

GATESHEAD COUNCIL

STATEMENT OF ACCOUNTS – 2005/06

CONTENTS

	<u>PAGE</u>
1. Explanatory Foreword	1
2. Statement of Responsibilities	6
3. Statement on Internal Control	7
4. Auditor's Report	11
5. Statement of Accounting Policies	15
6. Consolidated Revenue Account	22
7. Collection Fund Account	37
8. Housing Revenue Account	40
9. Consolidated Balance Sheet	46
10. Statement of Total Movement in Reserves	66
11. Cash Flow Statement	70

EXPLANATORY FOREWORD

INTRODUCTION

The main financial statements which record the financial results of the Council's activities for the year 1 April 2005 to 31 March 2006 are set out on pages 13 to 71. A summary and brief comment on these statements is given below. All figures shown are after accounting for retirement benefits under Financial Reporting Standard 17 (FRS17) except where stated. Further details of FRS17 adjustments are shown in note 5 to the Consolidated Revenue Account, and note 20 to the Consolidated Balance Sheet.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

This explains both the Authority's and the Strategic Director Finance & ICT's responsibilities in respect of the Statement of Accounts.

STATEMENT ON INTERNAL CONTROL

This statement outlines the Authority's internal control, in line with Regulation 4 of the Accounts and Audit Regulations 2003. The statement was reviewed and agreed by the Council's Audit Committee on 19 June 2006.

STATEMENT OF ACCOUNTING POLICIES

This explains the basis of the figures in the accounts. The accounts can only be properly appreciated if the policies, which have been followed in dealing with material items, are explained.

CONSOLIDATED REVENUE ACCOUNT

The purpose of this account is to report expenditure and income relating to all services provided by the Council and how the net costs of these services have been financed by local taxpayers and Central Government Grants.

Total net expenditure on the Council's General Fund Revenue Account was £248.324m (2004/05 £238.113m), after movement on reserves, as set out below:

	Budget £'000	Actual £'000	Variance £'000
Net Expenditure 2005/06	250,764	248,324	2,440

The variance of £2.440m is made up of an underspend of £0.923m in 2005/06, plus the transfer of £1.517m from earmarked reserves to the Council's general reserve. There is also an adjustment to the general reserve of £0.120m, as disclosed in note 17 to the consolidated revenue account. This adjustment reduces the reported surplus for the year to £2.320m.

EXPLANATORY FOREWORD

COLLECTION FUND

The Local Government Finance Act requires each charging authority to establish and maintain a Collection Fund.

The Collection Fund is like a trust fund. It is managed by the charging authority but its accounts must be kept separate from the Council's accounts.

The Collection Fund receives all income in respect of Council Tax and National Non Domestic Rates. The Fund then pays out the demands and precepts made upon it by Gateshead Council, Northumbria Police Authority and Tyne & Wear Fire and Civil Defence Authority.

HOUSING REVENUE ACCOUNT

A separate account must be kept by the Council showing the cost of providing housing in the Borough.

This account showed a surplus for the year of £5.172m (2004/05 surplus of £0.245m). The expenditure on this service was financed by housing rents, government grant, housing subsidy and housing revenue account balances. The significant difference between the two years is explained by changes in housing subsidy arrangements nationally, which have benefited Councils such as Gateshead.

TRADING OPERATIONS

The Council's major Trading Operations showed a net surplus after contributions to reserves of £0.168m (2004/05 £0.043m). This is prior to the adjustments made in respect of Financial Reporting Standard 17 (FRS17).

CONSOLIDATED BALANCE SHEET

This shows the Council's financial position at 31 March 2006. It summarises the assets – both fixed and current, used in carrying out the Council's activities together with its liabilities and shows what the net assets are.

CASHFLOW STATEMENT

This summarises the cash receipts and payments of the Council arising from transactions for both Capital and Revenue purposes.

CAPITAL EXPENDITURE FOR THE YEAR

Capital expenditure for the year on fixed assets and investments totalled £92.022m (2004/05 £83.187m). This expenditure was invested in the Council's assets such as Housing, Schools, Residential Homes, Roads and Leisure and Cultural Facilities.

EXPLANATORY FOREWORD

In addition, £11.984m was expended on schemes where no asset was created, such as grants and works to voluntary-aided schools, together with masterplanning work and capitalisation of housing market renewal projects. This resulted in total expenditure to be financed of £104.006m.

Included in the overall figure of £104.006m was expenditure relating to Major Projects of £24.3m. This included £4.74m on The Baltic Centre for Contemporary Art, £9.97m on Gateshead International Stadium, £7.93m on The Sage Gateshead and £1.56m on Gateshead Quays Infrastructure and Public Realm works.

The successful award of two star status to The Gateshead Housing Company during 2005/06 has allowed increased spending on housing during the financial year to achieve the Government's decent homes target. Total housing spending in 2005/06 was £31.273m.

A Table shown below summarises how the £104.006m was financed:-

	£'000
Borrowing	22,143
Capital Receipts and Reserves	21,797
Grants and Other Contributions	45,280
Revenue Contributions	14,786
Total	<u>104,006</u>

The acquisition or improvement of Council assets is also achieved through leasing, the costs of which are not shown above. In the year, leasing rentals on vehicles totalled £1.36m and payments for buildings on an operating lease basis totalled £0.650m.

THE PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES

The prudential framework for local authority capital investment was introduced through the Local Government Act 2003 and became effective from 1st April 2004. The basic principles of the Prudential Code for Capital Finance in Local Authorities (the Code) is that local authorities will be free to invest so long as their capital spending plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

The previous system of borrowing approvals (basic and supplementary credit approvals) has been discontinued and replaced by Supported Capital Expenditure (Revenue), which operates in a similar way for general fund support.

HOUSING MARKET RENEWAL

In February 2004, the Newcastle/Gateshead Pathfinder (Bridging Newcastle/Gateshead) was awarded £28m for 2004/05, as part of a negotiated award of £73m to March 2006 to tackle issues of low housing demand in the urban core of the region. Gateshead Council is acting as Accountable Body for this Initiative.

EXPLANATORY FOREWORD

CHANGES TO THE STATEMENT OF ACCOUNTS

The accounts are based on the latest Code of Practice on Local Authority Accounting. The Council has followed the guidance given in the Statement of Recommended Practice (SORP), and has concluded that the production of Group Accounts is not necessary for 2005/06 on the grounds that the amounts involved are not material to the fair presentation of the Council's financial position or the understanding of the statement of accounts by the reader. Further details are shown in note 19 to the Consolidated Balance Sheet, which discloses the Council's interest in Companies.

As a Waste Disposal Authority (WDA), an obligation was placed on Gateshead Council by the Waste and Emissions Trading Act 2003 to reduce the amount of biodegradable municipal waste (BMW) that is put into landfill sites. It provided the legal framework for the Landfill Allowance Trading Scheme (LATS), which has been introduced from 1st April 2005. These financial statements account for LATS in accordance with LLAP Bulletin 64 – Accounting for the Landfill Allowances Trading Scheme in 2005/06.

EURO CURRENCY

During the financial year the Council has continued to review the impact of the Euro on its ongoing operations. A Euro project group has been established to assess the impact that the introduction of the Euro in the UK would have on the delivery of the Council's services.

Costs associated with the potential introduction of the Euro into the UK are not considered significant at this stage and when incurred will be charged to the Revenue account.

OUTLOOK FOR THE FUTURE

The Council's vision for Gateshead as expressed in the Gateshead Community Strategy is:

“Local people realising their full potential enjoying the best quality of life in a healthy, equal, safe, prosperous and sustainable Gateshead”.

The vision is supported through ten theme based plans which link to the Council's policy and cabinet portfolio areas.

The Council's corporate plan “Towards 2010” sets out the role in supporting delivery of the Community Strategy. It sets out six medium term objectives:

- Effective Community Engagement and involvement.
- Joined up service through multi-agency neighbourhood management.
- Simplified access to services.

EXPLANATORY FOREWORD

- Service excellence.
- Regeneration, social inclusion and wealth creation.
- Development of capacity – internally and externally.

These objectives are supported by an Improvement Plan and Service Plan which set clear targets. The costs of achieving these targets are reflected in the Council's Medium Term Financial Strategy (MTFS) and annual Budget Plan. The current MTFS is based on redirecting £12 million over the three years 2007/08 to achieve the Council's objectives.

D V Coates, BA CPFA IRRV
Strategic Director Finance & ICT

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Strategic Director Finance & ICT.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Strategic Director Finance & ICT's Responsibilities

The Strategic Director Finance & ICT is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2006

In preparing this statement of accounts, the Strategic Director Finance & ICT has:

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

The Strategic Director Finance & ICT has also:

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

Chief Finance Officer's Certificate

I hereby certify that the Statement of Accounts for the year ended 31 March 2006, required by the Accounts and Audit Regulations are set out in the following pages.

I further certify that the Statement of Accounts presents fairly the financial position of the Council at 31 March 2006 and its income and expenditure for the year ended 31 March 2006.

Signed.....
D V Coates, BA CPFA IRRV
Strategic Director, Finance & ICT

Date.....

STATEMENT ON INTERNAL CONTROL

SCOPE OF RESPONSIBILITY

1. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

3. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
4. The system of internal control has been in place at Gateshead Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

INTERNAL CONTROL ENVIRONMENT

5. The system of internal control is set out in the Council's Constitution supported by a framework of regular management information, contract procedures, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. The development and maintenance of the system is undertaken by managers within the Council, and ensures the economical, efficient and effective use of resources, and for securing continuous improvement in the way in which the council's functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty and more recently the need to demonstrate value for money across all areas of the Council. In particular, the system includes: -
 - A clear system of delegation incorporated within the Council's Constitution;
 - Comprehensive budgeting systems;
 - A robust system of financial planning and budgetary control including formal monitoring of periodic and annual reports to indicate financial performance against forecasts;
 - Setting targets to measure financial and other performance;
 - A corporate performance management system to measure financial and other performance;

STATEMENT ON INTERNAL CONTROL

- The adoption of CIPFA capital expenditure guidelines, including the requirements of the Prudential Code;
 - Use as appropriate of formal project management disciplines;
 - Strict adherence to the CIPFA Code of Treasury Management in Public Services;
 - Compliance with established policies, procedures, laws and regulations;
 - Adoption of the principles of the CIPFA / SOLACE Guidelines on Corporate Governance;
 - Maintenance of the Verification Framework for the administration of Council Tax and Housing Benefit; and
 - Participation in the National Fraud Initiative.
6. In order to ensure the independent review of the adequacy, or otherwise, of the system of internal control, the Council maintains an adequate and effective internal audit under the leadership of the Chief Internal Auditor. The Internal Audit Service works in compliance with the CIPFA Code of Practice for Internal Audit in Local Government 2003 and other professional standards.
7. The work of the Internal Audit Service is based upon a risk based three-year Strategic Audit Plan that covers all areas of the Council's operations.
8. Under the Council's Constitution, the Internal Audit Service reports on its planning and performance to the Audit Committee on a quarterly and annual basis.
9. The Council has a Corporate Risk Management Framework in place, which facilitates the identification and control of risks on both a Strategic and Group basis, and produces an Annual Risk Management Report, which has been reported to the Audit Committee.
10. As part of its performance management processes the Council produces a number of statutory and local performance indicators, which have been reported to Overview and Scrutiny Committees.
11. There is a process where Heads of Service assigned with the ownership of risk carry out a self assessment to provide assurances of the effectiveness of the related key controls. The outcomes of this are reported to the Audit Committee on an annual basis.

REVIEW OF EFFECTIVENESS

12. The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Internal Audit Service and Managers in the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

STATEMENT ON INTERNAL CONTROL

13. The Chief Internal Auditor reports to the Council's Chief Finance Officer, but in order to ensure independence has direct access to the Chief Executive, Monitoring Officer, and the Audit Committee.
14. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control, which is incorporated in the Annual Internal Audit Report to the Audit Committee. The Annual Internal Audit Report for 2005/2006, which was presented to Committee 19 June 2006, concluded that, based on the work undertaken the Council's internal control systems are considered to be satisfactory.
15. The Annual Risk Management Report was presented to the Audit Committee on 19 June 2006, in which it was concluded that risk management arrangements are sound.
16. Heads of Service have carried out self assessments of the processes and controls they have in place to allow them to achieve their services objectives. A report was submitted to the Audit Committee on 19 June 2006, which concluded that based on the self assessments Heads of Service agreed that effective controls were in place.
17. Reporting on performance management information has taken place to Overview and Scrutiny Committees over the course of the year. Based on the information provided during the year and reviews of data quality controls are in place.
18. The review of the effectiveness of the system of internal control is informed by:
 - The work of managers within the Council;
 - The work of the Internal Audit Service;
 - The work of Corporate Risk Management;
 - Performance Management Information; and
 - The external auditors in their annual audit letter and other reports.
19. The results of the review of the Council's system of internal control have concluded that it is satisfactory and effective. An area for improvement was identified and this with an appropriate action is detailed below.
20. The dynamic nature of controls and the environment in which they operate, requires that they are always improved upon, in conjunction with the Council's Senior Management, we will endeavour to ensure that any recommendations for improvement to the system of internal control arising from the review process are implemented to support continuous improvement of the system.

STATEMENT ON INTERNAL CONTROL

SIGNIFICANT INTERNAL CONTROL ISSUES

The following significant internal control issue has been identified:

Issue	Action
The need to address weaknesses in control for the payment of creditors that include the risk of error or fraud through breaches in Financial Regulations.	Investigate software solutions, develop enhanced exception reports and roll out training to Agresso users and managers to ensure consistent practices are in place across the Council.

Signed

Signed

Signed

Chief Executive

Strategic Director,
Finance and ICT

Leader of the Council

Date

Date

Date

AUDITOR'S REPORT TO GATESHEAD COUNCIL

Opinion on the financial statements

I have audited the financial statements of Gateshead Metropolitan Borough Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Gateshead Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance, 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

AUDITOR'S REPORT TO GATESHEAD COUNCIL

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Lynne Snowball
District Auditor

Audit Commission
Nickalls House
Metro Centre
Gateshead NE11 9NH

29 September 2006

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

Authority's Responsibilities

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

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in August 2005, in all significant respects, Gateshead Metropolitan Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 on 20 September 2005. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Lynne Snowball
District Auditor

Audit Commission
Nickalls House
Metro Centre
Gateshead NE11 9NH

29 September 2006

STATEMENT OF ACCOUNTING POLICIES

General

The accounts have been prepared in accordance with the Code of Practice on Local Authority accounting in the United Kingdom 2004: A Statement of Recommended Practice (SORP).

The main policies adopted in compiling the accounts are set out below. They follow the recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) and conform with the Statements of Standard Accounting Practice (SSAPs) and the Financial Reporting Standards (FRS) relevant to Local Authorities. Any departure from the relevant standards is stated in the notes below.

In line with the best practice approach to accounting for best value, CIPFA has issued the Best Value Accounting Code of Practice (BVACOP). The Council's accounts for 2005/06 comply with the requirements of BVACOP.

Income and Expenditure

Revenue Account

The revenue accounts are maintained on a Receipts and Payment basis during the year and converted at the end of the year to an Income and Expenditure basis by the creation of debtors and creditors. Exceptions to this are for wage costs not coinciding with 31 March and certain other items such as gas and electricity. Such exceptions are not material (ie less than ½%) when compared with total net expenditure.

Capital Account

All capital expenditure is accounted for on an accruals basis during the year.

Estimation Techniques

In order to provide information for the FRS 17 disclosure of pension costs in a timely manner, the Council's actuary has provided figures based upon cashflows for the first 11 months of the financial year.

The costs of implementing the first phase of job evaluation are included in the Council's consolidated revenue account. Payments to employees had not been physically made by 31st March 2006, but an accurate estimate of the cost to the Council was made from the information held on the Council's payroll system. Payments to employees were made in May 2006.

The Council has not employed any estimation techniques for the calculation of any other significant items of income or expenditure within the accounting statement.

Support Services

There is a full allocation of Support Services over all services. For technical staff, allocation is based upon actual time spent on the various services with administrative staff being allocated pro rata. With other professional staff, allocation is based on estimated time spent and is calculated at the year end.

Office accommodation is allocated on a floor area basis.

ICT support services are allocated to services using a charge per PC basis.

STATEMENT OF ACCOUNTING POLICIES

Capital Assets

Fixed Assets – land, buildings and other assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides, for a period of more than one year, or in accordance with Government capitalisation requirements. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards. Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

- operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value;
- non-operational properties (including investment properties) and other non-operational assets that are surplus to requirements are included in the balance sheet at net realisable value;
- intangible assets are capitalised and included in the balance sheet at cost;
- infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation, where appropriate.

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income that is not required to be paid to the Government, and has not been used to finance capital expenditure, is included in the balance sheet as usable capital receipts.

When an asset is included in the balance sheet at current value, it is formally re-valued at intervals of not more than five years and the revised amount is included in the balance sheet with any surpluses arising on the re-valuation being credited to the fixed asset restatement account.

Valuations are carried out on a rolling programme basis, with 20% of assets valued each year. This provides a full revaluation every five years, in line with statutory requirements. In addition, Housing Revenue Account assets, the Civic Centre and other major assets are valued annually by the Council's Chief Valuer, D Gillbanks BSc (Hons), FRICS, IRRV.

The freehold and leasehold properties, which comprise the Authority's property portfolio, were completely revalued during 2004/05 by the Council's then Chief Valuer S Brown BSc, MRICS. The valuation was in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards. It was neither practicable nor considered by the valuer to be necessary to inspect each property for the purposes of the valuation.

STATEMENT OF ACCOUNTING POLICIES

Deferred Charges

Deferred charges represent capital expenditure which does not result in the creation of fixed assets. The charges are initially written off in full to service revenue accounts in the year of expenditure and then transferred to the capital financing account thus having no impact upon the amount to be raised from local taxation.

Charges to Revenue

General fund service revenue accounts, central support services and trading operations accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation, any impairment charge plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The aggregate charge to individual services is determined on the basis of the capital employed in each service. The charge made to the Housing Revenue Account is an amount equivalent to the statutory capital financing charges.

External interest payable and the provision for depreciation are charged to the asset management revenue account, which is credited with capital charged to services. The net effect is that these capital accounting charges do not alter the amounts required to be raised from local taxation.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed within the Consolidated Revenue Account, and shown separately after net operating expenditure.

Fixed Assets – Depreciation

Financial Reporting Standard 15 (FRS15 *Tangible Fixed Assets*) requires depreciation to be provided for all fixed assets with a finite useful life (which is determined at the time of acquisition or revaluation) according to the following policy:

- A full year's depreciation is charged on newly acquired assets in the year of acquisition, although assets in the course of construction are not depreciated until they are brought into use.
- Depreciation is calculated using the straight-line method.

Generally, assets are depreciated in accordance with the following estimate of useful lives:-

- Council Houses: 50 years
- Buildings: 20-50 years depending on use, construction type and condition
- Computer and other Equipment: 5 years
- Vehicles: 3-10 years depending on make, model and use
- Gateshead Millennium Bridge: 120 years.

STATEMENT OF ACCOUNTING POLICIES

Another requirement of FRS15 is that separate charges should be made for the depreciation of major elements of a single asset, which have materially useful economic lives. A review of the Council's fixed assets revealed no new instances of component depreciation during 2005/06.

Residual Values

The residual value of a fixed asset is the estimated net realisable value of the asset at the end of its useful economic life. In general this has been estimated at 10% for buildings.

Revaluations and Impairment

Financial Reporting Standard 11 (FRS11 *Impairment of Fixed Assets and Goodwill*) requires the Council to consider on an annual basis whether there has been a permanent diminution in the value of its assets to ensure that assets recorded in its accounts are at no more than realisable value and any impairment loss is measured and recognised on a consistent basis.

A review of the Council's fixed assets in 2005/06 revealed no instances of impairment.

Basis of Charges for Capital

The Council administers a consolidated advances and borrowing pool into which all the loans raised by the Authority are pooled. The average rate of interest charged by the pool was 7.71% in 2005/06 (8.42% in 2004/05).

As required under the Prudential Code, the Authority makes a charge to revenue for annual principal repayments (minimum revenue provision). No additional voluntary contributions have been made in 2005/06. However, in the case of advances to housing associations the principal repaid by the Housing Association is the minimum revenue provision required to be repaid to the consolidated advances and borrowing pool.

Capitalised Housing Repairs

Certain items of renovation work are charged to capital and financed from capital receipts and revenue.

Capital Grants

SSAP4 requires grants relating to fixed assets to be credited to revenue over the useful life of the project. Capital grants received by the Council are in general used to finance the assets to which they relate.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

STATEMENT OF ACCOUNTING POLICIES

Capital Receipts

Receipts from the sale of capital assets or the repayment of financial assistance are, in general, excluded from the revenue accounts. The usable part of capital receipts is used as required to finance capital expenditure. Interest earned on the capital receipts is credited to the General Fund. In accordance with the Local Authorities (Capital Finance and Accounting) (Amendments) Regulations 2004, pooled Housing capital receipts are paid to the Department for Communities and Local Government (DCLG, formerly ODPM) and shown within the Consolidated Revenue Account.

Disposal of Assets

Upon the disposal of assets, the fixed assets account is reduced by the net book value of the asset.

Current Assets

Stocks and Stores - are included in the accounts at the latest known price. Spares for the Council's plant and vehicle fleets are also entered at the latest known price.

Work in Progress - private rechargeable works are valued at cost less anticipated liquidated damages and progress payments received.

Provisions

Provisions are made to cater for liabilities, which are likely or certain to be incurred, but the amount of which cannot yet be accurately determined. They are also made for irregular but recurring types of expenditure.

Reserves

The major reserves are as follows:-

Renewals - to defray expenditure on the replacement and renewal of vehicles, buildings, plant and machinery and workshop equipment.

Airport - represents the balance of the shares issued on 1 April 1987 in respect of the Newcastle International Airport as a consequence of the transfer scheme arrangements under the Airport Act 1986 and the shares sold to Copenhagen Airport in May 2001. This would only be usable if the Council agreed to sell some or all of its remaining shareholding.

Insurance - to allow for possible claims against the Authority which are not covered by external policies.

Gateshead Development Pool - following the sale of shares in Newcastle International Airport Ltd the Council agreed to use the proceeds of the airport capital receipt to set up Gateshead Development Pool. The pool is used to support an on-going programme of local initiatives in the best interests of local people.

Grant Clawback - grant received which may need to be repaid.

STATEMENT OF ACCOUNTING POLICIES

Pensions - In addition to the (negative) reserve which matches the pensions liability as prescribed by FRS17, the Council also holds a cash backed reserve to allow for future increases in pension commitments.

Investments

Investments are shown at the original cost price plus brokers' commission and stamp duty.

Leases

Finance Leases - The Council has no finance leases in primary rental. All amounts paid are treated as interest, since the principal value of the asset is deemed to have been fully repaid during the primary period.

Operating Leases - Rentals payable under operating leases are charged to the service revenue account on a straight-line basis over the term of the lease. The asset and future lease liability are not shown in the balance sheet

Group Accounts

The Council has financial relationships with other related companies, joint ventures and joint arrangements, details of which are contained in the disclosure notes to the Accounts.

There are a number of criteria by which the Council must determine whether its interest in such companies, joint ventures and joint arrangements is significant enough to be included in the Council's consolidated Accounts. After consideration of these criteria the Council has determined that the consolidation of related companies would have no material effect on the Council's financial position and therefore it is not necessary to produce Group Accounts for 2005/06. It is possible that it may be necessary to produce Group Accounts in future years.

Redemption of Debt

The Council is required by statute to set aside a Minimum Revenue Provision (MRP), for the repayment of debt for general fund services. Provision is made for principal repayments by charging a MRP calculated in accordance with the Prudential Code (Local Government Act 2003).

External Interest

Interest paid on external borrowing is accrued and charged to the asset management revenue account. Interest earned on investments is accrued and charged to the revenue account.

STATEMENT OF ACCOUNTING POLICIES

Repurchase of Borrowing

Gains or losses on the repurchases or early settlement of borrowing are recognised in the consolidated revenue account in the periods during which the repurchase or early settlement is made. Where however the repurchase of borrowing was coupled with a refinancing of borrowing with substantially the same overall economic effect, gains or losses are recognised over the life of the replacement borrowing for the general fund and a maximum of 10 years in respect of the HRA.

Pensions Costs

As part of the terms and conditions of employment of its officers and other employees the Authority offers retirement benefits. To do this, it participates in two different pension schemes. These consist of the Local Government Pension Scheme and the Teachers Pension Scheme.

The Local Government Pension Scheme (Tyne and Wear Pension Fund) is classified as a defined benefit scheme, and is accrued in accordance with the requirements of Financial Reporting Standard 17 (FRS17). FRS17 accounts for retirement benefits when they are committed to be given, even if the actual giving is many years into the future. FRS17 also includes the Council's attributable share of the fund assets and liabilities.

The Teachers Pension Scheme (Teachers Pensions Agency) is accounted for as a defined contribution scheme where contributions payable for the year are recognised in the accounts when payment is made and there is no accruing of any pension asset or liability. Where discretionary benefits have been awarded these amounts are accrued in accordance with the requirements of FRS17.

Following guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of accounting for retirement benefits in the Housing Revenue Account, the HRA includes an apportionment of FRS17 current year service costs. The actuary's assessment of the additional current service cost above the cash cost is reversed out of the HRA through a contribution from the Pension Reserve. This pension reserve appropriation ensures that the Authority complies with Regulation 30 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which requires revenue accounts (including the HRA) to be charged with the cost of retirement benefits on the basis of the payments and contributions required by legislation.

DSO Trading Accounts

The Council consolidates any surplus or deficit made on former DSO trading activities on a gross income and expenditure basis within the Net Cost of Services.

CONSOLIDATED REVENUE ACCOUNT

<u>2004/05</u>		<u>2005/06</u>			
<u>Net</u> <u>Expenditure</u>	<u>Service</u>	<u>Gross</u> <u>Expenditure</u>	<u>Income</u>	<u>Net</u> <u>Expenditure</u>	<u>Notes</u>
£000		£000	£000	£000	
2,129	Central Services to the Public	4,547	2,341	2,206	}
43,037	Cultural, Environmental and Planning Services	89,346	45,450	43,869	}
107,711	Education Services	164,133	55,917	108,216	}
19,883	Highways, Roads and Transport Services	24,232	5,337	18,895	}
46,038	Housing Services	161,082	115,070	46,012	}
64,911	Social Services	97,083	33,692	63,391	}
23,658	Other Corporate Services	37,541	11,668	25,873	}
<u>307,367</u>	NET COST OF SERVICES	<u>577,964</u>	<u>269,475</u>	<u>308,489</u>	}
60	- Environment Agency			74	
18	- Tyne Port Health Authority			19	
8,784	- Tyne and Wear Passenger Transport Authority			8,983	
<u>159</u>	- Parish Councils			<u>166</u>	
316,388				317,731	
(43)	Total Net Surplus on Trading Undertakings			(168)	13
(27,928)	Transfer from Asset Management Revenue Account			(41,594)	6
373	Losses on the Repurchase of Borrowing			358	
(6,959)	Interest and Investment Income			(5,511)	
10,880	Pensions Interest Cost and Expected Return on Assets			9,010	5
13,955	Contribution to Housing Pooled Capital Receipts			12,089	
<u>306,666</u>	NET OPERATING EXPENDITURE			<u>291,915</u>	
245	Transferred to / (from) HRA Balances			5,172	
(3,457)	Contribution to / (from) Earmarked Reserves			1,888	14,17
(19,637)	Contributions to / (from) Capital Financing Account			(11,984)	
(8,283)	Reconciling amount for provisions for loan repayment			(9,717)	7
0	Capital expenditure financed from revenue			231	
(10,851)	Contributions to/(from) Pensions Reserve			(9,916)	
(12,615)	Contributions from Major Repairs Reserve			(7,176)	
(13,955)	Contribution from Usable Capital receipts			(12,089)	
<u>238,113</u>	AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION			<u>248,324</u>	
(66,270)	Precept Demanded from the Collection Fund			(69,734)	
(3,000)	Collection Fund Transfer			(3,000)	
(115,756)	Revenue Support Grant			(114,368)	
0	Adjustment to Revenue Support Grant			120	
(53,270)	Contribution from Non-Domestic Rate Pool			(63,662)	
<u>(183)</u>	NET GENERAL FUND SURPLUS			<u>(2,320)</u>	
	<u>General Fund</u>				
(7,977)	Balance Brought Forward 1 April			(8,160)	
(183)	Surplus for Year			(2,320)	
<u>(8,160)</u>	General Fund Balance 31 March 2006 carried forward			<u>(10,480)</u>	

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Service Expenditure Analysis

CIPFA'S Best Value Accounting Code of Practice requires Service Expenditure Analysis to be reported at the Mandatory Division of Service Level. The following information outlines the Net Cost of Services, as reported in the consolidated Revenue Accounts at this Mandatory Division of Service.

Service Expenditure Analysis – Mandatory Division of Service 2005/06				
2004/05 Net Expenditure £000's	Service	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
	Central Services to the Public			
783	Local tax collection	2,553	1,773	780
283	Registration of births, deaths and marriages	391	181	210
210	Elections	309	0	309
16	Emergency planning	107	0	107
(347)	Local land charges	142	387	(245)
1,184	General grants, bequests and donations	1,045	0	1,045
2,129	Total Central Services to the public	4,547	2,341	2,206
	Cultural, Environmental and Planning Services			
1,183	Culture and heritage	2,081	914	1,167
9,215	Recreation and sport	17,918	7,042	10,876
6,192	Open spaces	13,655	7,572	6,083
287	Tourism	518	248	270
5,052	Library services	5,539	666	4,873
21,929	Sub total for Cultural and Related Services	39,711	16,442	23,269
445	Cemetery, cremation and mortuary services	1,163	821	342
2,538	Environmental health	3,401	791	2,610
779	Community safety (Crime Reduction)	495	422	73
0	Community safety (Safety Services)	4,095	3,347	748
724	Consumer protection	976	276	700
2,872	Street cleansing (not rech to highways)	6,070	2,699	3,371
3,719	Waste collection	4,766	805	3,691
4,552	Waste disposal	6,922	2,795	4,127
15,629	Sub total for Environmental Services	27,888	11,956	15,932
159	Building control	1,539	1,360	179
511	Development control	1,643	1,059	584
1,146	Planning policy	1,059	37	1,022
927	Environmental initiatives	922	144	778
1,166	Economic development	5,623	4,400	1,223
1,388	Community development	3,723	2,492	1,231
182	Service Management and Support Services	7,238	7,560	(322)
5,479	Sub total for Planning and Development Services	21,747	17,052	4,695
43,037	Total for Cultural, Environmental and Planning Services	89,346	45,450	43,896

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Service Expenditure Analysis – Mandatory Division of Service 2005/06				
2004/05 Net Expenditure £000's	Service	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
	Education Services			
278	Nursery Schools	934	686	248
50,038	Primary Schools	68,791	17,783	51,008
37,883	Secondary schools	64,272	26,096	38,176
11,285	Special Schools	13,082	1,781	11,301
8,227	Non - School Funding	17,054	9,571	7,483
107,711	Total for Education	164,133	55,917	108,216
	Highways, Roads & Transport Services			
5,694	Highways/roads (structural)	5,673	25	5,648
5,816	Highways/roads (routine)	7,591	2,863	4,728
2,792	Street lighting	2,891	0	2,891
1,085	Winter Maintenance	1,028	27	1,001
4,311	Traffic management & road safety	6,402	1,875	4,527
185	Parking services	647	547	100
19,883	Total for Highways, Roads & Transport Services	24,232	5,337	18,895

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Service Expenditure Analysis – Mandatory Division of Service 2005/06				
2004/05 Net Expenditure £000's	Service	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
	Housing Services			
227	Housing Strategy	172	0	172
0	Registered Social Landlords	4	0	4
113	Housing Advice	87	51	36
(36)	Housing Advances	86	101	(15)
6,707	Private Sector Housing Renewal	7,761	1,322	6,439
233	Homelessness	780	590	190
(209)	Housing Benefits Payments	51,243	51,763	(520)
139	Housing Benefits Administration	1,785	1,588	197
47	Other Council Property	84	0	84
72	Welfare Services	0	0	0
1	Housing Management and Support Costs	5	0	5
7,294	Sub Total for Housing General Fund Services	62,007	55,415	6,592
(52,904)	Dwellings Rent (Gross)	0	53,662	(53,662)
(1,037)	Non-dwelling Rents (Gross)	0	1,011	(1,011)
(1,438)	Tenants charges for services and facilities	0	1,810	(1,810)
(177)	Leaseholder's charges for services and facilities	0	78	(78)
(297)	Other charges for services and facilities	0	283	(283)
(584)	Contribution towards expenditure	0	637	(637)
0	HRA subsidy receivable	0	1,536	(1,536)
(56,437)	Sub Total Income	0	59,017	(59,017)
17,695	Repairs & maintenance	17,371	0	17,371
11,108	Supervision & Management	11,947	0	11,947
2,539	Special services	2,935	0	2,935
1,286	Rents, rates, taxes and other charges	1,363	0	1,363
1,121	Subsidy limitation transfer to GF	0	638	(638)
2,051	Transfer of assumed surplus to DCLG	0	0	0
869	Increased provision for bad and doubtful debts	758	0	758
32,768	Cost of Capital Charge	44,433	0	44,433
25,318	Depreciation - Dwellings	19,913	0	19,913
136	Depreciation - Other assets	147	0	147
0	Amortisation of deferred charges and intangible assets	0	0	0
290	Debt Management costs	208	0	208
95,181	Sub Total Expenditure	99,075	638	98,437
38,744	Sub Total for Housing Revenue Account	99,075	59,655	39,420
46,038	Total for Housing Services	161,082	115,070	46,012

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Service Expenditure Analysis – Mandatory Division of Service 2005/06				
2004/05 Net Expenditure £000's	Service	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
	Social Services			
543	Service strategy	477	0	477
3,814	Children's services commissioning and social work	4,023	629	3,394
7,863	Children looked after	8,727	915	7,812
1,700	Family support services	1,912	192	1,720
600	Youth Justice	1,787	1,312	475
3,172	Other children's and families services	3,108	545	2,563
30,119	Older people (aged 65 or over) inc older mentally ill	46,117	16,924	29,193
4,281	Adults aged under 65 with a physical disability or sensory impairment	6,669	1,990	4,679
9,412	Adults aged under 65 with learning disabilities	19,391	9,532	9,859
2,640	Adults aged under 65 with mental health needs	3,918	1,375	2,543
71	Asylum seekers	84	27	57
654	Other adult services	762	191	571
42	Supported employment (inc sheltered employment)	108	60	48
64,911	Total for Social Services	97,083	33,692	63,391
	Other Corporate Services			
4,023	Democratic representation and management	5,001	147	4,854
2,759	Corporate management	4,425	0	4,425
10,099	Other Corporate and Central Costs	19,295	9,907	9,388
16,881	Sub Total for Corporate and Democratic Core	28,721	10,054	18,667
6,777	Non Distributed Costs	8,820	1,614	7,206
23,658	Total for Other Corporate Services	37,541	11,668	25,873
307,367	Net Cost of Services	577,964	269,475	308,489

2. Agency Services

The Council carries out certain work on an agency basis for which it is fully reimbursed. The principal areas of work which are not included in the Consolidated Revenue Account, are:-

- as highways agent for the Department of Transport, the Council can be asked to maintain Trunk Roads and certain bridges. Total expenditure in 2005/06 was nil (2004/05 13,437).

The Council also acts as lead authority for the Northumbria Police Authority, Soils and Materials Laboratory, Traffic Accident and Data Unit, Joint Archives Service, North East Purchasing Organisation, Trading Standards and Northumbria Safety Camera Partnership.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

3. Publicity

Local Government Acts require a Local Authority to keep a separate account of expenditure on publicity.

The Council spent £1,287,616 (2004/05 £1,190,523) on all forms of publicity in 2005/06 of which 34% was spent on recruitment of staff advertising and 66% on other advertising.

4. Local Authority (Goods and Services) Act 1970

Under the above Act the following instances have occurred where the Council has entered into agreements with certain public bodies. The gross income received from each of these is listed below.

<u>Public Body</u>	<u>Works</u>	<u>2004/05</u> £	<u>2005/06</u> £
Murton Parish Council	Horticultural Services	3,200	3,950
Chester-le-Street District Council	Horticultural Services	260	150
South Tyneside Council	Horticultural Services	350	380
Durham County Council	Horticultural Services	400	400
Tynedale District Council	Horticultural Services	130	0
Seaham Town Council	Horticultural Services	250	300
South of Tyne & Wearside NHS Trust	Horticultural Services	9,340	10,560
Derwentside District Council	Horticultural Services	1,548	1,970
Wansbeck District Council	Horticultural Services	850	0
Gateshead College	Horticultural Services	0	220
North Tyneside Council	Horticultural Services	0	100
Northumbria Police Authority	Construction	81,654	7,290
Gateshead Housing Company	Construction	26,490,558	22,151,080
Nexus	Construction	0	3,260
Tynedale Housing	Construction	0	3,920
Home Housing Association	Construction	0	16,150
Newcastle and Gateshead Initiative	Construction	0	11,060
Gateshead Healthcare NHS	Cleaning	4,620	4,760
NE Provincial Council	Cleaning	4,692	0
Connexions	Cleaning	24,016	0
Lord Chancellor's Office	Cleaning	2,251	0
Gateshead Housing Company	Cleaning	306,006	313,520
Northumbria Police Authority	Cleaning	0	1,541,440
NE Regional Employers Organisation	Cleaning	0	4,830
Her Majesty's Courts Service	Cleaning	0	38,300
Gateshead Housing Company	Cleansing	396,354	272,030
Newcastle City Council	Cleansing	0	16,000
NE Provincial Council	Security	400	0
Home Housing Association	Security	15,348	16,150
Nexus	Security	6,759	7,100
Gateshead Housing Company	Security	154,562	114,700

(continued overleaf)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

<u>Public Body</u>	<u>Works</u>	<u>2004/05</u> £	<u>2005/06</u> £
(continued)			
Gateshead Healthcare NHS Trust	Winter Maintenance	1,548	5,200
Nexus	Winter Maintenance	7,353	0
Gateshead Housing Company	Grounds Maintenance	0	32,780
City of Sunderland	Waste & Recycling Ctre	0	130,840
Gateshead Healthcare NHS Trust	Waste Collection	0	480
Gateshead Primary Care Trust	Waste Collection	0	9,710
NE Regional Employers Organisation	Waste Disposal	0	160
Northumbria Police Authority	Waste Disposal	0	6,540
Tyne & Wear Met Fire Brigade	Waste Disposal	0	820
Northumbria Probation Authority	Waste Disposal	0	190
Gateshead College	Fleet Hire	0	650
Gateshead Housing Company	Fleet Hire	0	30,760

5. Pensions Costs

Teachers

Teachers employed by the Council are members of the Teachers Pension Scheme, administered by the Teachers Pensions Agency. It provides teachers with defined benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of member's pensionable salaries.

In 2005/06, the Council paid 7.531 million to the Pensions Agency in respect of teacher's retirement benefits, representing 13.5% of pensionable pay. The figures for 2004/05 were £7.266 million and 13.5%. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with related increases. In 2005/06 these amounted to £2.544 million, representing 4.5% of pensionable pay (£2.218 million and 4.1% in 2004/05).

Other Employees

As part of the terms and conditions of employment of its employees the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the following pension scheme where the benefits need to be accounted for under FRS17.

The Local Government Pension Scheme (Tyne and Wear Pension Fund), administered by South Tyneside Metropolitan Borough Council. This is a funded scheme, meaning that the Council and employees pay contributions into the fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge which is made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account as an appropriation after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account during the year:

	Local Government Pension Scheme	
	2004/05 £'m	2005/06 £'m
Net Cost of Services:		
• Current service cost	19.6	19.8
• Past service cost	5.8	8.1
• Gains and losses on settlements and curtailments	0.0	0.4
Net Operating Expenditure:		
• Interest cost	37.1	37.4
• Expected return on assets	(26.3)	(28.4)
Amounts to be met from Government Grants and Local Taxation:		
• Movement on pensions reserve	(12.2)	(10.4)
Actual amount charged against Council Tax for pensions in the year:		
• Employer's contributions payable	23.0	24.9
• Retirement benefits	1.0	2.0

The total contribution from the pension reserve is £10.380m. Of this total, £0.353m is allocated to the Council's construction trading operation, and £0.111m to the Council's other trading operations, as disclosed in note 13 to the revenue account.

Note 20 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 1 to the Statement of Total Movement in Reserves details the costs that have arisen through the year, and the extent to which estimates made in preparing figures for previous years have had to be revised (e.g. the expected return on investments).

Further information on the Tyne and Wear Pension Fund can be found in the Annual Report which is available upon request from:

South Tyneside Metropolitan Borough Council
Town Hall and Civic Offices
Westoe Road
South Shields
Tyne and Wear

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

6. ASSET MANAGEMENT REVENUE ACCOUNT

The Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (SORP) allows the Authority to offset the impact of the capital charges in arriving at the level of expenditure to be financed from Government grants and local taxpayers.

<u>2004/05</u> £'000		<u>2005/06</u> £'000	<u>2005/06</u> £'000
	<u>Income</u>		
3,683	Transfer - Government Grants Deferred		4,201
31,008	Capital Charges - General Fund		33,442
<u>57,770</u>	- Housing Revenue		<u>64,492</u>
92,461			102,135
	<u>Expenditure</u>		
3,683	Transfer to Capital Financing Account	4,201	
40,146	Provision for Depreciation	36,434	
<u>20,704</u>	External Interest Charge	<u>19,906</u>	
64,533			60,541
27,928	Balance to Consolidated Revenue Account		41,594
	<u>Represented by:</u>		
2,001	Balance to General Fund Revenue Account		4,218
<u>25,927</u>	Balance to Housing Revenue Account		<u>37,376</u>
<u>27,928</u>			<u>41,594</u>

7. MINIMUM REVENUE PROVISION

The Prudential Code requires an Authority to set aside an amount from revenue, the minimum revenue provision (MRP) also known as the statutory charge to revenue, for the repayment of external loans. This is calculated by applying a specified set of rules as defined in the regulations.

	<u>2004/05</u> £'000	<u>2005/06</u> £'000
General Fund	6,409	6,657
Housing Revenue Account	<u>0</u>	<u>0</u>
Minimum Revenue Provision	<u>6,409</u>	<u>6,657</u>
Less		
Amount charged as Depreciation	14,692	16,374
Additional Charge to Consolidated Revenue Account	<u>(8,283)</u>	<u>(9,717)</u>
	<u>0</u>	<u>0</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

8. OFFICERS EMOLUMENTS

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £10,000 were:

Remuneration Band	Number of Employees			
	Teachers		Others	
	<u>2004/05</u>	<u>2005/06</u>	<u>2004/05</u>	<u>2005/06</u>
£50,000 - £59,999	17	30	10	15
£60,000 - £69,999	5	5	6	10
£70,000 - £79,999	2	4	2	2
£80,000 - £89,999	1	-	3	4
£90,000 - £99,999	-	-	2	2
£100,000 - £109,999	-	-	4	2
£110,000 - £119,999	-	-	1	1
£120,000 - £129,999	-	-	-	-
£130,000 - £139,999	-	-	-	-
£140,000 - £149,999	-	-	-	-
£150,000 - £159,999	-	-	1	-
£170,000 - £179,999	-	-	-	1

9. MEMBERS ALLOWANCES

The total amount of Members Allowances paid in the year was £894,334 (£859,121 in 2004/2005), which was represented by Basic Allowance of £574,398 and Special Responsibility Allowance of £319,936.

A schedule of payments made to individual members for 2005/06 is available from the Civic Centre, Gateshead.

10. LEASING

The Council holds various assets under operating and finance leases.

The Authority holds various types of plant and machinery relating to the Civic Centre and equipment for Council houses (central heating systems) under Finance leases. The rentals payable under these arrangements in 2005/06 were £0.02m (£0.02m 2004/05). This amount was charged to the Consolidated Revenue Account.

The Authority uses machinery and equipment financed under terms of an operating lease. The amount paid under these arrangements in 2005/06 was £1.4m (£1.7m 2004/05). This amount was charged to the Consolidated Revenue Account.

In 2005/06, the Council paid £649,816 (£595,016 2004/05) in respect of buildings leased for operational purposes.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

11. RELATED PARTY TRANSACTIONS

During the year transactions with related parties arose as follows in the form of Central Government and other Public Body revenue grant receipts and are included within the Revenue Account

	<u>2004/05</u> £'000	<u>2005/06</u> £'000
Department for Education and Skills	36,910	39,181
Department of Transport	0	574
Department of Health	9,115	8,295
Department for Work and Pensions	68,919	73,015
Department for Communities & Local Government	7,419	14,241
Home Office	807	1,032
Other Government Departments	700	784
Total	<u>123,870</u>	<u>137,122</u>

A survey of Councillors and Group and Strategic Directors' declared interests has been carried out and there are no disclosures to be made under FRS8 in respect of material related party transactions with the Council.

The Chief Executive of Gateshead Council is also the Clerk to Northumbria Police Authority.

The Strategic Director Legal and Corporate Services of Gateshead Council is also the Deputy Clerk and Solicitor to Northumbria Police Authority.

The Strategic Director Finance & ICT of Gateshead Council is also the Treasurer to Northumbria Police Authority.

The Deputy Director of Finance & ICT of Gateshead Council is also the Deputy Treasurer to Northumbria Police Authority.

The Strategic Director Human Resources of Gateshead Council is also the Personnel and Management Services Adviser to Northumbria Police Authority.

The Director of Development and Enterprise of Gateshead Council is also the Architect and Technical Adviser to Northumbria Police Authority.

The Statement of Accounts 2005/2006 for Northumbria Police Authority is available from the Treasurer at the Civic Centre, Gateshead.

12. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

	Total Building Control	Chargeable	Non Chargeable	Total Building Control
	2004/05 £'000	2005/06 £'000	2005/06 £'000	2005/06 £'000
Expenditure	774	615	186	801
Income	<u>615</u>	<u>607</u>	<u>2</u>	<u>609</u>
Surplus/(Deficit) for Year	<u>(159)</u>	<u>(8)</u>	<u>(184)</u>	<u>(192)</u>

The figures shown above do not include an adjustment for FRS17. Apportionment of the actuary's assessment of the difference between current service cost and cash paid to the pension fund would notionally increase expenditure on the building control account by £0.009m.

13. NATURE, TURNOVER AND PROFITS/LOSSES OF ANY SIGNIFICANT TRADING OPERATIONS

The Council operates one major trading operation – Local Environmental Services (Construction). The financial performance of this operation for 2005/06 is as follows.

	2004/05 <u>Surplus/ (Deficit)</u> £'000	2005/06 <u>Income</u> £'000	2005/06 <u>Expenditure</u> £'000	2005/06 <u>Surplus/ (Deficit)</u> £'000
Local Environmental Services (Construction)	(130)	44,772	44,304	468
Contribution (to) / from Reserves	<u>173</u>			<u>(300)</u>
Net Surplus / (Deficit)	<u>43</u>			<u>168</u>

The figures shown above do not include an adjustment for FRS17. Apportionment of the actuary's assessment of the difference between current service cost and cash paid to the pension fund would notionally increase expenditure on the Council's Construction Trading operation by £0.353m.

The Best Value Accounting Code of Practice requires trading account balances to be reapportioned to services if it would result in a material misstatement in the reported total cost of service. The surplus of £0.168 m prior to FRS17 adjustment is not considered material.

The Council operates various other trading operations, formerly DSOs under the provisions of the Local Government Acts. The net deficits of these activities have been shown within the appropriate service under Net Cost of Services in the Consolidated Revenue Account. The financial performance of these trading operations for 2005/2006 is as follows.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Trading Operations	<u>2004/05</u> <u>Surplus/</u> <u>(Deficit)</u>	<u>2005/06</u> <u>Income</u>	<u>2005/06</u> <u>Expenditure</u>	<u>2005/06</u> <u>Surplus/</u> <u>(Deficit)</u>
	£'000	£'000	£'000	£'000
Grounds Maintenance	86	0	0	0
Refuse Collection	14	0	0	0
Cleaning of Buildings	21	5,785	5,790	(5)
Other Cleaning	92	0	0	0
Security	9	1,157	1,209	(52)
School Meals	45	4,879	4,995	(116)
Total	<u>267</u>	<u>11,821</u>	<u>11,994</u>	<u>(173)</u>

The figures shown above do not include an adjustment for FRS17. Apportionment of the actuary's assessment of the difference between current service cost and cash paid to the pension fund would notionally increase expenditure on the Council's trading operations by £0.111m.

The Council consolidates any surplus or deficit made on former DSO trading activities on a gross income and expenditure basis within the Net Cost of Services. The Grounds Maintenance, Waste Collection and Other Cleaning services are no longer operated as trading accounts.

The deficits shown in 2005/06 can be attributed to the costs of implementing the first phase of job evaluation, which amounted to £0.202m for Cleaning of Buildings and £0.465m for Schools Meals.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

14. CONTRIBUTION FROM EARMARKED RESERVES

2005/06 expenditure includes a net contribution to reserves of £1.888m, which is made up contributions to / (from) the following earmarked reserves:

	2004/05	2005/06
	£m	£m
Transfer to General Reserve	(5.000)	(1.517)
Gateshead Development Pool	1.500	1.884
LMS Budget Share	0.000	0.666
Schools Trading	0.000	0.451
LATS	0.000	0.432
Renewals	0.000	0.180
Insurance	0.000	(0.098)
Trading undertakings	0.043	0.000
Sundry	0.000	(0.110)
Net Contribution to / (from) Earmarked Reserves	(3.457)	1.888

Further details of the transfer of £1.517m to the general reserve are shown in note 17 to the consolidated revenue account on page 36.

15. DISCLOSURE OF AUDIT COSTS

In 2005/06 the Council incurred the following fees relating to external audit and inspection:

	2004/05	2005/06
	£'000	£'000
External audit services carried out by the appointed Auditor	278	257
Statutory inspection	0	0
Grant claims and returns	119	103
Other services	<u>113</u>	<u>4</u>
Total	<u>510</u>	<u>364</u>

16. POOLED FUNDS

Under Section 31 of the Health Act 1999, Local Authorities and NHS bodies can establish pooled funds for partnership working.

Learning Disability Services

Gateshead Council and Gateshead Primary Care Trust are operating a pooled fund for providing service developments for people with learning disabilities. The Council is the host partner with responsibility for administering the fund. In 2005/06 the total expenditure from the pooled fund was £224,746 (2004/05 £224,014). This was funded from contributions from the PCT of £93,112 (2004/05 £84,332), £52,890 from the Council (2004/05 £54,522), the use of £54,984 Learning Disability Developing Fund income (2004/05 £85,160) and a contribution of £23,760 from Gateshead Lifelong Learning Project (2004/05 £0).

Integrated Community Equipment Service

Gateshead Council, Gateshead Primary Care Trust and Gateshead Health NHS Foundation Trust are also operating a pooled fund to support an integrated community equipment service. Gateshead PCT is the host partner with responsibility for administering the fund. In 2005/06 the Council's contribution to the fund was £512,500 (2004/05 £497,600).

17. ADJUSTMENTS TO GENERAL RESERVE AND RECLASSIFICATION OF RESERVES

The general reserve was reduced by £0.120m from the closing balance at 31st March 2005 due to two adjustments to the amount of formula grant which the Council has received in previous years. The first was in respect of the amending report (a reduction of £0.416m) and the second was in respect of the Strategic Housing Improvement Programme (an increase of £0.296m).

Council had previously agreed to reclassify the balances held on the Employment Liability, Demolitions and Equalisation Reserves as part of the general reserve in 2005/06. The balances on these reserves at 31st March 2006 totalled £1.517m, and this amount has been transferred to the general reserve, which now stands at £10.480m. Further details are shown in note 17 to the balance sheet.

COLLECTION FUND ACCOUNT 2005/06

<u>2004/05</u>		<u>2005/06</u>	<u>Notes</u>
£000		£000	
	<u>Income</u>		
57,220	Council Tax	61,276	2
17,569	Council Tax Benefit	18,064	2
<u>51,412</u>	Business Rate Payers	<u>63,499</u>	3
<u>126,201</u>	TOTAL INCOME	<u>142,839</u>	

Expenditure

	Precepts and Demands		
66,269	Gateshead MBC (including Parish Councils)	69,734	
3,000	Transfer of Surplus to General Fund	3,000	4
161	Transfer of Surplus to the Police Authority	141	4
148	Transfer of Surplus to Tyne and Wear Fire and Civil Defence Authority	131	4
3,789	Northumbria Police Authority	3,980	
3,528	Tyne and Wear Fire and Civil Defence Authority	3,716	
51,130	Payments to National Pool for business rates	63,218	3
282	Costs of Collection	281	3
<u>128,307</u>	TOTAL EXPENDITURE	<u>144,201</u>	

Collection Fund Balances

(2,106)	(Deficit)/Surplus for the Year	(1,362)	
<u>3,262</u>	Balance Brought Forward 1 April	<u>1,156</u>	
<u>1,156</u>	BALANCE CARRIED FORWARD 31 MARCH	<u>(206)</u>	

NOTES TO THE COLLECTION FUND ACCOUNT

1 GENERAL

This account represents the transactions of the Collection Fund, which is a statutory fund and must be kept separate from the main accounts of the Council. The account is therefore not consolidated with the Council's accounts. This account has been prepared on an accruals basis.

2 COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimated at 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Northumbria Police Authority, Tyne & Wear Fire and Civil Defence Authority and the Council, for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and further adjusted for discounts).

The table below shows the calculation of the Council Tax Base:

	Proportion of Band D Charge	No of Properties		Band D Equivalent Properties	
		2004/05	2005/06	2004/05	2005/06
Band A	0.67	46,194	46,010	30,785	30,660
Band B	0.78	9,284	9,377	7,221	7,293
Band C	0.89	12,866	12,958	11,436	11,518
Band D	1.00	4,549	4,681	4,549	4,681
Band E	1.22	1,847	1,885	2,258	2,304
Band F	1.44	668	675	965	975
Band G	1.67	324	324	540	540
Band H	2.00	10	11	20	23
		<u>75,742</u>	<u>75,921</u>	<u>57,774</u>	<u>57,994</u>

The basic amount of Council Tax for Band D property (£1,359.46 for 2005/06) is multiplied by the proportion specified for the particular band to give an individual amount due. Council Tax bills were based on the statutory proportions for Bands A to H shown in the table above.

The Council Tax for 2005/06 which is receivable from council tax payers is the amount billed to Council Tax payers of £61.276m and Council Tax benefits of £18,064m. These amounts are disclosed in the Collection Fund Account.

Allowances of £13.698m (2004/05 £12.194m), in the form of relief's and discounts, were received but were not disclosed in the Collection Fund Account as they were not amounts which the Council collected from taxpayers.

The amount billed to Council Tax payers, Council Tax benefits and allowances give a gross Council Tax debit for 2005/06 of £93.618 (2004/05 £88.333m).

NOTES TO THE COLLECTION FUND ACCOUNT

3 NATIONAL NON-DOMESTIC RATES (NNDR)

The Government specifies an amount (42.2p in 2005/06 and 45.6p in 2004/05) and subject to the effects of small property relief and transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to Local Authorities' General Funds on the basis of a fixed amount per head of population.

The 2005/06 charge of £75.551m and the NNDR income of £63.499m (excluding reliefs, but inclusive of bad debt provisions and costs of collection) for 2005/06 were based on an average rateable value for the Council's area of £182m for the year (£136m in 2004/05).

The table below shows a reconciliation of the amount collected and the 2005/2006 charge.

	£m
NNDR Income	63.499
Exemptions	10.992
Discretionary Relief	0.048
Bad Debts Written Off	0.504
Interest on Repayments	<u>0.508</u>
2005/2006 Charge	<u>75.551</u>

4 CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

£3.0m was transferred to the General Fund in 2005/06 (2004/05 £3.0m) to reduce council tax levels for the year. An estimate of the surplus at 31 March 2006 was taken into account in determining the council tax level for 2006/2007.

£0.141m was transferred to the Northumbria Police Authority in 2005/06 (2004/05 £0.161m).

£0.131m was transferred to the Tyne & Wear Fire and Civil Defence Authority in 2005/06 (2004/05 £0.148m).

5. BAD AND DOUBTFUL DEBTS

The Council has made provision for bad and doubtful debts in respect of Council Tax. The collection of Council Tax is reviewed on an ongoing basis, and no change to the level of Bad and Doubtful Debt provision is deemed necessary.

HOUSING REVENUE ACCOUNT 2005/06

<u>2004/05</u> £'000		<u>2005/06</u> £'000	Note
	Income		
52,904	Dwelling rents (gross)	53,662	3
1,037	Non-dwelling rents (gross)	1,011	
1,438	Tenants charges for services and facilities	1,810	
177	Leaseholders charges for services and facilities	78	
297	Other charges for services and facilities	283	
584	Contributions towards expenditure	637	
0	HRA subsidy receivable	1,536	6,12
56,437		59,017	
	Expenditure		
17,694	Repairs and maintenance	17,371	
11,108	Supervision and management	11,947	
2,539	Special Services	2,935	
1,286	Rents, rates, taxes and other charges	1,363	
1,121	Sums directed by Secretary of State transfer to GF	(638)	12,15
2,051	Transfer of assumed surplus to DCLG	0	
869	Increased provision for bad or doubtful debts	758	
32,769	Cost of capital charge	44,433	9
	Depreciation of Fixed Assets		10
25,318	- on Dwellings	19,913	
136	- on Other Assets	147	
290	Debt management costs	208	
95,181		98,437	
38,744	Sub-total: Net Cost of Services	39,420	
(25,927)	Net HRA income on AMRA	(37,376)	
(451)	Amortisation of Deferred Charges	0	
345	Amortised Premia and Discounts	329	
(234)	HRA Investment Income	(326)	
12,477	Sub Total: Net Operating Income	2,047	
	Appropriations		
0	Revenue Contribution to capital expenditure	0	
(107)	HRA share of contributions to / from pensions reserve	(43)	13
(12,615)	Transfer to / from Major Repairs Reserve	(7,176)	7
(245)	Sub Total	(5,172)	
	Housing Revenue Account Balance		
(1,278)	Surplus at Beginning of year	(1,523)	
(245)	(Surplus) for year	(5,172)	
(1,523)	(Surplus) at end of year	(6,695)	

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Housing Stock

The Council housing stock reduced from 22,752 to 22,130 during 2005/06 and was made up as follows:

	1 April 2005	31 March 2006
Houses	12,619	12,253
Flats	6,934	6,712
Bungalows	<u>3,199</u>	<u>3,165</u>
	<u>22,752</u>	<u>22,130</u>

2 Balance Sheet Valuation Of HRA Assets

The value of the HRA assets is shown below:

	1 April 2005 £'000	31 March 2006 £'000
Operational Assets - Dwellings	1,265,909	995,639
Operational Assets - Other Buildings	3,400	3,393
Operational Assets - Land	53	53
Operational Assets - Vehicles, Plant & Equipment	341	369
Non-Operational Assets	<u>333</u>	<u>340</u>
Total	<u>1,270,036</u>	<u>999,794</u>

The Balance Sheet value is calculated based on rents receivable from existing tenants. These rents are lower than what would be available on the open market. The Vacant Possession value of the HRA dwellings at 1 April 2005 is £1,983,829,600 (The vacant possession value at 1 April 2004 £1,592,344,500). The difference between the two values reflects the economic cost of providing social housing at less than market value.

3 Rent

The gross rent for dwellings is the total rent due for the year after allowance is made for voids and redecoration. During the year 1.6% of the lettable properties were vacant, compared with 2.2% in 2004/05. Average rents were £49.04 a week in 2005/06, an increase of £2.05 or 4.4% over the previous year.

4 Rent Rebates

The Local Government Act 2003 transfers responsibility for administering rent rebates from the HRA to the General Fund from 1 April 2004. This brings together accounting for rent rebates and rent allowances within the General Fund. Rent rebates are available for those on low incomes. Some 61% of the Council's tenants receive some help with the cost of rent.

NOTES TO THE HOUSING REVENUE ACCOUNT

5 Rent Arrears

The arrears outstanding, after write offs of £757,589 have increased in 2005/06 as follows:

	01 April 2005	31 March 2006
	£'000	£'000
Arrears	6,408	6,878

The aggregate balance sheet provision in respect of uncollectable debts at 31 March 2006 is £4,389,601 (31st March 2005 £3,923,322).

6 Housing Subsidy

In 2005/06 the Council was in a subsidy surplus position. The Housing Subsidy surplus receivable from the DCLG (formerly ODPM) for 2005/06 is as follows:

	<u>2004/05</u>	<u>2005/06</u>
	£'000	£'000
Allowance for Management and Maintenance	27,521	31,191
Allowance for Major Repairs	12,840	12,884
Admissible Allowance	121	81
Anti-Social Behaviour Allowance	1	-
Charges for Capital	9,875	10,464
Other items of Reckonable Expenditure	13	4
	50,371	54,624
Assumed Rent Income	(52,680)	(53,037)
Interest on Receipts	(7)	(4)
Housing Element	(2,316)	1,583
Defects Repurchases Loan	9	9
Adjustments (Previous Years)	256	(56)
Total Receivable / (Payable)	(2,051)	1,536

7 Major Repairs Reserve

The movement on the Council's Major Repairs Reserve is as follows:

	<u>2004/05</u>	<u>2005/06</u>
	£'000	£'000
Balance at 1 April	(1,781)	(674)
<u>Credits</u>		
Amounts equivalent to total depreciation charges for all HRA assets	(25,454)	(20,060)
<u>Debits</u>		
Capital expenditure for HRA purposes financed from Major Repairs Allowance	13,946	13,558
Excess of depreciation on dwellings over the Major Repairs Allowance	12,615	7,176
Balance at 31 March	(674)	-

NOTES TO THE HOUSING REVENUE ACCOUNT

8 Capital Expenditure

The total HRA capital expenditure in 2005/06 was as follows:

	<u>2004/05</u> £'000	<u>2005/06</u> £'000
Operational Assets - Housing	18,534	31,245
Operational Assets - Other Property	0	0
Operational Assets - Land	0	0
Operational Assets - Other	48	28
Non-Operational Assets	<u>0</u>	<u>0</u>
	<u>18,582</u>	<u>31,273</u>

This has been funded from the following sources:

	<u>2004/05</u> £'000	<u>2005/06</u> £'000
Borrowing	2,567	15,857
Housing Market Renewal	89	0
Capital Receipts	649	324
Major Repairs Reserve	13,946	13,558
Repairs and Maintenance Reserve	1,246	1,167
Demolitions Reserve	0	237
Other	<u>85</u>	<u>130</u>
	<u>18,582</u>	<u>31,273</u>

The total gross value of receipts from the disposal of HRA assets in 2005/06 was £17,145,483 (2004/05 £20,135,459), as shown below:

	<u>2004/05</u> £	<u>2005/06</u> £
Council House Sales	19,156,252	16,510,500
Other Property	0	0
Land	<u>979,207</u>	<u>634,983</u>
	<u>20,135,459</u>	<u>17,145,483</u>

9 Capital Charges

The capital charges consist of a notional interest charge and deferred charges. The new system of resource accounting in the HRA requires a notional interest charge to be made to the HRA for the use of the fixed assets. It is to reflect the benefit gained from the capital investment in the asset. It is calculated by applying a specified rate of interest (3.5%) to the net value of assets held in the balance sheet.

These capital charges are based on notional calculations and should not impact on the amount of income to be generated to achieve a balanced budget. The actual charge to the HRA for capital should be the applicable debt financing charges. To reflect this a capital assets charges accounting adjustment is made as a credit to the HRA being the difference between the cost of capital charges and the actual HRA debt financing charges.

NOTES TO THE HOUSING REVENUE ACCOUNT

10 Depreciation

A depreciation charge is required to be made to the HRA. The major repairs allowance (MRA) can be used to represent a reasonable estimate for depreciation of Council dwellings. However, if the MRA would materially mis-state the depreciation charge, then an alternative method must be used. For this reason HRA assets have been depreciated over 50 years based on their actual value. Land is not depreciated as it has an infinite life. The total depreciation charges are as follows:

	<u>2004/05</u> £'000	<u>2005/06</u> £'000
Operational Assets		
- Dwellings	25,318	19,913
- Other land and buildings	69	68
- Vehicles, Plant & Equipment	60	72
Non Operational Assets		
- Other	<u>7</u>	<u>7</u>
Total	<u>25,454</u>	<u>20,060</u>

11 Impairment Charges

There were no charges in respect of impairment of HRA assets in 2005/06.

12 Exceptional Items and Prior Year Adjustments

There were no exceptional items affecting the HRA for 2005/06. However a prior year adjustment of £11,594 was made relating to the receipt of housing subsidy as shown in note 6 to the Housing Revenue Account and a prior year adjustment of £801,825 was made in respect of rent rebate subsidy limitation as shown on note 15 to the Housing Revenue Account.

13 HRA share of contributions from / to the pensions reserve

The Council's employees are eligible to join the Local Government Pension Scheme (Tyne and Wear Pension Fund) and so be eligible for retirement benefit. This includes employees accounted for within the Housing Revenue Account. The benefits will not actually be paid until the employee retires but the requirements of Financial Reporting Standard 17 (FRS17) Retirement Benefits requires the commitment to make these payments in the future to be disclosed within the HRA. The actuary's assessment of the commitment relating to employees accounted for within the HRA is included within Supervision and Management and Special Services.

Regulation 30 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires revenue accounts (including the HRA) to be charged with the cost of retirement benefits on the basis of the payments and contributions required by legislation. The actuary's assessment of the additional current service cost above the cash cost is £0.043m and needs to be reversed out of the HRA through a contribution from the Pension Reserve. This pension reserve appropriation ensures that the Authority complies with regulation 30.

NOTES TO THE HOUSING REVENUE ACCOUNT

14 The Gateshead Housing Company

The Council's housing stock is managed and maintained by the Gateshead Housing Company. The Housing Revenue Account includes management fee payments to The Company of £28.522m in 2005/06 (£27.891m 2004/05) as shown:

	2004/05	2005/06
	£'000	£'000
Repairs and maintenance	17,627	17,339
Supervision and management	9,001	9,722
Special Services	1,105	1,239
Rents, rates, taxes and other charges	158	222
	<u>27,891</u>	<u>28,522</u>

15 Sums directed by the Secretary of State to be debited or credited to the HRA

The Secretary of State can make directions for amounts to be debited to the HRA and equivalent amounts to be transferred to the General Fund. These include amounts relating to the rent rebate subsidy limitation scheme. This is the amount of rebates paid above the limit level determined by the Secretary of State. The rent rebate subsidy limitation for 2005/06 is £164,176. However, the amount transferred for 2004/05 was £801,825 too much so a net credit transfer of £637,649 has been made to the HRA in 2005/06.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

<u>At 31 March 2005</u>		<u>At 31 March 2006</u>		
£'000		£'000	£'000	Notes
Net Fixed Assets				
Operational Assets				
1,240,591	Council Dwellings	975,727		
341,127	Land and Buildings	351,981		
8,553	Vehicles, Plant, Furniture & Equipment	9,343		
80,662	Infrastructure	84,055		
4,107	Community Assets	4,212		
Non-Operational Assets				
3,173	Assets under Construction	2,671		
4,227	Investment Properties	9,954		
<u>43,482</u>	Surplus Assets	<u>47,299</u>		
1,725,922			1,485,242	1,2,3
4,361	Long Term Investments		4,361	5
4,026	Long Term Debtors		3,338	6
<u>1,734,309</u>	Total Long Term Assets		<u>1,492,941</u>	
Current Assets				
0	Landfill Allowances	2,369		10
1,646	Stocks and Work in Progress	912		7
3,272	Cash	723		
79,711	Debtors	51,025		8
<u>97,922</u>	Short Term Investments	<u>101,126</u>		
182,551		156,155		
Current Liabilities				
Borrowing Repayable within one year				
(5,908)	Loans	(4,346)		11
(24,238)	Bank Overdraft	(22,494)		
<u>(68,991)</u>	Creditors	<u>(57,020)</u>		9
(99,137)		(83,860)		
<u>83,414</u>	NET CURRENT ASSETS		<u>72,295</u>	
1,817,723	TOTAL ASSETS LESS CURRENT LIABILITIES		1,565,236	
(12,648)	Provisions	(9,558)		10
2,557	Deferred Liability	2,199		4
(237,309)	Long Term Borrowings	(249,615)		11
(171,285)	Government Grants Deferred	(185,292)		
<u>(291,520)</u>	Defined Benefit Pension Scheme	<u>(287,110)</u>	<u>(729,376)</u>	20
<u>1,107,518</u>	TOTAL NET ASSETS		<u>835,860</u>	

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

<u>At 31 March 2005</u>		<u>At 31 March 2006</u>	
£'000		£'000	Notes
<u>1,052,608</u>	TOTAL NET ASSETS – Brought Forward	<u>835,860</u>	
	Represented by:		
1,078,503	Fixed Asset Restatement Account	782,235	12
225,226	Capital Financing Account	251,438	13
3,140	Deferred Capital Receipts	2,792	14
18,369	Capital Receipts and Grants Unapplied	5,457	15
(291,520)	Pension Reserve	(287,110)	20
8,160	General Fund	10,480	
1,156	Collection Fund Reserve	(206)	
1,524	Housing Revenue Account	6,695	
8,844	LMS Budget Share Reserve	11,040	16
349	Direct Service Organisations	349	
674	Major Repairs Reserve	0	
53,093	Strategic Reserves	52,690	17
<u>1,107,518</u>	TOTAL CAPITAL AND REVENUE RESERVES	<u>835,860</u>	

D V Coates BA CPFA IRRV
Strategic Director Finance & ICT

NOTES TO THE CONSOLIDATED BALANCE SHEET

1 Fixed Assets - Movements in the year were as follows:-

	Council Dwellings £000s	Land & Buildings £000s	Vehicles Plant & Equipment £000s	Infra-structure £000s	Comm-unity Assets £000s	Non Operational Assets £000s	Total £000s
Value @ 01/04/05	1,265,909	351,600	28,924	93,662	4,107	50,889	1,795,091
Reclassification	-	(4,998)	-	-	(64)	5,062	-
Additions	31,245	46,429	4,843	6,210	555	2,740	92,022
Revaluation	(296,474)	(25,895)	2,227	(44)	(386)	1,644	(318,928)
Disposals	(5,040)	(1,159)	(1,817)	-	-	(325)	(8,341)
Valuation at 31/03/06	995,640	365,977	34,177	99,828	4,212	60,010	1,559,844
Depreciation at 01/04/05	25,318	10,473	20,371	13,000	-	7	69,169
Reclassification	-	(72)	-	-	-	72	-
Depreciation Write Off	(25,318)	(5,671)	(12)	-	-	-	(31,001)
Charge for the Year	19,913	9,266	4,475	2,773	-	7	36,434
Impairment	-	-	-	-	-	-	-
Depreciation at 31/03/06	19,913	13,996	24,834	15,773	-	86	74,602
Net Book Value @ 31/03/06	975,727	351,981	9,343	84,055	4,212	59,924	1,485,242

Net Book Value @ 31/03/05 1,240,591 341,127 8,553 80,662 4,107 50,882 1,725,922

Ownership of Fixed Assets – The following table shows the net value of fixed assets split between the General Fund and the Housing Revenue Account

	Council Dwellings £000s	Land & Buildings £000s	Vehicles Plant & Equipment £000s	Infra-structure £000s	Comm-unity Assets £000s	Non Operational Assets £000s	Total £000s
General Fund	-	348,851	9,113	84,055	4,212	59,612	505,843
H.R.A.	975,727	3,130	230	-	-	312	979,399
Net Book Value @ 31/03/06	975,727	351,981	9,343	84,055	4,212	59,924	1,485,242

Remaining useful lives have been assigned to individual or classes of assets by the Council's Chief Valuer.

NOTES TO THE CONSOLIDATED BALANCE SHEET

When an asset is included in the balance sheet at current value, it is formally re-valued at intervals of not more than five years and the revised amount is included in the balance sheet with any surpluses arising on the re-valuation being credited to the fixed asset restatement account. Valuations are carried out on a rolling programme basis, with 20% of assets valued each year. This provides a full revaluation every five years, in line with statutory requirements. In addition, Housing Revenue Account assets, the Civic Centre and other major assets are valued annually.

In accordance with guidance contained in the SORP, accumulated depreciation has been written off in relation to Council Dwellings as they have been revalued in full during the year. The net book value of Council Dwellings as at 31st March 2005 has been amended accordingly as a prior year adjustment.

The freehold and leasehold properties, which comprise the Authority's property portfolio, were completely revalued during 2004/05 by the Council's then Chief Valuer S Brown BSc, MRICS. The valuation was in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. It was neither practicable nor considered by the valuer to be necessary to inspect each property for the purposes of the valuation.

Plant and machinery is included in the valuation of the buildings, except where there are major component items.

Properties regarded by the Authority as operational were valued on the basis of the lower of net current replacement cost and net realisable value.

Properties regarded by the Authority as non-operational have been valued on the basis of net realisable value.

Previously accumulated depreciation has been written off in year for all assets that have been revalued and assigned new useful lives. Depreciation has then been charged on these assets using the straight-line method based on the revalued amount over the new useful life of the asset. Depreciation on all other assets has been charged using the straight-line method over the remaining useful life of the asset.

The main items of capital expenditure were:-	£'000
Redevelopment and Regeneration	39,406
Housing	31,245
Bridges, Footpaths, Roads and Car Parks	5,286
School Buildings	9,526

Major contracts for future capital expenditure at 31 March 2006 include:

Children's Centres	2,995
Gateshead Quays - Infrastructure	2,111
Gateshead Stadium	808

NOTES TO THE CONSOLIDATED BALANCE SHEET

Capital Expenditure was financed as follows:-

	2004/05 £000	2005/06 £000
<u>Expenditure</u>		
Fixed Assets	83,187	92,022
Deferred Charges (details shown in note 4)	<u>19,637</u>	<u>11,984</u>
Total	<u>102,824</u>	<u>104,006</u>
<u>Financing</u>		
Borrowing	15,298	22,143
Capital Receipts and Reserves	14,907	21,797
Capital Grants and Other Contributions	56,152	45,280
Revenue Contributions	<u>16,467</u>	<u>14,786</u>
Total	<u>102,824</u>	<u>104,006</u>

2. Leases

The Authority was committed at 31 March 2006 to making payments of £2.96m under operating leases, comprising of the following elements:

	Vehicles, Plant & Machinery £'000
Leases expiring in 2006/07	1,197
Leases expiring between 2007/08 and 2010/11	1,760
Leases expiring after 2011/12	<u>0</u>
	<u>2,957</u>

The Authority holds a number of buildings on an operating lease basis, which are not included within the Authority's tangible fixed assets. In respect of these assets, the Authority has commitments to make payments in the forthcoming year as follows:

<u>Commitment Expires</u>	£'000
Less than 1 year	146
2 to 5 years	213
Over 5 years	<u>329</u>
Total	<u>688</u>

The following values of assets are held under finance leases by the Authority:

	Vehicles, Plant & Equipment £'000
Value at 1 April 2005	3,602
Disposals	<u>(1,118)</u>
Value at 31 March 2006	<u>2,484</u>

Outstanding obligations to make payments under these finance leases at 31 March 2006, are as follows:

	Vehicles, Plant & Machinery £'000
Obligations payable in 2006/07	16
Obligations payable between 2006/07 and 2009/10	65
Obligations payable after 2010/11	<u>0</u>
	<u>81</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

3. Assets Held

Fixed assets owned by the Council:-

	<u>Number as at 31 March 2005</u>	<u>Number as at 31 March 2006</u>
Council Dwellings	22,752	22,130
<u>Operational Assets</u>		
Civic Centre	1	1
Other Offices	12	12
Magistrates Courts	2	0
Social Services Homes & Hostels	15	13
Leisure Centres & Swimming Pools	9	9
International Stadium	1	1
Libraries	17	17
Primary Schools	56	56
Secondary Schools	8	8
Special Schools	6	6
Depots	19	18
Off Street Car Parks	28	30
Multi-Storey Car Parks	1	1
Cemeteries	10	10
Crematoria	2	2
Art Galleries	2	2
<u>Operational Equipment</u>		
Vehicles	466	406
<u>Infrastructure</u>		
Highways (Kilometres)	888.8	888.8
Bridges and other Highways Structures	153	153
Permanent Ways	500	500
<u>Community Assets</u>		
Parks & Open Space (Hectares)	959	959
Allotments (Plots)	1,314	1,308
Civic Regalia (Items)	75	75

4 Deferred Charges and Deferred Liabilities

In accordance with the SORP, Deferred Charges are removed from the Consolidated Balance Sheet, with the requirement to disclose movements only. Capital expenditure which has not resulted in the creation of a Fixed Asset has been amortised to revenue in year, as shown below

	Capital & Improvement Grants £'000
Balance at 1 April 2005	0
Expenditure in Year	11,984
Amounts amortised to revenue	(11,984)
Balance at 31 March 2006	0

NOTES TO THE CONSOLIDATED BALANCE SHEET

The deferred liability shown in the balance sheet relates to premia on the early resettlement of debt. £0.358m was amortised to revenue during the year, as shown below:

	Deferred Liability £'000
Balance at 1 April 2005	(2,557)
Amounts amortised to revenue	358
Balance at 31 March 2006	(2,199)

5 Long Term Investments

The investments at 31 March consist of:

	<u>2005</u> £'000	<u>2006</u> £'000
Newcastle International Airport (NIAL Holdings)	4,355	4,355
Newcastle International Airport (Local Authority Holding Co)	1	1
Marketable Securities	<u>5</u>	<u>5</u>
(Market Value at 31 March 2006 - £9,699)	<u>4,361</u>	<u>4,361</u>

Under the Airport Act 1986, Newcastle International Airport Limited was formed and all property, rights and liabilities of the constituent Local Authorities were transferred to the Company.

On 4 May 2001, the seven local authority shareholders of Newcastle International Airport Limited entered into a strategic partnership with Copenhagen Airport Ltd. This involved the creation of a new company, NIAL Holdings Ltd, to own 100% of the shares in Newcastle International Airport Ltd. The original seven local authority shareholders have retained 51% of the shareholding of NIAL Holdings Ltd with 49% held by Copenhagen Airports. On 20 July 2001 NIAL Holdings became a Plc. The shareholding of the Council in 2005/06 reflects the value of shares held in NIAL Holdings Plc, this currently stands at £4.355m or 6.5% holding in the NIAL Holdings Plc company. This value did not reduce when the 49% share of NIAL Holdings was transferred to Copenhagen Airports Ltd, an additional share allocation was issued to Copenhagen Airports Ltd.

The local authority shareholders received £94.6m in 2001/02 from Copenhagen Airports Ltd in payment for 49% of NIAL Holdings Ltd. Gateshead's share of this was £11.735m. In addition to this NIAL Holdings issued £100m of loan notes to the local authority shareholders in recognition of the value built up in Newcastle International Airport Ltd over many years.

NOTES TO THE CONSOLIDATED BALANCE SHEET

On 4 April 2002, NIAL Holdings Plc redeemed the short term loan notes held by the seven local authority shareholders. This generated £75m cash that was allocated to the seven local authorities in proportion to their shareholding. The Council received £9.305m in respect of this sale. Long term loan notes of £25m were issued by NIAL Holdings Plc, these were split between the seven local authority shareholders based on shareholding value. The Council's share was £3.1025m. This is being repaid in equal instalments over ten years starting in 2003/04. The third instalment of £310,171 was received on 31 March 2006. Interest payable on the Council's share of the long term loan notes of £0.205m in 2005/06 (2004/05 £0.230m) was payable to the Council.

The seven local authorities also own 100% of Newcastle Airport Local Authority Holding Company Limited, which has a called up share capital of 10,000 shares with a nominal value of £1 each. Newcastle Airport Local Authority Holding Company Limited owns 51% of NIAL Holdings Plc. The Council has a shareholding of 1,304 shares in Newcastle Airport Local Authority Holding Company Ltd representing a nominal investment of £1,304.

During 2005/06 the Company and its holding company, NIAL Holdings Plc, accounts were consolidated and the company declared a net dividend of £3.585m (2004/05 £2.815m), of which the Council's share was £0.467m (2004/05 £0.367m).

6 Long Term Debtors

	<u>31 March</u>	
	<u>2005</u>	<u>2006</u>
	£'000	£'000
Mortgages	660	632
Newcastle International Airport Long Term Loan Notes	2,482	2,172
North Music Trust	<u>884</u>	<u>534</u>
	<u>4,026</u>	<u>3,338</u>

7 Stocks and Work-in Progress

	<u>31 March</u>	
	<u>2005</u>	<u>2006</u>
	£'000	£'000
Work-in-Progress		
Rechargeable Works	656	259
Stocks		
Director Labour Organisation	716	374
Salt	66	43
Other	<u>208</u>	<u>236</u>
	<u>990</u>	<u>653</u>
	<u>1,646</u>	<u>912</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

8 Debtors

These amounts represent sums due from a number of sources, such as other local authorities and Government Departments.

	<u>31 March</u>	
	<u>2005</u>	<u>2006</u>
	£'000	£'000
Amounts falling due within one year		
Government Departments	19,023	20,257
Other Local Authorities	14,809	471
Other Public Bodies	13,339	2,576
Housing Rents	6,001	6,399
Sundry Debtors	34,927	30,184
Car Loans to Employees	<u>38</u>	<u>25</u>
	88,137	59,912
Amounts falling due after one year		
Car loans to employees	137	88
Loans to Schools	<u>112</u>	<u>0</u>
	88,386	60,000
Provision for Doubtful Debts	<u>(8,675)</u>	<u>(8,975)</u>
	<u>79,711</u>	<u>51,025</u>

The provision for bad and doubtful debts is revised on an annual basis, and is determined by an assessment of changes in the average value of outstanding debtors balances and the age profile of the debt.

9 Creditors

These amounts represent sums owing to other bodies and receipts in advance.

	<u>31 March</u>	
	<u>2005</u>	<u>2006</u>
	£'000	£'000
Government Departments	18,231	24,626
Pension Fund	915	981
Other Local Authorities	17,849	3,833
Sundry Creditors	<u>31,996</u>	<u>27,580</u>
	68,991	57,020

NOTES TO THE CONSOLIDATED BALANCE SHEET

10 Provisions

In addition to the bad debt provision there are the following:-

	Balance at 01/04/05	Receipts	Payments	Balance at 31/03/06
	£'000	£'000	£'000	£'000
DLO General	321	0	321	0
Insurance	5,956	0	298	5,658
Pensions	3,819	681	4,500	0
Waste Disposal	1,052	0	85	967
Landfill Usage	0	1,937	0	1,937
Sundry	1,500	117	621	996
TOTAL PROVISIONS	12,648	2,735	5,825	9,558

Insurance – Provision is made for known outstanding liability claims, the costs of which have been estimated by the Councils insurers. The insurance provision includes the cost of claims arising from gradual pollution where there is no insurance cover, of which there has been one claim to date on the Council.

The timing of payments from the insurance provision will be determined by the settlement of claims and is therefore unknown at present.

Pensions – Provision has previously been made for non-budgeted back funding pension requirements, and the balance as at 31st March 2006 was £4.5m. This balance has been reclassified as an earmarked reserve, as reflected in note 17 to the balance sheet on page 58.

Waste Disposal – This provides for repayment of outstanding debt on former waste disposal assets, future pollution control and environmental works arising from former waste disposal activities and other liabilities. The provision will be written down by 2018.

Landfill Usage

As a Waste Disposal Authority (WDA), an obligation was placed on Gateshead Council by the Waste and Emissions Trading Act 2003 to reduce the amount of biodegradable municipal waste (BMW) that is put into landfill sites. It provided the legal framework for the Landfill Allowance Trading Scheme (LATS), which has been introduced from 1st April 2005.

Under the LATS scheme, an annual allocation in tonnes is given to Gateshead Council, representing the number of tonnes of BMW the Council is permitted to landfill. A system of buying and selling permits between WDAs, banking and borrowing between years and ultimately the payment of a 'fine' of £150 per tonne landfilled over targets means that permits have to be valued each year and accounted for correctly.

In 2005-6, Gateshead Council was allocated 117,299 tonnes worth of allowances. At the year end it was estimated that 95,872 tonnes were used and 21,427 were unused LAAP Bulletin 64 – Accounting for the Landfill Allowances Trading Scheme in 2005/06, recommends that trading value of allowances should be set at £20.20 per tonne.

In accordance with LAAP Bulletin 64, the Council has a provision (£1.937m) to recognise the liability which arises from the obligation to hold landfill allowances equal to usage. This is matched by a current asset to represent the allowances allocated to the Council (£2.369m), and a reserve (£0.432m) which represents the unused allowances as at 31st March 2006.

Sundry – The Sundry Provision is made up of :-

Dunston Riverside Land Sales (£0.690m) - For future potential liability owing to English Partnerships for sale of land. The timing of the payment is not known at the present time.

Bottle Bank Compulsory Purchase Orders (£0.116m) – To cover the cost of claims made by former owners of 3 plots of land at Bottle Bank, which were acquired under a compulsory purchase order. These costs were originally to be recovered from Collingwood Developments, who are now in administration. These costs will now be claimed from the administrators for Collingwood Developments. The Council has also disclosed a contingent liability, as shown in note 21 to the balance sheet

Frozen Holiday Pay of (£0.092m) - Pay that was frozen when the craft and manual employees holiday entitlement changed to current year rather than a year in arrears. The provision is written down as and when employees leave.

Provision for debt repayment (£0.098m) - An annual debt write down of £12k arising from the transfer of property rights and liabilities from waste regulation authorities to the new Environment Agency on 1 April 1996. The provision will be written down by 2014.

NOTES TO THE CONSOLIDATED BALANCE SHEET

11 Long-Term Borrowing and Borrowing Repayable Within One Year

	<u>Range of Interest Rates Payable</u> (%)	<u>Total Outstanding 31 March</u>	
		<u>2005</u> £'000	<u>2006</u> £'000
Source of Loan			
PWLB	3% - 13.75%	237,179	249,539
Loans Serviced by Other Local Authorities	7.969%	154	50
Other Loan Instruments	5.625% - 6.75%	<u>106</u>	<u>102</u>
		<u>237,439</u>	<u>249,691</u>
An analysis of loan by maturity is: -		£'000	£'000
Maturing within one year		<u>130</u>	<u>75</u>
Maturing in 1 – 2 years		75	25
Maturing in 2 – 5 years		18,472	37,015
Maturing in 5 – 10 years		82,449	72,207
Maturing in more than 10 years		<u>136,313</u>	<u>140,368</u>
Long Term Borrowings		<u>237,309</u>	<u>249,615</u>

The borrowing repayable within 1 year figure for 2005/06 is £4.346m (2004/05 5.908m). This consists of loans maturing within one year of £0.075m (2004/05 £0.130m), and temporary loans £4.27m (2004/05 £5.778m).

12 Fixed Asset Restatement Account

This represents the cumulative surplus on the revaluation of assets. The table on page 68 shows the movements during the year.

13 Capital Financing Account

This represents the cumulative financing of capital. Further details including movements during the year are shown on page 69.

NOTES TO THE CONSOLIDATED BALANCE SHEET

14 Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets, which will be received in instalments over agreed periods of time. The amounts shown in the balance sheet represent the sale proceeds yet to be received in respect of Council house sales, industrial advances, Housing Act Advances, loans to Housing Associations and Newcastle International Airport long-term loan notes.

15 Capital Receipts and Grants Unapplied

This represents receipts and grants held to finance future capital expenditure. The table on page 68 shows the movements for the year. The total figure shown in the Consolidated Balance Sheet contains £3.5m in capital receipts unapplied, which relates to the balance of the capital receipt realised from the sale of shares in Newcastle International Airport Ltd. The Council has agreed that this capital receipt will be used to fund the Gateshead Development Pool. Revenue Contributions to the Development Pool are shown in strategic reserves.

16 LMS Budget Share Reserve

This amount represents the cumulative net unspent element of school budget shares, which, under LMS, must be carried forward into the following financial year.

17 Strategic Reserves

	Balance at 01/04/05	Receipts	Payments	Balance at 31/3/06
	£'000	£'000	£'000	£'000
DLO General	893	0	268	625
Renewals	4,010	0	434	3,576
Pensions	3,000	4,500	0	7,500
Capital and General Fund	4,405	0	3,924	481
Newcastle International Airport	4,356	0	0	4,356
Insurance	10,029	0	98	9,931
Repairs and Maintenance	2,559	0	1,167	1,392
Employment Liability	1,000	0	1,000	0
Demolitions	300	0	300	0
Equalisation Reserve	368	0	368	0
Grant Clawback	7,636	230	0	7,866
Gateshead Development Pool	9,401	1,884	0	11,285
Cultural Development Fund	1,838	0	111	1,727
Landfill Allowance Trading Scheme	0	433	0	433
Schools Trading Account	0	451	0	451
Bridge Maintenance	2,090	27	0	2,117
Sundry	1,208	0	258	950
TOTAL STRATEGIC RESERVES	53,093	7,525	7,928	52,690

Direct Labour Organisation – to protect against future losses, and to provide for future expenditure in relation to training and potential redundancy costs.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Renewals – to defray expenditure on the replacement and renewal of vehicles, buildings, plant and machinery and workshop equipment.

Pensions – includes the reclassification of £4.5m from former pensions provision, as per note 10 to the balance sheet. This reserve is therefore earmarked to meet increases in employers' liability and increases in back funding requirements.

Capital and General – to provide for future development on large capital projects as an alternative to borrowing.

Airport – represents the balance of the shares issued on 1 April 1987 in respect of the Newcastle International Airport as a consequence of the transfer scheme arrangements under the Airport Act 1986 (See Note 5) and the shares sold to Copenhagen Airport in May 2001. This would only be usable if the Council agreed to sell some or all of its remaining shareholding.

Insurance – to allow for possible claims against the Authority which are not covered by external policies.

Repairs and Maintenance – to defray expenditure on the repair and maintenance of buildings.

Grant Clawback – grant received which may need to be repaid.

Gateshead Development Pool – following the sale of shares in Newcastle International Airport Ltd the Council agreed to use the proceeds of the airport capital receipt to set up Gateshead Development Pool. The capital receipt element of the Development Pool (£3.5m) is shown within capital receipts and grants unapplied in the Consolidated Balance Sheet. The additional £11.285m shown in Strategic Reserves represents the revenue contributions to date to the Pool.

The balance of the Development Pool as at 31 March 2006 therefore stands at £14.8m.

Cultural Development Fund – In addition to establishing the Gateshead Development Pool, the Council also agreed that interest earned from investing the airport capital receipt would be used to establish a cultural development fund to be used for cultural initiatives within the borough. The interest earned in 2005/06 was used in full to fund expenditure on initiatives throughout the year.

LATS – Represents the value of unused Landfill Allowances, in accordance with LLAP Bulletin 64.

Schools Trading – Represents the accumulated surplus on services provided to schools, which is considered when calculating future charges.

Bridge Maintenance – To meet the costs of future bridge maintenance work.

Council had previously agreed to reclassify the balances held on the **Employment Liability, Demolitions, and Equalisation** reserves as part of the Council's general reserve. The total balance on these three reserves as at 31st March 2006, totalling £1.517m, has therefore been transferred to the general reserve, as outlined in the explanatory foreword on page 1, and in note 17 to the consolidated revenue account.

NOTES TO THE CONSOLIDATED BALANCE SHEET

18 Amenity and Trust Funds

The Council administers funds relating to specific services.

- Social Services Amenity Funds - these are varied in nature and relate principally to sums held on behalf of Social Services clients and legacies left by individual inhabitants over a period of years.
- Shipley Gallery Charity - contribute to the care and development of the Gallery's collection.
- Blind Welfare Trust Fund - used to purchase equipment to aid persons with visual impairments.

The funds do not represent assets of the Council and are not included in the Consolidated Balance Sheet. The trusts are summarised below :-

Fund	Balance at 01/04/05	Receipts	Expenditure	Balance at 31/3/06
	£'000	£'000	£'000	£'000
Social Services Amenity Fund	114	91	76	129
Shipley Gallery Charity	44	2	0	46
Blind Welfare Trust Fund	21	1	1	21
Other	80	13	8	85
TOTAL TRUST FUNDS	259	107	85	281

Trust fund balances are mainly invested with the Council.

19 Interest in Companies

The Accounting Code of Practice requires information to be shown where the Council has an interest in Companies.

The Gateshead Housing Company

The Council's Housing stock is managed and maintained by the Gateshead Housing Company. In respect of this, the Council paid a management fee of £28.522m to the Company in 2005/06. This sum is shown in full in the Council's accounts as part of the Housing Revenue Account, as disclosed in note 15 to the HRA.

There has been no transfer of assets or liabilities between the Council and the Housing Company and the Council is the sole shareholder of the Company, which does not hold any material balances outside of the Council's accounts.

Newcastle International Airport Ltd/NIAL Holdings Plc

Under the Airports Act 1986 the North East Regional Airport became an Airport Company on 1 April 1987 and properties, rights and liabilities of the constituent local authorities were transferred to it. In consideration of this transaction the Council received an allocation of 4.355m £1 shares out of a total share capital of £33.395m with a book value of £4.355m. As disclosed in Note 5 to the Consolidated Balance Sheet, the Council sold 49% of its shareholding to Copenhagen Airports Ltd and has a 51% retained shareholding with a book value of £4.355m. The issue of share capital in Copenhagen Airport did not result in the reduction of the total share capital of the Council and this was facilitated by the issue of additional shares. A new Company now known as NIAL Holdings Plc holds all shares in Newcastle International Airport Ltd and distributes 49% of the dividend to Copenhagen Airports and the remaining 51% to the constituent local authorities who collectively own a separate Company known as the Local Authority NIAL Holdings Ltd. The Councils holds a 13% shareholding in the Local Authority Holding Company, which equates to a 6.5% shareholding in NIAL Holdings Plc.

For the year ending 31 December 2005, Newcastle Airport Local Authority Holding Company declared a net dividend of £3.585m (£2.815m in 2004, £1.633m in 2003 and £0.185m in 2002) to the local authority shareholders.

The consolidated accounts of Newcastle International Airport Ltd and NIAL Holdings Plc can be obtained upon application to the Finance Director, Newcastle International Airport Limited, Woosington, Newcastle Upon Tyne.

The Accounts of Newcastle Airport Local Authority Holding Company can be obtained from the Head of Finance, South Tyneside Council, Town Hall & Civic Offices, Westoe Road, South Shields.

East Gateshead Partnership

Gateshead Council has two of the twelve Board Members of the East Gateshead Partnership. The Council acts as the Accountable Body, which means it is responsible for the claim, receipt, distribution and monitoring of SRB Challenge Fund grant and for the realisation of the Delivery Plan.

Bensham and Saltwell Neighbourhood Partnership

Gateshead Council has one of the twelve Board Members of the Bensham and Saltwell Neighbourhood Partnership. The Council acts as the Accountable Body, which means it is responsible for the claims, receipt, distribution and monitoring of SRB Challenge Fund grant and for the realisation of the Delivery Plan.

NOTES TO THE CONSOLIDATED BALANCE SHEET

The Council also has an involvement in other companies either through Membership on the board or a minority interest in the company. The majority of these companies are Trusts or are themselves owned by Trusts. The Council received no dividends from these companies. At 31 March 2006 the companies were:

Bowes Railway Company Ltd
New Offices
Level Crossing
Gateshead

Tyne & Wear Enterprise Trust Ltd
Portman House
Portland Road
Newcastle upon Tyne

Gateshead Housing Company
Baltic Business Centre
Saltmeadows Road
Gateshead

Northern Development Company Ltd
Great North House
Sandyford Road
Newcastle upon Tyne

Tyne and Wear Development Company
Bentell Business Park
Glover District 11
Washington

North East Innovation Centre Company
Stadium Building
Saltmeadows Road
Gateshead

Tyneside Careers
Interchange Centre
West Street
Gateshead

Baltic Flour Mills Visual Arts Trust
Gateshead Civic Centre
Regent Street
Gateshead

North Music Trust
PO Box 254
Gateshead
NE8 2YR

EZONE
Kingsway North
Team Valley Trading Estate
Gateshead
NE11 0EG

NOTES TO THE CONSOLIDATED BALANCE SHEET

20 Pensions - FRS 17 Disclosure

Note 5 to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pension Scheme (Tyne and Wear Pension Fund, administered by South Tyneside Metropolitan Borough Council).

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March are as follows:

	Local Government Pension Scheme	
	31/03/05	31/03/06
	£m	£m
Estimated funded liabilities in scheme	643.7	718.9
Estimated unfunded liabilities in scheme	64.1	72.8
Estimated assets in scheme	416.3	504.6
Net asset/(Liability)	(291.5)	(287.1)

The liabilities show the underlying commitment that the Council has to pay retirement benefits. The total liability has a substantial impact on the net worth of the Council as recorded in the balance sheet, reducing the overall balance by £287.110m. However, statutory agreements for funding the deficit mean that the financial position of the Authority remains healthy, as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Under the projected unit method, the current service cost will increase as members of the scheme approach retirement, for schemes in which the age profile of the active membership is rising significantly.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in lump sum payment on retirement in exchange for a reduction in future annual pension. The actuary has assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. The actuary has advised that this assumption has reduced the value placed on liabilities for FRS17 purposes. This has been reflected in the Statement of Total Movements in Reserves. The change has not affected the figures shown in the consolidated revenue account.

The actuary has taken account of salary increases, which have resulted from the job evaluation exercise, which was carried out in 2005/06, and also the effect of the transfer of responsibility for Housing Repairs and Maintenance to Morrison plc on 1 December 2005.

Hewitt, Bacon and Woodrow Limited, an independent firm of actuaries, has valued the Tyne and Wear Pension Funds assets and liabilities in accordance with FRS17 based upon the latest actuarial valuation of the fund as at 31 March 2004.

NOTES TO THE CONSOLIDATED BALANCE SHEET

The main assumptions used in their calculations have been:

	2004/05	2005/06
Rate of inflation	2.9%	3.0%
Rate of increase in salaries	4.4%	4.5%
Rate of increase: pensions in payment	2.9%	3.0%
Rate of increase: deferred pensions	2.9	3.0%
Rate for discounting scheme liabilities	5.3%	4.9%

Assets in the Tyne and Wear Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the fund.

	31 March 2005		31 March 2006	
	Long Term Return %	Proportion Assets %	Long Term Return %	Proportion Assets %
Equities	7.7	65	7.3	68
Government Bonds	4.7	15	4.3	12
Corporate Bonds	5.3	10	4.9	9
Property	6.7	8	6.3	9
Other Assets	4.8	2	4.6	2
Average Long Term Expected Rate of Return	6.9		6.6	

The Local Government Pension Scheme figures shown above have been provided by the actuaries to the Tyne and Wear Pension Fund using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

Teachers Pensions

With regard to the Teachers' Pensions Scheme, there were no contributions remaining payable at the year end.

The scheme is a defined benefits scheme, administered by the Teachers Pensions Agency (TPA). Although the scheme is funded, the TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities (LEAs). However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers scheme. These benefits are fully accrued in the pensions liability described above.

21 Contingent Liabilities

Section 117 of the Mental Health Act

A court judgement in 2002/2003 stated that local authorities could not charge clients for their accommodation costs where they had been assessed under Section 117 of the Mental Health Act. The Council along with most other local authorities will now have to repay any assessed residents' contributions incorrectly charged.

It is difficult to determine the Council's liability under this judgement, as it is dependant upon the number of clients affected, the level of contributions made, and the periods of time involved. Repayment of contributions is made to individuals when liability is established and the value of contributions is determined.

Bottle Bank Compulsory Purchase Orders

As disclosed in note 10 to the balance sheet, the Council has made provision of £0.115m for the estimated cost of claims made in relation to 3 plots of land at Bottle Bank, which were acquired under a compulsory purchase order. This provision represents the Council's best estimate of the costs which will be incurred in settling the claims, and also the amount which the Council will claim from the administrators for Collingwood Developments.

The Council has a contingent liability which arises from the possibility that the former owners of the 3 remaining plots may disagree with the Council's assessment of the value of the plots, and may subsequently choose to pursue claims via Lands Tribunal.

Equal Pay Claims

The Council agreed a compensatory payments scheme in 2004/05 to mitigate the cost of potential equal pay claims. In 2005/06, a revised pay structure was agreed following a job evaluation process. The costs of the new pay structure are included in the Consolidated Revenue Account.

These measures assist in protecting the Council from future equal pay claims, although it is recognised that further liabilities may arise following the outcome of legal cases involving other local authorities. As a result of this, it is difficult to determine the Council's potential future liability, and no provision has been made for potential future claims.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

The following is the Statement of Total Movement in Reserves for Gateshead Council.

Statement of total movement on reserves	2004/05	2005/06	
	£'000	£'000	
Surplus (deficit) for the year:			
- General Fund	183	2,320	
- Housing Revenue Account	246	5,171	
Add back Movements on specific revenue reserves	(3,760)	431	
Deduct appropriation from pension reserve	(12,210)	(10,380)	
Actuarial gains and losses relating to pensions (note 1)	<u>(79,510)</u>	<u>14,790</u>	
Total increase/(decrease) in revenue resources	(95,051)		12,332
Increase/(decrease) in useable capital receipts	4,267	(11,714)	
Increase/(decrease) in unapplied capital grants and contributions	<u>(1,550)</u>	<u>(1,546)</u>	
Total increase/(decrease) in realised capital resources (note 2)	2,717		(13,260)
Gains/(losses) on revaluation of fixed assets	449,043	(287,927)	
Impairment losses on fixed assets due to general changes in price	<u>0</u>	<u>0</u>	
Total increase/(decrease) in unrealised value of fixed assets (note 3)	449,043		(287,927)
Value of assets sold, disposed of or decommissioned (note 4)	(24,190)		(8,341)
Capital receipts set aside	14,931	20,319	
Revenue resources set aside	(7,475)	160	
Movement on Government Grants Deferred	34,447	14,007	
Movement on Capital Grants	(7,628)	5,733	
Movement on Major Repairs Reserve	<u>(1,107)</u>	<u>(674)</u>	
Total increase/(decrease) in amounts set aside to finance capital investment (note 5)	<u>33,168</u>		<u>39,545</u>
Increase/(decrease) on the pensions reserve	<u>91,720</u>		<u>(4,410)</u>
Total recognised gains and losses	<u>457,407</u>		<u>(262,061)</u>

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

1. Movements in Revenue Resources

The following table shows the breakdown of Revenue Reserves:

	General Fund Balance £'000	HRA Balances £'000	Earmarked Revenue Reserves £'000	Pensions Reserve £'000
Movement of Revenue Resources				
Surplus (Deficit) for 2005/06	2,320	5,171	431	
Appropriations to/from revenue				(10,380)
Actual Gains and losses relating to pensions	<u>2,320</u>	<u>5,171</u>	<u>431</u>	<u>14,790</u> 4,410
Balance brought forward at 1 April 2005	<u>8,160</u>	<u>1,524</u>	<u>63,442</u>	<u>(291,520)</u>
Balance Carried forward at 31 March 2006	<u>10,480</u>	<u>6,695</u>	<u>63,873</u>	<u>(287,110)</u>

The actuarial loss identified as movement on the pensions reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

	Local Government Pension Scheme			
	2002/03	2003/04	2004/05	2005/06
Difference between expected and actual return on pension assets (£m)	(92.9)	51.1	14.0	75.0
Percentage of scheme assets	30.0%	13.4%	3.4%	14.9%
Experience gains/(losses) arising on the pension liabilities (£m)	0.0	(0.7)	(3.5)	(2.9)
Percentage of present value of scheme liabilities	0.0%	0.1%	0.5%	0.4%
Changes in assumptions underlying the present value of pension liabilities (£m)	0.0	(7.5)	(90.0)	(57.3)
Percentage of present value of scheme liabilities	0.0%	1.4%	12.7%	7.2%
Total Gain / (Loss) (£m)	(92.9)	42.9	(79.5)	14.8
Percentage of present value of scheme liabilities	17.8%	7.7%	11.2%	1.9%

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

2. Movements in Realised Capital Resources

The following table shows the breakdown of other Capital Reserves:

	Usable Capital Receipts £'000	Unapplied Capital Grants and Contributions £'000
Movements in Realised Capital Resources Amounts receivable in 2005/06	5,872	16,592
Amounts applied to finance new capital investment in 2005/06	<u>(17,586)</u>	<u>(18,138)</u>
Total increase/(decrease) in realised capital resources in 2005/06	(11,714)	(1,546)
Balance B/Fwd as at 1 April 2005	<u>18,612</u>	<u>2,897</u>
Balance C/Fwd as at 31 March 2006	<u>6,898</u>	<u>1,351</u>

Fixed Asset Restatement Account

The balance represents the surplus on revaluation of fixed assets. It will be written down by the net book value of assets as they are disposed of.

	Fixed Asset Restatement Account £'000
Note 3. Movement in unrealised value of fixed assets Gains/losses on revaluation of fixed assets in 2005/06	(287,927)
Impairment losses on fixed assets due to general changes in prices in 2005/06	<u>0</u>
Total increase/(decrease) in unrealised capital resources in 2005/06	(287,927)
Note 4. Value of assets sold, disposed of or decommissioned Amounts written off fixed assets balances for disposals in 2005/06	<u>(8,341)</u>
Total movement on reserve in 2005/06	(296,268)
Balance B/Fwd as at 1 April 2005	1,078,503
Balance C/Fwd as at 31 March 2006	<u>782,235</u>

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

5. Capital Financing Account / Government Grants Deferred

The capital financing account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amounts of capital expenditure financed from revenue, capital receipts and capital grants. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

	Capital Financing Account £'000	Government Grants Deferred £'000	Total £'000
Movement in amounts set aside to Finance Capital Investment			
Capital receipts set aside in 2005/06:			
- reserved receipts	10		
- useable receipt applied	<u>20,309</u>		<u> </u>
Total capital receipts set aside in 2005/06	20,319		20,319
Revenue resources set aside in 2005/06:			
- capital expenditure financed from revenue	160		
- reconciling amount for provisions for loan repayment	<u>0</u>		<u> </u>
Total revenue resources set aside in 2005/06	160		160
Grants applied to capital investment in 2005/06	5,733	18,208	
Amounts credited to the asset management revenue account in 2005/06		<u>(4,201)</u>	<u> </u>
Movement on Government Grants Deferred	<u>5,733</u>	14,007	19,740
Total increase/(decrease) in amounts set aside to finance capital investment			40,219
Total movement on reserve in 2005/06	26,212	14,007	
Balance B/Fwd as at 1 April 2005	225,226		
Balance C/Fwd as at 31 March 2006	<u>251,438</u>	<u>14,007</u>	

CASH FLOW STATEMENT

<u>2004/05</u> £'000		<u>2005/06</u> £'000	<u>2005/06</u> £'000	<u>Notes</u>
REVENUE ACTIVITIES				
<u>Cash Outflows</u>				
233,313	Cash paid to and on behalf of employees	232,227		
180,551	Other operating cash payments	182,334		
16,568	Housing Benefit paid out	17,454		
51,130	Non-Domestic Rate payments to National Pool	63,199		
<u>9,021</u>	Precepts paid	<u>9,243</u>		
490,583			504,457	
<u>Cash Inflows</u>				
(21,994)	Rents (after rebates)	(20,748)		
(66,269)	Council Tax Receipts	(61,550)		
(1,206)	Precepts Received	(1,229)		
(53,270)	Non-Domestic Rate Receipts from National Pool	(63,662)		
(51,412)	Non-Domestic Rate Receipts	(63,480)		
(115,756)	Revenue Support Grant	(114,368)		
(16,585)	DWP Grants for Benefits	(18,476)		
(107,285)	Other Government Grants	(115,825)		2
<u>(85,479)</u>	Cash Received for Goods and Services	<u>(84,455)</u>		
<u>(519,256)</u>			<u>(543,793)</u>	
(28,673)	Net Cash Flow – Revenue Activities		(39,336)	1
DIVIDENDS FROM JOINT VENTURES AND ASSOCIATES				
<u>Cash Inflows</u>				
(213)	Dividend from NIAL Holdings	(367)		
(213)			(367)	
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
<u>Cash Outflows</u>				
23,569	Interest Paid	22,294		
<u>Cash Inflows</u>				
<u>(10,558)</u>	Interest Received	<u>(11,870)</u>		
13,011			10,424	
CAPITAL ACTIVITIES				
<u>Cash Outflows</u>				
83,187	Purchase of Fixed Assets	92,022		
<u>30,176</u>	Other Capital Cash Payments	<u>24,368</u>	116,390	
113,363				
<u>Cash Inflows</u>				
(34,227)	Sale of Fixed Assets/Investments	(18,319)		
<u>(58,619)</u>	Capital Grants/Contributions	<u>(60,137)</u>	<u>(78,456)</u>	
20,517			37,934	
ACQUISITIONS AND DISPOSALS				
<u>Cash Inflows</u>				
<u>(310)</u>	Sale of Investments in Joint Venture		<u>(310)</u>	

CASH FLOW STATEMENT

<u>2004/05</u> £'000		<u>2005/06</u> £'000	<u>2005/06</u> £'000	<u>Notes</u>
MANAGEMENT OF LIQUID RESOURCES				
<u>(18,061)</u>	Net Increase/(Decrease) in Short Term Deposits		<u>3,204</u>	5
(13,729)	Net Cash (Inflow)/Outflow Before Financing		11,549	
FINANCING				
<u>Cash Outflows</u>				
12,726	Repayments of Amounts Borrowed	13,910		
<u>Cash Inflows</u>				
<u>(292)</u>	New Loans Raised	<u>(24,654)</u>	(10,744)	5
12,434				
<u>(1,295)</u>	(Increase) / Decrease in Cash		<u>805</u>	3

NOTES TO THE CASHFLOW STATEMENT

1 RECONCILIATION OF SURPLUS/DEFICIT TO NET CASH FLOW

This note reconciles the surplus or deficit shown in the Consolidated Revenue Account (Page 22) to the total cash transactions for all the Authority's revenue activities.

<u>2004/05</u> £'000		<u>2005/06</u> £'000	<u>2005/06</u> £'000
183	Surplus for Year – General Fund		2,320
<u>245</u>	Surplus for Year – Housing Revenue Account		<u>5,172</u>
428			7,492
	<u>Non Cash-Transactions</u>		
14,692	Depreciation / Other non-cash transactions	(28,260)	
(8,283)	Excess of MRP Over Depreciation	(9,718)	
16,467	Direct Revenue Funding	14,786	
<u>4,021</u>	Contributions to/ (from) Provisions and Reserves	<u>579</u>	
26,897			(22,613)
	<u>Items on an Accrual Basis</u>		
1,338	Decrease / (Increase) in Stock	734	
(49,018)	Decrease / (Increase) in Debtors	59,118	
35,745	(Decrease) / Increase in Creditors	(14,138)	
0	Decrease / (Increase) Landfill Allowance	(2,369)	
<u>272</u>	Decrease / (Increase) in Long-term Debtors	<u>688</u>	
(11,663)			44,033
	<u>Items Classified in Another Classification in the Cash Flow Statement</u>		
13,011	Interest Paid (Net)		10,424
<u>28,673</u>	Net Cash Inflow from Revenue Activities		<u>39,336</u>

2 ANALYSIS OF OTHER GOVERNMENT GRANTS

<u>2004/05</u> £'000		<u>2005/06</u> £'000
36,353	Education	39,356
32,645	Housing	34,779
222	Cultural Development	601
2,470	Community Support	3,006
2,912	Development and Enterprise	4,256
11,973	Social Services	9,218
3,014	Central and Other Services	6,314
<u>17,696</u>	Council Tax Benefits	<u>18,295</u>
<u>107,285</u>		<u>115,825</u>

NOTES TO THE CASHFLOW STATEMENT

3 INCREASE/DECREASE IN CASH

<u>Movement</u> <u>2004/05</u>		<u>Balance</u> <u>01/04/05</u>	<u>Balance</u> <u>31/03/06</u>	<u>Movement</u> <u>2004/06</u>
£'000		£'000	£'000	£'000
3,177	Cash	3,272	723	(2,549)
<u>(4,472)</u>	Bank Overdraft	<u>(24,238)</u>	<u>(22,494)</u>	<u>1,744</u>
<u>(1,295)</u>	(Decrease) in Cash	<u>(20,966)</u>	<u>(21,771)</u>	<u>-(805)</u>

4 LIQUID RESOURCES

These relate to investments, which are of a short-term nature and can be disposed of at reasonably short notice without curtailing or disrupting the Authority's activities. The investments are readily convertible into known amounts of cash at or close to its carrying amount, or traded in an active market. The amount shown within the management of liquid resources section of the cash flow statement is the difference between the opening and closing balances for short-term deposits.

5 INCREASE/DECREASE IN LIQUID RESOURCES

<u>Movement</u> <u>2004/05</u>		<u>Short Term</u> <u>Deposits</u>	<u>Long Term</u> <u>Borrowing (&</u> <u>due <1yr)</u>	<u>Short Term</u> <u>Loans</u>
£'000		£'000	£'000	£'000
(139,669)	Opening Balance 1 April 2005	97,922	(237,440)	(5,778)
	Cash Flow Items:			
519,641	Loans Raised	1,014,363	(23,000)	(4,457)
<u>(525,268)</u>	Loans Repaid	<u>(1,011,159)</u>	10,749	5,964
<u>(145,296)</u>	Closing Balance 31 March 2006	<u>101,126</u>	<u>(249,691)</u>	<u>(4,271)</u>

6 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

<u>2004/05</u> <u>£'000</u>		<u>2005/06</u> <u>£'000</u>
(1,295)	Decrease in Cash During the Year	(805)
<u>(32,501)</u> <u>(33,796)</u>	Cash Inflow from Debt	<u>23,196</u> <u>22,391</u>
<u>193,071</u>	Net Debt at 1 April 2005	<u>159,275</u>
<u>159,275</u>	Net Debt at 31 March 2006	<u>181,666</u>