance Sheet

The balance sheet shows what the Council owns, and what it is owed as at 31 March 2006:

31st March 2006 £000s		31st March 2007 £000s
1,485,242	Buildings, land, vehicles and equipment owned by the Council	1,564,731
(21,771)	Cash in Bank	(28,612)
3,281	Other Current Assets	5,296
164,406	Money owed to the Council	227,045
(790,742)	Money owed by the Council	(867,635)
840,416		900,825
	Financed by	
91,061	Distributable reserves	131,888
749,355	Non - distributable reserves	768,937
840,416		900,825

Money owed by the Council includes long-term borrowing and pension fund liabilities. Distributable Reserves include revenue balances, which are available to fund future expenditure. Non-distributable reserves are not available to fund future expenditure, and include, for example, unrealised gains following the revaluation of the Council's assets.

Housing Revenue Account

The costs and income relating to the Authority's Council housing provision are shown below:

2005/06 £000s		2006/07 £000s
	Income	
(54,673)	Council House Rents	(57,092)
(1,536)	Subsidy Income	(4,682)
(2,808)	Other Income	(3,686)
(59,017)		(65,460)
	Expenditure	
17,371	Repairs and maintenance	17,574
11,947	Supervision and management	11,566
19,913	Capital and Financing Costs	21,566
4,773	Other Costs	6,089
54,004		56,795
643	(Gain) or loss on sale of HRA Fixed Assets	0
7,057	Interest Payable or other similar charges	8,890
329	Amortised Premiums and Discounts	326
(326)	HRA Investment Interest	(502)
2,690	(Surplus) or deficit for the year on HRA I & E account	49
Restated 2005/06 £000s	Statement of Movement on the Housing Revenue Account Balance	2006/07 £000s
2,690	(Surplus) or deficit for the year on HRA I & E account	49
(7,862)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the Year	(8,627)
(5,172)	(Surplus) for year	(8,578)
(1,523)	(Surplus) at Beginning of year	(6,695)
(6,695)	Surplus) at end of year	(15,273)

Council Housing

The Council owns 21,840 houses, for which it charges rent. It is a legal requirement that expenditure and income relating to Council housing provision be accounted for separately. Any surplus or deficit at the end of the year is either transferred into or out of Housing Reserves. During the year, the income generated exceeded the expenditure by £8.6m. This balance has therefore been transferred to Housing Reserves resulting in a year-end balance of £15.2m.

Capital Expenditure

Capital expenditure represents money spent by the Council for the purposes of purchasing, upgrading or improving assets such as buildings and roads. The distinction from revenue expenditure is that the Council and its residents receive the benefit from capital expenditure over a longer period of time. The Council spent £90.9m on capital expenditure during the year. In addition, £9.0m was spent on schemes where no asset of the Council was created such as grants to private individuals and voluntary organisations, works to voluntary-aided schools and children's centres, together with master planning feasibility work and capitalisation. Total expenditure of £99.9m was financed from Borrowing (£55.2m), capital receipts (£10.6m), and grants and contributions (£34.1m).

The programme included:

- Over £6 million on new education projects
- Over £5 million on new transport projects
- Over £70 million on new housing and housing market renewal projects
- The implementation of Gateshead @ Your Service, the Council's Customer Service Strategy

The chart below shows how each service benefited from capital investment in 2006/07:

