



Northumberland

County Council

AUDIT COMMITTEE

24 July 2019

The Statement of Accounts 2018-19

Report of Alison Elsdon – Service Director – Finance

Purpose of the Report

The purpose of this report is to present to members the Statement of Accounts for the year ended 31 March 2019 and raise any significant issues arising from the accounts.

Recommendations

It is recommended that the Members of the Audit Committee:

- 1. Note the changes that have been made to the draft Statement of Accounts (Appendix A and B);**
- 2. Approve the Statement of Accounts for the Council for the financial year ended 31 March 2019.**

Link to the Corporate Plan

This report is relevant to all priorities included in the NCC Corporate Plan 2018-2021.

Key Issues

1. There was no movement on the General Fund for 2018-19.
2. The overall net worth of the Council has reduced by £10.621 million in the year. This is due to several factors including an increase in property, plant and equipment (£5.515 million), a decrease in capital grants receipts in advance (£3.925 million), a reduction in short term borrowing (£36.372 million), an increase in cash and cash equivalents (£10.488 million), offset by a reduction in short term investments (£65.241 million) and an increase in other long term liabilities (£6.480 million).
3. **BACKGROUND**
 1. The published accounts are important in demonstrating the Council's stewardship of public money. They show the resources available to the Council and how they are used to deliver services to the people of Northumberland. The Statement of Accounts for 2018-19 has been compiled in accordance with the Code of Practice on

Local Authority Accounting, published by the Chartered Institute of Public Finance and Accountancy.

2. The draft Statement of Accounts was published on the Council's website on 31 May 2019. Since then, amendments have been made to the IAS19 provision and past service costs primarily to incorporate a reasonable estimate of the constructive obligation arising following the **McCloud judgement**. In December 2018, the McCloud judgement found the "transitional protection" in the judges' and firefighters' pension schemes to be **age discriminatory**. In June 2019, the Government's request to appeal this judgment was denied, and therefore it is expected that remedial actions will be introduced in all public sector pension schemes to compensate younger members. In July 2019, the IAS19 disclosures for the Local Government Pension Scheme and the Firefighters' Pension Scheme as at 31 March 2019 were reissued by the actuary and incorporated in the accounts. This increased the deficit on the provision of services by £25.890 million and reduced the total net worth of the Council by £39.030 million. Details of all the changes made are included in Appendix A and B, for information.
3. It is not intended to provide Members of the Audit Committee with the final version of the Statements. Members may wish to refer to the draft copy forwarded at the beginning of June or the version which is published on the Council's website.
4. Although substantially complete at the time of writing this report the External Auditors were still finalising some of their testing. If any additional changes are made from this work a revised list of changes will be tabled at the meeting.
5. This year the Accounts could be inspected by the public between 3 June and 12 July 2019, and questions and objections may be raised with the auditor, Ernst & Young LLP until the end of the audit process. During this period no requests were received for the inspection of documents and there was no objections raised with the External Auditor.
6. These accounts are presented to the Committee to assist members with their responsibility to review and approve the Statement of Accounts. During June there were two drop in sessions arranged for members of the Audit Committee where officers were on hand to answer Members' questions on the accounts. In total 1 member of the Audit Committee attended these sessions. This report seeks to provide an interpretation of the Accounts and highlight the key issues for the benefit of the Committee.
7. The audited Accounts will be published on the Council's website, together with Ernst & Young's Audit Letter upon completion of the audit.
8. Appendix C explains and summarises the purpose of the key statements and other elements of the accounts.

REVIEW OF THE STATEMENT OF ACCOUNTS

Income and Expenditure

1. In 2018-19 the Council set its budget with a planned transfer from reserves of £3.235 million. There was no contribution to the General Fund in 2018-19 and it remains at £55.433 million.
2. The Comprehensive Income and Expenditure Statement (CIES) in the Statement of Accounts shows a deficit on the provision of services of £52.061 million (which represents the accounting deficit on Council operations); and, total comprehensive income and expenditure of £10.621 million (representing the deficit on the provision of services including accounting adjustments such as the revaluation of assets and movements on the pension liability).

The accounting position, presented in the CIES does not directly relate to the charge to Council Tax payers (the funding position). The key factors which adjust the accounting deficit on the provision of services back to the General Fund balance are as follows:

	£m	£m
Deficit on the provision of services shown in the CIES		52.061
Less: HRA surplus		8.508
General Fund element of the surplus		60.569
Adjustments from accounting to funding basis (see Note 14):		
Capital Adjustment Account	(99.060)	
Insertion of items not included in the CIES that are funded from Council Tax*	30.601	
Capital Grants Unapplied Account	11.271	
Capital Receipts Reserve	38.144	
Financial Instruments Adjustment Account	(5.473)	
Pensions Reserve	(42.570)	
Collection Fund Adjustment Account	(3.439)	
Accumulated Absences	0.794	(69.732)
Transfers to Earmarked Reserves (see Note 15)		9.163
Increase in the General Fund		-

- * These items comprise the statutory provision for the repayment of debt (£24.656 million) and capital expenditure that is charged to the General Fund (£5.945 million).

3. The table at Appendix D analyses the key variances between income and expenditure reported in the CIES between 2017-18 and 2018-19.

Balance Sheet

4. The total net worth of the Council, the aggregate value of all of the assets and liabilities in the balance sheet, has reduced by £10.621 million in the year from £351.485 million to £340.864 million.
5. The decrease in net worth (summarised at the foot of the CIES) is represented by:

	£m
Deficit in the year on the provision of services	52.061
Actuarial Gain on Post Employment Benefit	(37.170)
Surplus on the revaluation of non-current assets	(10.592)
Deficit from investments in equity instruments	6.322
Total Decrease in Net Worth	10.621

6. **Capital expenditure** for the year totalled £135.631 million. The major areas of capital investment was in transport schemes including infrastructure, traffic management and integrated transport schemes; commercial, development and housing related activities with Advance Northumberland; school buildings including the commencement of the construction of new schools at Morpeth and Ponteland; Council housing stock and, fleet replacement.
7. **Investments** have decreased from £115.503 million to £44.938 million (see Balance Sheet). The Council's strategy in 2018-19 was to utilise its own investments and balances and reduce the need for external borrowing. This approach is financially advantageous when investment returns are lower than borrowing rates, as the foregone investment income is less than the interest that would otherwise be incurred if the Council borrowed money externally.
8. The value of **Assets Held for Disposal**, i.e. those assets no longer required by the Council that are being actively marketed for sale, has increased from £7.668 million to £8.075 million during the year (Note 26). This is due to assets in this category, with a value of £1.298 million being sold during the year, the transfer of assets with a value of £1.792 million into and out of this category, most notably Meadowdale Lane, Bedlington a potential residential development site (valued at £1.957 million), and the asset values decreasing by £0.087 million.
9. There have been a number of significant movements on **provisions** during the year (Note 30). These are liabilities where there is some uncertainty about the value and/or the timing of the payments to be made. The key movements in the year were:

- a. Equal Pay Back Pay – this provision was increased by £1.843 million to fund the estimated liability to HMRC relating to employer tax contributions, penalties and interest charges.
 - b. Active Northumberland Job Evaluation – a provision has been created for £0.863 million to cover the anticipated outstanding costs in relation to job evaluation for Active Northumberland which was agreed at the Council's Cabinet on 24 May 2019.
 - c. Repairs and Maintenance – a claim for dilapidation repairs was settled during the year and the unused balance of £1.648 million was returned to revenue as this was no longer required.
 - d. NNDR appeals – the overall provision has increased by £0.241 million from 2017-18; £2.334 million was used to settle claims in year and a further £2.575 million was set aside to fund claims that existed at 31 March 2019.
10. The **increase in the pension reserve** is due to the estimated liabilities following the McCloud judgement, partially offset by an improvement in the Actuarial assumptions used in the calculation of the pension liabilities. The effect of this is to increase the value placed on liabilities, which in turn increases the pension reserve. (Note 33).
11. The Council can earmark funds from the General Fund and the HRA balances to finance future expenditure plans. Overall, the Council's General Fund balance remained the same (see Movement in Reserves Statement); and, the earmarked General Fund and HRA reserves increased by £11.163 million (Note 15) during 2018-19. The key movements in these reserves is shown at Appendix E.

Pension Fund

12. The overall pension liability now totals £713.940 million. This is a increase of £6.480 million compared with the position at the start of the year. Full details of the Pension Fund can be found in note 33 in the Statement of Accounts.

Group Accounts

13. The Council had two subsidiary companies over which it exercises control, namely Advance Northumberland Limited and Arch Corporate Holding Limited.
14. On 13 November 2018 all assets, liabilities and shares of the Arch Group were transferred to Advance Northumberland Limited.
15. The consolidation of the Group entities has had an impact on the Council's Balance Sheet and the main areas are analysed at Appendix F.

IMPLICATIONS ARISING OUT OF THE REPORT

Policy: None.

Finance and value for The Statement of Accounts summarises the financial

money:	performance of the Council for the 2018-19 financial year, and shows its net worth as at 31 March 2019. The figures included in the Statement of Accounts must represent a true and fair view of the Council's financial position and the External Audit testing and opinion on these figures is a significant part of this process.
Human Resources:	There are no direct HR implications contained within this report.
Legal:	There are no direct legal implications contained within this report.
Procurement:	There are no direct procurement implications contained within this report.
Property:	There are no direct property implications contained within this report.
Equalities:	There are no direct equalities implications contained within this report.
Risk Assessment:	The risks within the preparation of the Statement of Accounts are well managed through the embedded processes in place. Once the accounts are signed off a full "lessons learned" review will be undertaken to inform arrangements for the 2019-20 year end.
Crime & Disorder:	There are no direct crime and disorder implications contained within this report.
Customer Considerations:	There are no direct customer consideration implications contained within this report.
Carbon Reduction:	There are no direct carbon reduction implications contained within this report.
Consultation:	Portfolio Holder for Corporate Services.
Wards:	All wards in Northumberland.
Background Papers:	Northumberland County Council Draft Statement of Accounts 2018-19

Report sign off:

Monitoring Officer/Legal	Liam Henry
Service Director - Finance	Alison Elsdon
Chief Executive	Daljit Lally
Portfolio Holder	Nicholas Oliver

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Page	Description	Changed from £'000	Changed to £'000
43	Comprehensive Income and Expenditure Statement		
	Finance		
	Gross Expenditure	139,582	165,472
	Net Expenditure	50,945	76,835
	Cost of Services		
	Gross Expenditure	775,730	801,620
	Net Expenditure	296,170	322,060
	(Surplus) or Deficit on Provision of Services		
	Gross Expenditure	920,535	946,425
	Net Expenditure	26,171	52,061
	Actuarial (Gains)/Losses on post employment benefits	(50,310)	(37,170)
	Other Comprehensive Income and Expenditure	(54,580)	(41,440)
	Total Comprehensive Income and Expenditure	(28,409)	10,621
44	Movement in Reserves Statement		
	(Surplus)/Deficit on the provision of Services		
	General Fund Balance	34,679	60,569
	Total Usable Reserves	26,171	52,061
	Total	26,171	52,061
	Other Comprehensive Income and Expenditure		
	Unusable Reserves	(54,580)	(41,440)
	Total	(54,580)	(41,440)
	Total Comprehensive Income and Expenditure		
	General Fund Balance	34,679	60,569
	Total Usable Reserves	26,171	52,061
	Unusable Reserves	(54,580)	(41,440)

Page	Description	Changed from £'000	Changed to £'000
	Total	(28,409)	10,621
	Adjustments between accounting basis & funding basis under regulations (Note14)		
	General Fund Balance	(43,842)	(69,732)
	Total Usable Reserves	(44,533)	(70,423)
	Unusable Reserves	44,533	70,423
	Net (Increase) Decrease before Transfer to Earmarked Reserves		
	Unusable Reserves	(10,047)	28,983
	Total	(28,409)	10,621
	Balance at 31 March 2019 carried forward		
	Unusable Reserves	(141,127)	(102,097)
	Total	(379,894)	(340,864)
45	Balance Sheet		
	Other Long Term Liabilities	(674,910)	(713,940)
	Long Term Liabilities	(1,413,685)	(1,452,715)
	Net Assets	379,894	340,864
	Unusable Reserves	141,127	102,097
	Total Reserves	379,894	340,864
46	Cash Flow Statement		
	Net Deficit on the provision of services	(26,171)	(52,061)
	Adjustments to net surplus or deficit on the provision of services for non-cash movements	101,830	127,720
51	Note 1 - Expenditure and Funding Analysis		
	Finance		
	Adjustments between Funding and Accounting Basis	18,561	44,451
	Net Expenditure in the CIES	50,945	76,835
	Net Cost of Services		
	Adjustments between Funding and Accounting Basis	131,415	157,305

Page	Description	Changed from £'000	Changed to £'000
	Net Expenditure in the CIES	296,170	322,060
	Total (Surplus) or Deficit General Fund and HRA		
	Adjustments between Funding and Accounting Basis	38,769	64,659
	Net Expenditure in the CIES	26,171	52,061
53	Finance		
	Net Change for the Pensions Adjustment	(2,371)	23,519
	Total Adjustments	18,561	44,451
	Net Cost of Services		
	Net Change for the Pensions Adjustment	(79)	25,811
	Total Adjustments	131,415	157,305
	(Surplus) or Deficit		
	Net Change for the Pensions Adjustment	17,681	43,571
	Total Adjustments	38,769	64,659
54	Note 2 - Expenditure and Income Analysed by Nature		
	Employee Benefit Expenses	304,125	330,015
	Total Expenditure	920,535	946,425
	(Surplus) Deficit on the Provision of Services	26,171	52,061
70	Note 14 - Adjustments between Accounting Basis and Funding Basis under Regulations		
	Reversal of items relating to retirement benefits debited or credited to the CIES		
	General Fund Balance	(57,211)	(83,101)
	Movement in Unusable Reserves	60,320	86,210
	Total Adjustments		
	General Fund Balance	(43,842)	(69,732)
	Movement in Unusable Reserves	44,533	70,423

Page	Description	Changed from £'000	Changed to £'000
100	Note 24 - Debtors		
	Short term – 31 March 2018		
	Central Government Bodies	19,653	15,685
	NHS Bodies	16,640	10,390
	Other Entities and Individuals	42,706	39,023
	Other Local Authorities	3,487	4,309
	Public Corporations and Trading Funds	3,100	5,493
	Total Short Term	85,586	74,900
107	Note 31 - Unusable Reserves		
	Pensions Reserve	(674,910)	(713,940)
	Total Unusable Reserves	141,127	102,097
109	Pensions Reserve		
	Return on plan assets	71,910	58,770
	Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the CIES	(60,320)	(86,210)
	Balance at 31 March	(674,910)	(713,940)
123	Note 34 Cash Flows from Operating Activities		
	Movement in pension liability	17,760	43,650
	Subtotal of non-cash movements	101,830	127,720
168	Group Comprehensive Income and Expenditure Statement		
	Finance		
	Gross Expenditure	139,517	165,407
	Net Expenditure	50,949	76,839
	Cost of Services		
	Gross Expenditure	825,998	851,888

Page	Description	Changed from £'000	Changed to £'000
	Net Expenditure	285,147	311,037
	Group (Surplus) or Deficit on Provision of Services		
	Gross Expenditure	982,626	1,008,516
	Net Expenditure	37,802	63,692
	Actuarial (Gains)/Losses on post employment benefits	(50,310)	(37,170)
	Other Comprehensive Income and Expenditure	(60,859)	(47,719)
	Total Comprehensive Income and Expenditure	(23,057)	15,973
169	Group Movement in Reserves Statement		
	(Surplus) Deficit on the provision of services		
	General Fund Balance	34,679	60,569
	Total Council Usable Reserves	26,171	52,061
	Total Group Reserves	37,802	63,692
	Other Comprehensive Income and Exp'd		
	Total Council Unusable Reserves	(54,580)	(41,440)
	Total Group Reserves	(60,859)	(47,719)
	Total Comprehensive Income and Expenditure		
	General Fund Balance	34,679	60,569
	Total Council Usable Reserves	26,171	52,061
	Total Council Unusable Reserves	(54,580)	(41,440)
	Total Group Reserves	(23,057)	15,973
	Adjustments between accounting basis and funding basis under regulations		
	General Fund Balance	(44,840)	(70,730)
	Total Council Usable Reserves	(45,531)	(71,421)
	Total Council Unusable Reserves	45,531	71,421
	Net (Increase)/Decrease before Transfers to Earmarked Reserves		
	Total Council Unusable Reserve	(9,049)	29,981

Page	Description	Changed from £'000	Changed to £'000
	Total Group Reserves	(23,057)	15,973
	(Increase)/Decrease in 2018-19		
	Total Council Unusable Reserve	(9,049)	29,981
	Total Group Reserves	(23,057)	15,973
	Balance at 31 March 2019 carried forward		
	Total Council Unusable Reserve	(140,129)	(101,099)
	Total Group Reserves	(427,676)	(388,646)
170	Group Balance Sheet		
	Other Long Term Liabilities	(674,910)	(713,940)
	Long Term Liabilities	(1,428,187)	(1,467,217)
	Net Assets	427,676	388,646
	Unusable Reserves	222,248	183,218
	Total Reserves	427,676	388,646
171	Group Cash Flow Statement		
	Net surplus on the provision of services	(37,802)	(63,692)
	Adjustments to net surplus or deficit on the provision of services for non-cash movements	116,604	142,494
174	Note 4 – Group Unusable Reserves		
	Pensions Reserve	(674,910)	(713,940)
	Total	222,248	183,218

Page	Description	Changed from £'m	Changed from £'m
66	Note 13 – Revenue Provision		
	The total provision for 2018-19 is	55.16	56.16

Page	Description	Changed from £'m	Changed from £'m
112	Set aside in relation to capital long term debtors	30.51	31.51
	Note 33 – Defined Benefit Pension Schemes		
	Transactions Relating to Post-employment Benefits		
	Past service cost		
	LGPS	(0.41)	(21.21)
	Firefighters	(1.77)	(6.86)
	Total	(2.18)	(28.07)
	Total post employment benefit charged to the surplus/deficit on the provision of services		
	LGPS	(49.03)	(69.83)
	Firefighters	(9.54)	(14.63)
	Total	(60.32)	(86.21)
	Return on plan assets (excluding the amount included in the net interest expense)		
	LGPS	71.91	58.77
	Total	71.91	58.77
	Total other post employment benefit charged to the CIES		
	LGPS	51.65	38.51
	Total	50.31	37.17
	Total charged to the CIES		
	LGPS	2.62	(31.32)
	Firefighters	(12.98)	(18.07)
	Total	(10.01)	(49.04)
	Reversal of net charges made to the surplus/deficit for the provision of services for post employment benefit		
	LGPS	49.03	69.83
	Firefighters	9.54	14.63
	Total	60.32	86.21

Page	Description	Changed from £'m	Changed from £'m
113	Financing and Investment Income and Expenditure		
	2015 Firefighters' Pension Scheme	0.00	(5.09)
	Total	(1.77)	(6.86)
	Total post employment benefit charged to the surplus/deficit on the provision of services		
	2015 Firefighters' Pension Scheme	(1.61)	(6.70)
	Total	(9.54)	(14.63)
	Total charged to the CIES		
	2015 Firefighters' Pension Scheme	(1.98)	(7.07)
	Total	(12.98)	(18.07)
	Reversal of net charges made to the surplus/deficit for the provision of services for post employment benefit		
	2015 Firefighters' Pension Scheme	1.61	6.70
	Total	9.54	14.63
114	Pensions Assets and Liabilities Recognised in the Balance Sheet		
	Present value of the defined obligation		
	LGPS	(1,605.95)	(1,626.75)
	Firefighters' Schemes	(204.54)	(209.63)
	Total	(1,875.08)	(1,900.97)
	Fair value of plan assets		
	LGPS	1,200.17	1,187.03
	Total	1,200.17	1,187.03
	Net liability arising from defined benefit obligation		
	LGPS	(405.78)	(439.72)
	Firefighters Schemes	(204.54)	(209.63)
	Total	(674.91)	(713.94)
115	Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligations)		

Page	Description	Changed from £'m	Changed from £'m
	Past Service Cost		
	LGPS	(0.41)	(21.21)
	2015 Firefighters' Pension Scheme	(0.00)	(5.09)
	Total	(2.18)	(28.07)
	Closing balance as at 31 March 2019		
	LGPS	(1,605.95)	(1,626.75)
	2015 Firefighters' Pension Scheme	(7.34)	(12.43)
	Total	(1,875.08)	(1,900.97)
116	Reconciliation of the movement in the fair value of the scheme (plan) assets:		
	The return on plan assets, excluding the amount included in the net interest expense	71.91	58.77
	Closing balance of scheme assets	1,200.17	1,187.03
	Local Government Pension Scheme assets comprised		
	UK and overseas equities	735.66	727.59
	Fixed Interest and index linked	311.45	308.04
	Property Unit Trusts	45.86	45.36
	Ventures and partnerships	100.81	99.71
	Other net current (liabilities)/assets	5.72	5.66
	Total	1,200.17	1,187.03
	All scheme assets have quoted prices in active markets except ventures and partnerships and other net current assets/liabilities		
	United Kingdom	293.45	290.22
	Europe	86.25	85.31
	North America	87.10	86.14
	Japan	41.82	41.37
	Pacific	42.83	42.36

Page	Description	Changed from £'m	Changed from £'m
	Other	184.21	182.19
	Total	735.66	727.59
118	Impact of the Defined Benefit Obligation in the Scheme		
	Longevity (increase or decrease in 1 year)		
	Increase in assumption	51.92	52.57
	Decrease in assumption	(51.37)	(52.07)
	Rate of increase in salaries (increase or decrease by 0.1%)		
	Increase in assumption	5.80	5.40
	Decrease in assumption	(5.74)	(5.40)
	Rate of increase in pensions (increase or decrease by 0.1%)		
	Increase in assumption	22.49	23.20
	Decrease in assumption	(22.16)	(22.91)
	Rate for discounting scheme liabilities (increase or decrease by 0.1%)		
	Increase in assumption	(27.85)	(28.24)
	Decrease in assumption	28.34	28.67
18	8 Group Results – Group Balance Sheet		
	Long Term Liabilities and Provisions	(1,428.19)	(1,467.22)
	Net Assets	427.68	388.65
	Unusable Reserves	222.25	183.22
	Total Reserves	427.68	388.65

Page	Area	Change
18	Written Statements and Narrative Report 7. Pension Deficit	The following sentence has been amended from "At 31 March 2019 the County Council's net liability for future pension costs was £674.91 million", to "At 31 March 2019 the County Council's net liability for future pension costs was £713.94 million".
18	8. Group Results	The following sentence has been amended from "The Group results show a deficit on the provision of services after taxation of £37.80 million", to "The Group results show a deficit on the provision of services after taxation of £63.69 million".
113	Transactions relating to post employment benefits	The following sentence has been amended from "The amount of actuarial gains and losses recognised in the CIES to the 31 March 2019 is a gain of £50.31 million", to "The amount of actuarial gains and losses recognised in the CIES to the 31 March 2019 is a gain of £37.17 million".
133	Note 40 - Contingent Liabilities	The McCloud judgement – this Note has now been removed as the Accounts have been amended to reflect the estimated impact of the McCloud judgement.
151	Note 45 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	<p>Pensions Liabilities</p> <p>Uncertainties</p> <p>The following sentence has been amended from "At 31 March 2019, the Council had a net pension liability of £674.91 million", to "At 31 March 2019, the Council had a net pension liability of £713.94 million"</p> <p>Effect if Actual Results Differ from Assumptions</p>

		<p>The following sentence has been amended from “The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £27.85 million”, to “The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £28.24 million”.</p>
167	Bodies Not Consolidated within the Group Accounts	<p>The following sentence has been added to this paragraph, “There has been no change in the relationship between Active Northumberland and the Council during 2018-19”.</p>
190/1	Notes to the Pension Fund Financial Statements Note 21 – Financial Instruments	<p>The wording in the tables “loans and receivables”, has been replaced with “Financial Assets at Amortised Costs”.</p>

Statement	Purpose
Comprehensive Income and Expenditure Statement	Provides a summary of the costs incurred and income generated by the Council during the year. Included within this figure are a number of notional charges and credits made to comply with recommended accounting practice. This net operating expenditure is then offset against income from local taxation; non-specific government grants; and, national non domestic rates, to give a surplus or deficit for the year. Surplus or deficits on revaluation of assets and liabilities are added to this to give the total comprehensive income and expenditure for the year.
Movement in Reserves Statement	Shows the movement in-year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. This statement takes the total comprehensive income and expenditure figure and reverses out notional charges and credits, such as depreciation and non-cash movements on the pension deficit, and shows the true amount of net expenditure that is required by statute to be financed from Council Tax.
Balance Sheet	Summarises the assets and liabilities held by the Council as at 31 March 2019.
Cash Flow Statement	Shows the inflows and outflows of cash associated with the Council's revenue and capital activities during the year.
Housing Revenue Account	Records revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants.
Collection Fund	Shows the income from Business Rates and Council Tax and how this income has been distributed.
Group Accounts	Consolidate the financial results of the Council with its subsidiaries: Advance Northumberland Group.

Statement	Purpose
Pension Fund Accounts	Summarise the income and expenditure of the Northumberland County Council Pension Fund and the Fire Fighters' Pension Fund and the balances as at 31 March 2019.

	2017-18 Net Expenditure	2018-19 Net Expenditure	Change	
	£m	£m	£m	
Adult Services	78.913	90.440	11.527	<p>The main reasons for the increase in net expenditure can be attributed to:</p> <ul style="list-style-type: none"> a. £2.895 million increase in Revenue Expenditure Funded by Capital under Statute: £1.790 million from Disabled Facilities Grant (formerly in the Place Directorate) and £0.838 million from Sea Lodge Bungalows. b. Increase in the cost of staffing of £2.247 million as a result of pay awards and increments; c. Increase in the cost of commissioned care of £7.240 million due to the continued upward growth in demand d. Additional government grant for winter pressures of £1.500 million which partly funded existing pressures within commissioned care.
Chief Executive	0.399	0.796	0.397	<p>The main reasons for the increase in net expenditure can be attributed to:</p> <ul style="list-style-type: none"> a. Three additional posts transferring to the Chief Executive service from other service areas.

	2017-18 Net Expenditure	2018-19 Net Expenditure	Change	
	£m	£m	£m	
Children's Services	59.464	60.537	1.073	<p>The main reasons for the increase in net expenditure can be attributed to:</p> <ul style="list-style-type: none"> a. A £2.314 million decrease in property values due to a downward revaluation in relation to Alnwick Duchess High and Netherton Northside Schools; b. A reduction in Revenue Expenditure Funded by Capital under Statute of £2.719 million compared to 2017-18; c. An increase in professional fees of £1.016 million due to the cost of the Regional Adoption Agency and the cost of alternative provision for excluded pupils as a result of a growing number of long term exclusions.
Finance	48.465	76.835	28.370	<p>The main reasons for the increase in net expenditure can be attributed to:</p> <ul style="list-style-type: none"> a. A reduction in Revenue Expenditure Funded by Capital under Statute of £1.525 million compared to 2018-19; b. A £9.884 million increase in revaluation losses due to the revaluations of Surplus Property; c. A reduction of £5.535 million in abortive fees costs charged to revenue. There was a transfer of abortive costs from capital

	2017-18 Net Expenditure	2018-19 Net Expenditure	Change	
	£m	£m	£m	
				<p>construction in progress to revenue of £5.530 million in 2017-18 following the Council decision not to relocate the Council Headquarters to Ashington;</p> <p>d. An increase in IAS 19 costs of £25.730 million after allowing for the estimated impact of the McCloud judgement. An explanation of IAS19 is shown within the notes section.</p>
Human Resources & Organisational Development	19.541	21.991	2.450	<p>The main reasons for the increase in net expenditure can be attributed to:</p> <p>a. A £0.421 million reduction in revaluation losses;</p> <p>b. £1.389 million increase in depreciation charges as a result of Museums and Art Centre assets moving from Corporate Resources to HR;</p> <p>c. The remainder is made up of small increases including spending on staffing and legal fees.</p>
Local Authority Housing (HRA)	(20.514)	(12.630)	7.884	The main reasons for the decrease in net expenditure can be attributed to revaluation gains of £7.160 million on Council dwellings.
Place	75.344	72.025	(3.319)	The main reasons for the decrease in net expenditure can be attributed to:

	2017-18 Net Expenditure	2018-19 Net Expenditure	Change	
	£m	£m	£m	
				<p>a. Increased recharges to the capital programme of £1.062 million due partly to receiving additional maintenance grant during the year to improve the condition of the highways network;</p> <p>b. Increased grant and external income of £2.567 million. There has been additional income from trade/garden waste, Section 38 agreements and additional European Social Fund grant income.</p>
Corporate Expenditure & Income	6.256	12.066	5.810	<p>The main reasons for the increase in net expenditure can be attributed to:</p> <p>a. £3.340 million impairment of shares in Arch following the transfer of assets, liabilities and trading operations to Advance Northumberland;</p> <p>b. An increase of £1.843 million in the Equal Pay provision.</p>
Other Operating Income & Expenditure	31.232	48.604	17.372	<p>The main reasons for the increase in net expenditure can be attributed to:</p> <p>a. The value of disposed assets was £21.015 million higher than the previous year, mainly due to the impact of four schools becoming Academies during 2018-19 (Bedlington County High School, Hexham Priory School, Darras Hall Primary School and Belsay First School);</p>

	2017-18 Net Expenditure	2018-19 Net Expenditure	Change	
	£m	£m	£m	
				<ul style="list-style-type: none"> b. The value of assets held for sale has reduced by £1.463 million; c. Higher capital receipts from Right to Buy disposals than the previous year of £2.604 million.
Financing and Investment Income and Expenditure	23.072	25.856	2.784	The reason for the increase in net expenditure can be attributed to a net increase in interest payable of £2.784 million; mainly in relation to a premium payment to the Royal Bank of Scotland following the early redemption of a loan (estimated lifetime savings exceeded the premium paid).
Taxation and Non Specific Grant Income	(338.696)	(344.459)	(5.763)	<p>The increase is mainly due to:</p> <ul style="list-style-type: none"> a. Locally raised tax income increased by £9.823 million largely as a result of additional Council Tax income due to the 4.99% increase (including the 2% increase for Adult Social Care) agreed during the 2018-19 budget setting process and an increase in the tax base; b. Grants reduced by £4.620 million due largely to a reduction in the Revenue Support Grant.
Surplus on Revaluation of Non-Current	(10.359)	(10.592)	(0.233)	During 2018-19, 283 assets were re-valued resulting in a net increase to the revaluation reserve of £10.592 million; a difference of £0.233 million compared to the net increase to the revaluation reserve in

	2017-18 Net Expenditure	2018-19 Net Expenditure	Change	
	£m	£m	£m	
Assets				2017-18 of £10.359 million (relating to 232 assets).
Deficit from investments in equity instruments designated at fair value through other comprehensive income	0.012	6.322	6.310	This relates to the downward revaluation of shares in Newcastle Airport. In order to comply with accounting regulations the Council needs to have the most up to date valuation of its shareholdings. The previous valuation was based upon the actual value paid by AMP back in 2012 when they secured 49% of the airport's shares. The new value to apply in the Council's accounts is based upon the most recent desktop exercise which tends to include higher levels of prudence.
Actuarial (Gains)/Losses on pension Assets/Liabilities	14.810	(37.170)	(51.980)	The actuarial gains/losses vary each year with changes in the assumptions used by the actuary to value pension liabilities. The reduction in net expenditure is due to actuarial gains from measurement of pension liabilities (under IAS 19) net of returns on pension fund assets increasing by £51.980 million when compared to the previous year.
Total Comprehensive Income and Expenditure	(12.061)	10.621	22.682	

Notes:

A revaluation gain or loss occurs where there has been an increase or decrease in asset values from one year to the next. Such movements have been volatile over the past two years because of the economic situation. The gains or losses are charged to relevant services in the CIES but statutory provisions allow them to be reversed so that they are not a charge to Council Tax payers.

Under certain circumstances capital expenditure can be financed through revenue. In these cases, a charge is still made to the CIES but this charge is reversed out of the General Fund Balance via a transfer from the Capital Adjustment Account in the Movement in Reserves Statement to neutralise the impact of the expense on the bottom line.

A gain or loss on disposal occurs when the consideration received on the sale of an asset is respectively greater than or less than the value that the asset has in the Council's books. The gains or losses fall to relevant services in the CIES but are not a charge to Council Tax.

The Council recognises (through IAS 19 adjustments) the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund (and Housing Revenue Account) via the Movement in Reserves Statement.

Reserve	Balance at 31 March 2018	Balance at 31 March 2019	Change	
	£m	£m	£m	
Council Transformation Fund	-	8.177	8.177	This reserve was established to fund projects that will realise the transformation ambitions of the Council.
Estates Rationalisation	12.600	11.519	(1.081)	This reserve was created to cover the future costs arising from the Council's estates rationalisation programme. The balance at 31 March 2019 has been aligned with future anticipated costs associated with the programme.
Insurance	7.227	8.263	1.036	The insurance reserve was first established in 1974 and has accumulated over the years' by charging services a higher premium than that paid to the Council's insurers. The additional premiums are used to cover those risks not insured externally. In any particular year, claim settlements resulting in payments out of the insurance fund can exceed or be less than premiums collected so that the level of the reserve may decrease or increase in year.
Invest to Save	12.298	10.784	(1.514)	The money set aside within this reserve is to fund initiatives which will in the future deliver revenue savings for the Council.
Northumberland Newcastle Rail Line	-	3.460	3.460	This reserve was established during 2018-19 to fund the feasibility costs of the next stage of the business case and was approved by Full Council on 1 May 2019.

Reserve	Balance at 31 March 2018	Balance at 31 March 2019	Change	
	£m	£m	£m	
Northumberland Sport	-	0.355	0.355	Northumberland Sport is hosted by the Council but is governed by an independent Board which operates under agreed Terms of Reference. The hosting arrangements for Northumberland Sport transferred from Active Northumberland on 1 June 2018 and the balance of funds held by Northumberland Sport on 31 March 2019 totalled £0.355 million.
Regeneration Additional Capacity	-	0.660	0.660	This reserve was established during 2018-19 to fund additional capacity in regeneration for 3 years.
Regeneration Development	-	2.550	2.550	This reserve was established during 2018-19 to fund the development of priority regeneration and economic growth projects. This was agreed at Cabinet on 9 April 2019.
Section 106 Reserve	5.629	5.814	0.185	Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as Section 106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development and are often referred to as 'developer contributions'. Common uses include Affordable Housing Schemes, Highway contributions or contributions to Sport and Play Provision. The monies are held until the particular provision is undertaken. During 2018-19

Reserve	Balance at 31 March 2018	Balance at 31 March 2019	Change	
	£m	£m	£m	
				£2.743 million was received from developers with £2.558 million used to fund schemes.
Social Fund	-	0.900	0.900	This reserve was established during 2018-19 to replace the recurrent revenue budget which has funded this service in the past. The reserve represents funds set aside to provide crisis support to families in Northumberland. This can be in the form of Emergency Support where there is an immediate need for items or services as a result of an exceptional event or unforeseen circumstances, or, for Transitional Support in periods of change, such as helping families remain in the community or move back into the community after a period in supported or unsettled accommodation.
Strategic Management	51.987	46.753	(5.234)	A total of £5.234 million was utilised in 2018-19 comprising £3.235 million in order to balance the budget as agreed as part of the setting of the 2018-19 budget, and £2.000 million was set aside to create a Regeneration Development Reserve. The Council approved the use of £2.102 million of this reserve to fund non-recurrent pressures over the term of the Medium Term Financial Plan 2019-22 at its budget meeting on 20 February 2019.

Reserve	Balance at 31 March 2018	Balance at 31 March 2019	Change	
	£m	£m	£m	
HRA – Capital Investment	-	2.000	2.000	An Earmarked Reserve has been created in line with the HRA budget approved by the Council on 21 February 2018 to fund the development and delivery of a housing development plan.

Balance	Council only £m	Group £m	Change £m	Notes
Property, plant and equipment	1,339.357	1,348.492	9.135	Advance Northumberland holds a number of assets categorised as Property, plant and equipment. The gross value of these assets at the start of the financial year within Advance was £12.177 million. In year there has been £10.471 million worth of additional assets purchased, and £12.300 million decrease due to reclassifications, and a cumulative total of £1.213 million of depreciation charged. The closing value of Property, plant and equipment held by Arch is £9.135 million.
Investment property	1.531	295.448	293.916	Advance Northumberland holds a number of social housing investment properties. The value of investment property at the start of the financial year within Advance Northumberland was £290.800 million. In year there has been £2.986 million worth of additional assets purchased, £3.931 million worth of assets disposed of and asset revaluations and reclassification have resulted in an increase of £4.061 million. The closing value of investment property held by Advance Northumberland is £293.916 million.
Long Term Debtors	412.085	135.094	(276.991)	There is a reduction on consolidation as NCC has long term loans outstanding of £276.991 million with Advance Northumberland.
Work In Progress	0	30.834	30.834	Assets under construction represents ongoing residential and commercial development schemes and Ascent Homes new builds.
Short Term Creditors	(65.739)	(71.909)	(6.170)	£5.341 million of the increase relates to accruals and deferred income. There is also a reduction on consolidation of £3.834 million as Advance owed NCC for investment interest at 31 March 2019.

Long Term Creditors	(74.415)	(83.509)	(9.094)	Advance Deferred taxation Provision of £9.094 million. The provision mainly consists of revaluation/chargeable gain timing differences.
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