

Statement of Accounts

2019-20

Final



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Telephone 0845 600 6400

Text Phone 01670 542521

Typetalk 018001 0845 600 6400

Email ask@northumberland.gov.uk

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Leader's Introduction



Introduction to the Statement of Accounts by the Leader of Northumberland County Council, Councillor Glen Sanderson

I am delighted that the Council has overseen another 12 months of ambitious investment, development and growth across the county.

We are closer than ever to delivering transformational projects such as the reopening of the Northumberland Line, running passenger rail services from the south east of the county to Newcastle.

New state-of-the-art education centres are being built as we spend £154 million on schools to improve prospects for all and create the cornerstones for a strong economy for our future generations.

In June 2019 we declared a climate emergency, with a commitment to halve our carbon footprint by 2025 and make the county carbon neutral by 2030. We're investing millions in green technology to make this happen.

Work is also progressing on the £345 million Borderlands Inclusive Growth Deal which brings together the Government, partners and the five cross-border local authorities to make the area more attractive to investors, visitors and those who may wish to relocate.

The Government's first funding announcement through the Borderlands Deal was up to £5 million investment in Northumberland and there's lots more in the pipeline.

Looking ahead, we are more ambitious than ever to invest in our county's future. We are going to deliver on the biggest capital investment programme that Northumberland has ever seen, with a targeted £678 million programme of investment and development across our county - from housing, to roads and state of the art leisure facilities.

Other challenges remain. We are all ageing and living longer and our health and social care services need to reflect this. We know that it can be tough for young people to access learning and source a good job, while too many households continue to feel hardships.

We remain committed to tackling these issues and know sound financial decision making is critical to this.

And this year, the country finds itself in unprecedented times, in the grip of the coronavirus pandemic which has seen restrictions on everyone's lives, and every single area of business. While these are very

challenging times for all of us, I know we will come out of it stronger with a bright future ahead.

You have my clear commitment that we will continue to be clear and transparent in everything we do. I want to give you my personal assurance that we will continue to adopt a robust business planning approach to how we make future investment decisions.

I hope you find this year's Statement of Accounts useful and informative.

Councillor Glen Sanderson
Leader of Northumberland County Council

Written
Statements and
Narrative
Report

About the County of Northumberland

Northumberland is the northernmost county in England, bordering Cumbria to the west, County Durham and Tyne and Wear to the south and Scotland to the north.

The county was once known as "The Kingdom of Northumbria" and was the largest kingdom in Britain. It stretched from the Firth of Forth in Scotland to the River Humber (hence 'north-Humber-land').

Northumberland officially has the largest protected area of night skies in Europe, with the sky above Northumberland National Park and Kielder Water & Forest Park being awarded the Gold-tier International Dark Sky status.



About the Council



9,329 staff employed by the Council.



We have **30 libraries** with 74,047 members and 712,326 issues.



There were **500,000 swims** in **10 pools**.



8 million residential bins were emptied.



We have **47,247 streetlights**.



We maintain **5,100 km of roads** and 2,000 km of footways together **with over 4,200 structures** including 1,263 bridges, 1,363 culverts and over 1,500 retaining walls.



Northumberland County Council has been named **one of the most inclusive employers in Britain** by lesbian, gay, bi and trans equality charity Stonewall in its Top 100 Employers list for 2020, now at 34 in the ranking climbing from 86 in 2019. The authority has been ranked the third highest scoring local authority in the country.



Our adult social care services helped more than 20,000 people in Northumberland.



Over 20,000 people received information, advice, support and services on adult social care.



89% of older people were still living independently three months after being discharged from hospital into reablement services.



96% of the Council's Short Term Stay Service (STSS) referrals **did not go on to long-term services**.



21% of under 2's in the 30% most deprived areas regularly access children's centres.

93% of all eligible 2 year-olds took up their statutory entitlement to early education.

98% of parents got their first choice of primary school.

Political Structure

Northumberland County Council is made up of 67 elected members, each representing constituents within an area of Northumberland.

The political structure of the Council at 31 March 2020 is shown below:

Party	Seats
 Conservative	32
 Labour	23
Non-aligned	5
 Liberal Democrat	3
Independent	3
Vacant	1

Financial Picture

In common with the rest of Local Government, the Council has faced significant cuts in funding in recent years, resulting in revenue budget reductions as below:

Delivered	Approved	Required
£229.40 million between 2009-10 and 2019-20	£9.80 million for 2020-21	£12.02 million up to 2021-22

Management Structure

The Executive management structure of the Council is shown below. The full structure can be viewed on the Northumberland County Council website.



* post in yellow is a secondment from another organisation.

Written Statements and Narrative Report

Narrative Report

1. Corporate Plan 2018-21

The Council's Corporate Plan, "A Council that works for everyone", was approved in February 2018 and is the Council's main strategic planning document, providing a framework for the delivery of all services. It is a clear statement of the Council's vision, strategic aims and policy priorities for the period to 2021 and informs both the Medium Term Financial Plan and the Service Statements against which the Council's performance service by service are measured.

The Council's vision focuses on *"making Northumberland a County which you regard as a great place to live, and in which you can access the things you enjoy, whilst having the opportunity to learn and thrive."*

The overall vision for the Council is underpinned by a number of organisational values:

- Ensuring our services are customer focused;
- Supporting communities and staff to embrace change and innovation;
- Involving communities and staff in decisions which affect them;
- Supporting communities to feel safe; and,
- Creating a healthy and positive working environment.

The Council's Corporate Plan and Service Statements can be accessed in full at:

[Northumberland County Council Corporate Plan and Service Statements](#)

2. Medium Term Financial Plan and Future Financial Prospects

The Council approved the Medium Term Financial Plan for 2020-21 to 2021-22 in February 2020 to support the objectives contained within the Corporate Plan whilst implementing budget reduction measures of £21.82 million over the same period. The first year of the plan is based on a one year settlement with central government.

The funding landscape after this point is more unclear with a fundamental change to the way in which local government is financed on the horizon. This includes a revised relative needs formula and more emphasis on locally raised revenue in place of government grants. The delay to the Comprehensive Spending Review until the Autumn of 2020 means that there will be little certainty over the Council's longer term funding outlook and this will need to be carefully managed as the Council considers the recovery actions it needs to take and commit to. In addition, the Fair Funding Review and move to 75% Business Rate Retention have been delayed again with an earliest implementation date of 2022-23. The outcome of these reviews will determine the quantum of funding available to local government and the share available to the Council. The added uncertainty brought about by the exit from the European Union will compound these issues.

Due to this uncertainty there is a risk that the level of income in the Medium Term Financial Plan is overestimated, or the level of expenditure required to fund service provision is underestimated; both of which would have an impact on the level of savings required to balance the budget.

The COVID-19 outbreak will have a significant financial impact on the Council in 2020-21 and the recovery will take place over a number of years. The Medium Term Financial Plan was prepared before the outbreak of the COVID-19 pandemic and therefore the assumptions in the plan will need to be revisited in light of this in order to determine any measures required to balance the budget over the period.

The Council began to experience the impact of the outbreak in March 2020 when a number of front-line service facilities were closed and supplier relief began to be provided to key contractors. There has been an increase in

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Narrative Report

claims for Local Council Tax Support and expected reductions in business rate income due to business closures, council tax and service income. Consequently, the Council will suffer significant reductions in income in 2020-21 and beyond the government has recently announced that it will find some but not all 'lost income'.

The Council's spending has also significantly increased to cope with the outbreak. COVID-19 financial support has been received from government to fund the additional cost pressures. However, at this point in time it is not known if this funding is sufficient.

This represents a financial risk to the Council that will form part of future medium term financial planning.

The Council's Medium Term Financial Plan can be accessed in full at:

[Northumberland County Council Medium Term Financial Plan](#)

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Narrative Report

3. Revenue Budget and Outturn

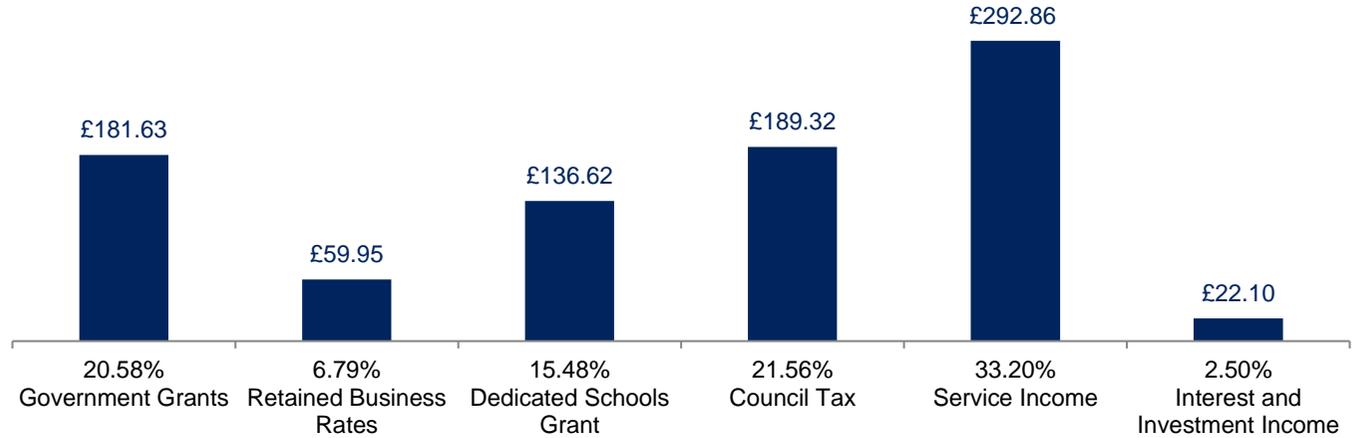
The Council approved a net revenue budget of £297.89 million for 2019-20. Budget reduction measures and other savings totalling £12.80 million were needed in order to arrive at a balanced position. Revenue budget monitoring is reported to the Cabinet and is regularly reviewed by the Executive Team. The final outturn, after accounting for transfers to earmarked reserves and provisions of £0.88 million as agreed by the Cabinet on 9 June 2020, was an underspend of £1.49 million which was transferred to the Council's General Fund Reserve as shown in the table below:

Service	Original Budget £000	Final Budget £000	Outturn £000	Variance £000
Adult Social Care & Commissioning	92,910	95,645	95,752	107
Chief Executive	1,819	1,749	1,522	(227)
Children's Services	60,447	65,024	69,002	3,978
Finance	36,266	53,110	52,248	(862)
Human Resources	17,996	23,750	23,282	(468)
Place	77,961	76,512	77,667	1,155
Total Services	287,399	315,790	319,473	3,683
Corporate Items	38,523	(41,527)	(44,862)	(3,335)
Treasury Management	(26,610)	(26,610)	(26,051)	559
Capital Financing	(1,414)	100,104	99,161	(943)
Total Net Expenditure	297,898	347,757	347,721	(36)
Funded by:				
Council Tax	(188,947)	(188,947)	(188,947)	-
Retained Business Rates (including S31 Grants)	(66,943)	(66,943)	(68,358)	(1,415)
Top Up Grant	(19,358)	(19,358)	(19,358)	-
Other Corporate Grants	(20,722)	(20,722)	(20,766)	(44)
Use of Earmarked Reserves	(1,928)	(2,559)	(2,559)	-
Amortisation of Government Grants	-	(49,228)	(49,228)	-
Total Funding	(297,898)	(347,757)	(349,216)	(1,459)
Net Total	-	-	(1,495)	(1,495)

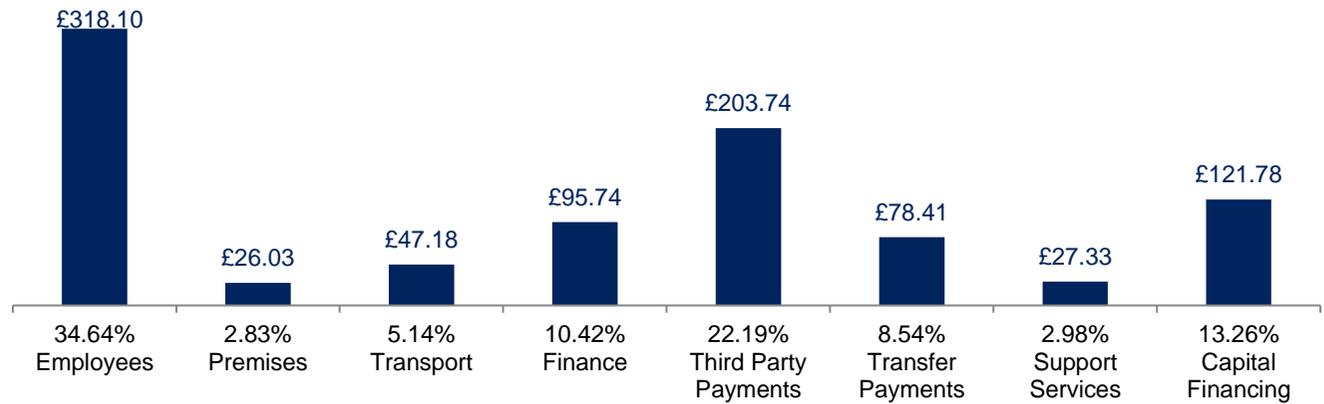
The main reasons for the underspend were:

- increased demand for out of county residential placements resulted in an overspend within Children's Services;
- additional spend on winter services of £1.03 million resulted in an overspend within Place;
- within Corporate items there was an underspend in relation to the contingency budget (£2.96 million); and,
- additional Section 31 Grants in relation to Business Rates along with a share of the national levy account surplus led to a £1.46 million underspend within Corporate Funding.

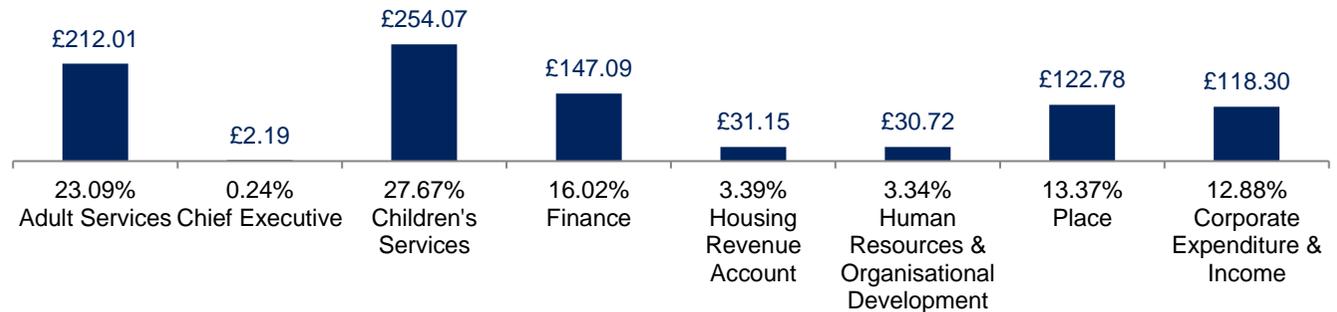
Where the money comes from*



What the money was spent on*



What services were provided?*



*All values are shown in millions

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4. Capital

Capital Outturn and Three Year Budget Plan

The following table shows capital expenditure by service area for 2019-20 and the Council's three year plan as per the current Administration from 2020-21 to 2022-23:

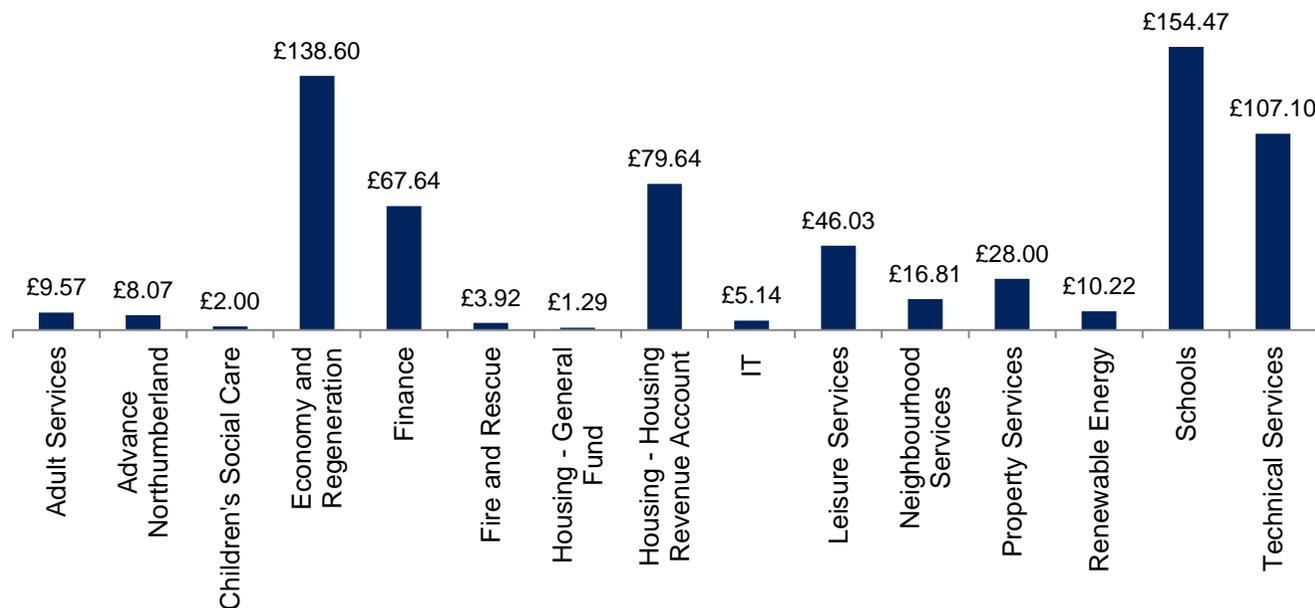
	Original Budget 2019-20 £000	Outturn Budget 2019-20 £000	Outturn 2019-20 £000	Budget 2020-21 £000	Budget 2021-22 £000	Budget 2022-23 £000	Total Budget £000
Expenditure							
Adult Services	4,320	2,286	1,883	2,224	4,850	2,500	9,574
Advance Northumberland	6,954	14,177	14,145	4,746	3,322	-	8,068
Children's Social Care	200	2,016	1,258	700	1,300	-	2,000
Economy and Regeneration	6,259	1,569	1,504	12,847	62,601	63,152	138,600
Finance	32,948	24,950	11,013	29,652	19,722	18,266	67,640
Fire and Rescue	1,254	944	139	2,067	1,055	801	3,923
Housing - General Fund	245	208	59	892	400	-	1,292
Housing - Housing Revenue Account	11,216	8,591	8,787	27,027	26,191	26,425	79,643
IT	250	924	2,856	3,961	1,180	-	5,141
Leisure Services	2,000	2,231	5,033	18,041	25,986	2,000	46,027
Neighbourhood Services	9,612	9,739	6,848	6,959	5,312	4,537	16,808
Property Services	9,156	8,972	8,176	8,864	12,940	6,200	28,004
Renewable Energy	1,000	1,464	532	4,627	4,382	1,207	10,216
Schools	39,821	33,893	44,146	71,039	64,518	18,914	154,471
Technical Services	33,771	37,889	33,167	41,290	43,255	22,553	107,098
Total Capital Expenditure	159,006	149,853	139,546	234,936	277,014	166,555	678,505
Funding							
Borrowing - General Fund	90,923	85,420	80,012	149,771	173,703	71,177	394,651
Borrowing - Housing Revenue Account	-	-	-	5,940	6,250	6,250	18,440
Capital Receipts	4,343	4,343	4,929	4,671	2,400	2,400	9,471
External Grants	51,872	50,847	44,662	57,663	78,165	69,998	205,826
HRA Contributions	11,113	8,488	8,598	16,136	15,741	15,975	47,852
Revenue Contributions	755	755	1,345	755	755	755	2,265
Total Funding	159,006	149,853	139,546	234,936	277,014	166,555	678,505

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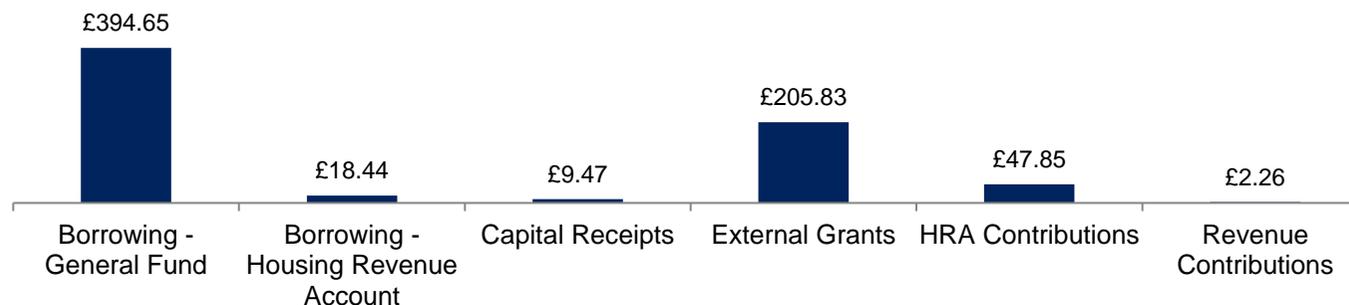
Three Year Capital Programme*

The Council agreed to embark on a three year capital programme totalling £678.50 million to show its commitment to boosting the local economy, assist in the creation of employment opportunities and create new infrastructure, transport links, regeneration and a wider choice of housing. A comprehensive schedule of capital schemes is included in Appendix 12 of the Council's Budget 2020-21 and Medium Term Financial Plan 2020-22 report at: [Northumberland County Council schedule of capital schemes](#)



Capital Funding 2020-21 to 2022-23*

The Capital programme is funded through a number of sources including external grants, capital receipts, contributions from the general fund, housing revenue account and borrowing. Examples of external grants include the Local Transport Plan, Pothole Fund, Schools' Capital Investment Fund, Disabled Facilities and other sources.



*All values are shown in millions

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5. COVID-19 Impact on the Council

The COVID-19 outbreak spread rapidly across the world and was declared a global pandemic on 11 March 2020. As at 29 June 2020, 215 countries/territories had been affected; there were 10,249,890 confirmed cases globally; and 504,491 confirmed deaths. In the UK, there were 311,151 confirmed cases and 43,550 confirmed deaths and in Northumberland, there were 1,451 confirmed cases and 268 confirmed deaths.

The COVID-19 pandemic is one of the most profound challenges society has faced. Previous pandemics of other infectious diseases have lasted for years and with effective coronavirus vaccines yet to be produced, it is anticipated that society will be affected by COVID-19 for some time to come.

The COVID-19 pandemic has required a strategic and operational co-ordinated crisis response by significantly shifting the focus of Council activities to support those residents who are most vulnerable. This has been done by the Council using its own resources, working with wider agencies, voluntary and community sector colleagues and also as part of the wider Northumbria Local Resilience Forum public service response to the emergency.

Council services have been prioritised to support the most vulnerable residents, many resources, functions, plans, programmes and work have had to be reorganised and reprioritised on a regular basis (sometimes day by day) in order to ensure that Northumberland as a county has had a safe response and that the Council has been able to respond to a wide range of guidance and legislation.

As well as supporting the Northumbria Local Resilience Forum and regional health partnerships, the Council has focussed upon the following, as key features of its own response plan:

- public health and overall planning and response to the pandemic;
- population health management;
- community support;

- social care and commissioning;
- support to businesses;
- education and children's services;
- business continuity;
- human resource management;
- testing;
- recovery planning including physical and mental health.

In responding to the pandemic, the Council:

- developed overall planning arrangements, translating World Health Organisation and government guidance into local action and support, underpinned by dedicated intelligence and data analysis, public health practitioner advice, communications and human resources management;
- launched the Northumberland Communities Together service on 18 March where those with less complex needs could 'self-serve', and find their own support, without the need for further help. Since launching the service nearly 8,000 enquiries have been received and over 1,000 residents have registered to support volunteering activities across the county. The service has made more than 14,500 outbound calls to shielded residents;
- delivered over 3,300 urgent food parcels to bridge the National Doorstep Delivery system;
- introduced enhanced support for residents affected by domestic abuse, homelessness and drug and alcohol problems, all of which have been exacerbated by the pandemic;
- utilised the Council's Welfare Assistance Scheme to provide emergency financial assistance for those in crises;
- implemented the COVID-19 Hardship Fund to provide up to an additional £150 council tax relief to 17,902 council tax payers in receipt

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- of council tax support (over £2.05 million) and arranged individually with council tax payers in financial hardship for their payments to be deferred and spread across the remainder of the financial year;
- agreed standard 5% funding increases during the crisis for residential, nursing, supported living and home care providers and have offered support beyond that on an ad hoc basis for providers who have incurred COVID-19 related costs in excess of the 5%;
- issued over 1.146 million pieces of PPE to the social care sector on an emergency basis including the PPE coordinated and issued on behalf of the Northumbria Local Resilience Forum and;
- established multi agency infection prevention and control support to assist care homes to prevent and tackle infection outbreaks;
- supplied 100% of fluid resistant mask requirements during the crisis for all older persons residential and nursing home services, as well as all home care services since the middle of April;
- supported over 7,000 businesses with total grant payments of over £87.00 million;
- recalculated the business rates bills of just under 3,000 businesses, applying business rate reductions and discounts totalling over £37 million;
- introduced immediate supplier payments;
- provided funding of over £5 million to Ofsted-registered Early Years settings to enable them to continue to provide free childcare for critical workers who currently access a funded place. On the snapshot date of 29 April 2020, approximately 202 early years settings were open providing childcare to 418 children of key workers and 69 vulnerable children;
- prioritised and maintained service delivery wherever possible, which has involved the redeployment, training and development of staff;

- developed comprehensive emergency human resource guidance, a social distancing policy and comprehensive physical and mental health support packages for staff;
- developed access to rapid local testing for Council and social care staff, supported the roll-out of testing via the National Testing Programme and developed regional and local contact tracing arrangements.

The Council's focus has now turned to restoring Council services and laying the foundations for recovering from the pandemic. The Director of Public Health is leading on the development and delivery of the Council's Local Outbreak Prevention and Control plan, the purpose of which is to prevent the spread of COVID-19; early identification and proactive management of local outbreaks; coordination of capabilities across agencies and stakeholders; and to assure the public and stakeholders that this is being effectively delivered.

While there is a possibility that there may be secondary outbreaks and pandemic peaks, recovering from COVID-19 will set the context for future community and Council planning and decision-making in the county.

A paper providing a summary of the Council's work to date on its COVID-19 response was presented to the Cabinet meeting on 23 June 2020 and can be accessed in full at:

[COVID-19: Northumberland County Council Response](#)

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6. Performance

The Council agreed its Corporate Plan for 2018-21 alongside its medium-term financial plan and budget for 2019-20 and identified priority areas as:

- We want you to feel safe, healthy and cared for [Living];
- We want you to love where you live [Enjoying];
- We want you to have access to the things you need [Connecting];
- We want you to achieve and realise your potential [Learning]; and,
- We want to attract more and better jobs [Thriving].

During 2019-20 there have been significant achievements against these priorities.

We want you to feel safe, healthy and cared for [Living]

Within children's social care, we prioritise getting the right service to the right family at the right time with a focus on meeting the needs of children, young people and families so that they get the best out of life. We try to support children and families at the lowest appropriate level of intervention to meet their needs and ensure any risks to children are managed as safely and as promptly as possible.

We have continued to develop the multi-agency front door service, with the implementation of the multi-agency safeguarding hub (MASH) ensuring that relevant information is shared promptly to ensure that the most appropriate service is offered to children and families in a timely way.

There has been an investment in and development of early help services and for most families with whom we have worked through early help, this has ensured that identified needs have been met without escalating to higher levels of service. Between 90 and 100 early help assessments are initiated every month and 13,250 children under 5 (out of a total under 5 population of 14,360) are registered with a Sure Start children's centre.

Where children and families do require a social work service, we have improved the stability of our social work workforce through a range of measures meaning that children and families do receive a more consistent

service, although there do remain areas of challenge and high demand. At any one time, the social work services will be working with around 1,750 children in need.

434 children and young people were in the care of the local authority as at March 2020, working out as 73 per 10,000. Where children do need to be in care, the majority of those children (67%) are placed within 20 miles of their home address, which is much higher than the national average (52%). This means that they are more likely to maintain their existing networks of family, friends and services.

We have increased the numbers of children who are placed with our own local authority foster carers, reducing the use of external independent foster placements. Four of our residential homes (including the secure unit) are judged to be good or outstanding with one requiring improvement. We place children who need to be adopted in a more timely way than comparator authorities and also place more older children successfully for adoption. We continue to work with and oversee the effectiveness of the regional adoption agency Adopt North East which has now been in operation since December 2018.

Children's social care services were inspected by Ofsted under the inspection of Local Authority Children's Services (ILACS) framework in January 2020 and were judged to be good in all areas having previously been judged to require improvement in 2016.

Our adult social care services helped more than 20,000 people in Northumberland. 88% of older people were still living independently three months after being discharged from hospital into reablement services and 96% of the Council's Short Term Stay Service (STSS) referrals did not go on to long-term services.

Following the transfer of Public Health from the NHS to the Council in 2012, the health and wellbeing of people living in Northumberland continues to improve. As well as increases in life expectancy and years of life in good health, people in Northumberland in general have high levels of happiness and low levels of anxiety. Investment has continued in a range of public health services including sexual health and contraception

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services, 0-19 years public health services, exercise referral, drug and alcohol services and stop smoking schemes. Leisure and cultural activity contribute to both the wellbeing and quality of life of local communities.

The Council has allocated £46.03 million to support the construction of new Leisure Centres for Berwick and Morpeth, and also to enable significant upgrading of both the wet and dry areas of Blyth Sports Centre.

The County's sports and leisure centres received almost 1.60 million visits with 373,000 attending Fitness Classes, 483,000 using gym facilities and 370,000 people taking part in swimming activity.

The Council remains committed to increasing the supply of both affordable and specialist supported housing and it has been recognised and agreed by the North of Tyne Combined Authority that affordable rural housing is a priority for Northumberland. The overall ambition is to deliver up to 1,000 new council homes for rent, to support the needs of our communities.

Delivering our Safe and Well-Being Programme, our fire and rescue service ensures visits are underpinned by a robust risk model that helps us to target those most at risk of having a fire in their home. During 2019-20 we completed 7,665 safe and well-being visits and fitted 5,541 smoke alarms. As an element of proactive education, 227 school visits were undertaken by the fire service in 2019-20 resulting in safety and prevention messages being delivered directly to 13,685 young people. During 2019-20 our firefighters attended 142 dwelling fires, and sadly two people lost their lives. However, we continue to refine our risk model, and since 2003 we have reduced accidental dwelling fires by 46%, reducing them by a further 2% between 2018-19 and 2019-20. We have also reduced injuries from primary fires by 92% since 2003 and continued to improve this in 2019-20.

As a member of the Multi Agency Safeguarding Hub (MASH) our fire and rescue service raised a total of 117 adult concern notifications with our safeguarding colleagues. In total, 93% of these notifications have led or contributed to positive action, helping vulnerable people to get the support they need to live safe and healthy lives.

To contribute to ensuring the safety of people entering publicly accessible buildings or workplaces our fire service conducted 427 fire safety audit inspections in 2019-20 to provide fire safety advice and guidance and to ensure compliance with building regulations and legislation.

The Council continues to support low income households by ensuring that housing benefit and council tax support applications and changes of circumstances are monitored and prioritised to ensure claims are as accurate and up to date as possible.

The average time for processing new Housing Benefit applications was 5.1 days in 2019-20; and performance in dealing with changes in circumstances was 4.7 days.

The Council has installed first time central heating into 34 Northumberland residents' homes who were eligible under the fuel poverty assessment.

We want you to love where you live [Enjoying]

The Council is preserving and improving Northumberland; embracing diversity from the rural areas, the coastline, national park, market towns and other urban areas. The Council's parks continue to achieve Green Flag status and the Tour of Britain cycle race swept through Northumberland in September 2019 showcasing the County internationally, attracting teams, visitors and television viewers from across the world.

During 2019-20 over 200,000 people attended the four Northumberland County Council supported arts centres with a further 64,000 participating in Northumberland County Council supported arts development activity. Museums Northumberland welcomed almost 74,000 visitors to the four museums over the period.

Nine Parks were awarded Green Flag status: Ridley Park, Dr Pit Park, Astley Park, Alexandra Park, Carlisle Park, Hexham Park; Castle Vale and Coronation Park, Plessey Woods Country Park and Bolam Lake Country Park.

The proportion of fly-tips removed from public areas within three days has increased from 96% in 2018-19 to 97% in 2019-20. 86% of urgent carriageway defects were made safe by the next working day. The rate of

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missed bin collections has continued to reduce from 95 per 100,000 in 2015-16 to 27 in 2019-20. The percentage of street lighting faults attended to within four days was 98% in 2019-20, up from 89% in 2018-19.

We want you to have access to the things you need [Connecting]

The Council is securing new support through devolution with the North of Tyne Combined Authority. The North of Tyne Devolution Deal includes a £600 million additional investment fund. The deal also includes a commitment to work together to deliver the Northumberland Line.

To support rural growth, the Borderlands partnership (which includes Northumberland and Cumbria councils and councils in the Scottish Borders) has secured a combined commitment to a £345 million deal from the UK and Scottish Governments with predicted £1.3 billion return on the Government's investment securing a 10-year investment package.

Over 150,000 households and businesses in Northumberland are now able to connect to fibre broadband as a result of the Council's £23.00 million iNorthumberland programme and BT's commercial roll-out of the high-speed technology. The recently approved Local Full Fibre Network (LFFN) programme will introduce gigabit-speed broadband connectivity across the county to 270 sites over the next 24 months.

During 2019-20 the County Library Service welcomed 10,485 new members. The service provided 604,000 non digital issues and also enabled 47,000 digital issues.

Although sickness absence continues to be above the Workforce Committee's target of 7.5 days per full time equivalent (FTE); sickness absence improved in 2019-20. The annual cost was £4.02 million (£4.14 million in 2018-19), and, the average number of lost days was 10.6 per FTE (11.36 per FTE in 2018-19). During 2019-20 80.80% of all staff had a performance appraisal recorded. This is below the expected level of performance of at least 85% and represents a small drop from the previous year (83.52%).

For 2019-20 we had a highly successful set of achievements in relation to Statutory and Mandatory Training, which has been well embedded across

the organisation. The overall completion rate for the Council as at 31 March 20 was 88.42%.

Over £20 million was invested in the period 2015-20 in the renewal of vehicles and plant used in the delivery of key frontline services and the Council is planning a further £17 million in the next two year period to 2022.

We want you to achieve and realise your potential [Learning]

Working with parents, governors and schools, the Council is committed to driving improvements in Northumberland's schools. This has resulted in the vast majority of our early years providers being judged as good or outstanding by OFSTED and more children than at any time in the last ten years being educated in a good or outstanding first or primary school. Fewer older pupils in Northumberland attend a good or outstanding secondary school than nationally but this issue is being addressed as a matter of urgency through a programme of support and challenge in maintained schools and strong partnership working with our academies.

Stronger schools produce better outcomes for children and young people. The overall achievement of pupils in our schools in summer 2019 was encouraging with attainment in both the Early Years Foundation Stage and Key Stage 1 in the top 20% nationally. Attainment in the Key Stage 2 SATS is better than the national average and results at GCSE, in terms of both progress and attainment, place us in the top two in the region, but below the national average.

Pressure remains on the High Needs Funding Block as a result of an increasing number of learners with special educational needs and disabilities; and Education, Health and Care Plans; and high demand for specialist placements both within and outside Northumberland. Work continues on strategic priorities identified in part through the Written Statement of Action following the SEND Inspection in October 2018, which are focussed on improving outcomes for SEND learners and building both capacity and parent/carer confidence in mainstream schools.

Apprenticeship recruitment, retention and success rates are on track to exceed national averages for all ages and groups, with Northumberland

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County Council named as the north-east apprentice recruiter of the year in 2018. Northumberland County Council has 308 apprentices spanning Level 2 to Level 7 of the qualification's framework. Apprentices equate to 3.1% of the workforce (including schools) and exceeds the Public Sector Apprenticeship target of 2.7% of the workforce registered as apprentices. The number of young people who are not in education, employment or training (NEET) or not known to us is significantly lower than the national average.

Our excellent Education Welfare Service has ensured that attendance at our schools is higher than that seen nationally, although it is better in first and primary schools than in secondary schools.

The Council's capital investment in our school building programme is one of the highest in the country with the following schemes:

- investment in special school capacity in Ashington and Hexham, with further investment planned for additional resource provision in Seaton Valley;
- the completion of the new £6.70 million Morpeth First School and work is in its final stages on the £46.00 million joint School and Leisure development in Ponteland;
- work has also started in Hexham on the £40.80 million project to co-locate Queen Elizabeth High School and Hexham Middle School, with works programmed to be complete for September 2021;
- investment of £5.60 million to support school reorganisation in the Haydon Bridge partnership is complete;
- a further £3.20 million investment has been delivered to improve existing schools in order to reduce £80.00 million backlog maintenance; and,
- in addition, capital funding has been secured to remodel the former Haltwhistle Middle School to become Haltwhistle Primary School.

Our fire and rescue service has a responsibility to maintain the essential skills and competencies necessary to ensure the health, safety and welfare of our personnel when attending emergency operational incidents. The Learning and Development team with the fire service delivered 378 courses totalling 790 instructor days. This was also supported by course delivery from external providers in some specialist subject areas.

We want to attract more and better jobs [Thriving]

The Council is delivering economic growth in the County focused on regenerating our towns and driving sector growth in support of the Northumberland Economic Strategy which was refreshed and relaunched in December 2018.

The Council is providing assistance to drive business growth including:

- supporting business growth;
- rural business development;
- industrial growth opportunities;
- boosting the tourism economy;
- investing in towns and communities;
- delivering infrastructure; and,
- future places for life and work.

Business Growth

- Advance Northumberland Limited provides support on behalf of Northumberland County Council providing practical help for new business, local companies expanding, and inward investment services to attract national and global firms locating to the county;
- Advance Northumberland Limited provide services to support the development of Northumberland Enterprise Zone sites as well as a proactive service of Strategic Account Management to support key employers to grow and sustain employment opportunities for Northumberland;

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- the Business Northumberland programme is fully funded by the European Regional Development Fund (ERDF) and Advance Northumberland Limited, meaning all web content, seminars and 1-2-1 advice is free for eligible businesses to access;
- Advance Northumberland Limited registered 405 businesses to the programme and delivered over 110 workshops and 26 networking events to support local businesses;
- through Advance Northumberland Limited's inward investment and Strategic Account Management activities the Economic Growth Team has supported over 89 project enquiries which resulted in the leveraging of £39.90 million Private Sector investment into Northumberland and the creation of over 870 new jobs, as well as safeguarding 30 jobs, within the County;
- priority sectors supported include manufacturing, energy, knowledge intensive business services, food & drink production, environmental and niche tourism; and,
- the Rural Growth Network programme since starting in 2015 has included 25 Northumberland projects with a grant value of £4.50 million to deliver 253 jobs and £13.60 million private investment.

Industrial Growth

Focusing on major industrial growth opportunities for the future, Northumberland County Council and Advance Northumberland Limited are developing interventions including:

- secure major developments in the energy and offshore, health and life sciences and advanced manufacturing sectors;
- ensure Northumberland is an internationally significant tourism and culture destination;
- deliver rural business scale up and develop the agritech sector providing an uplift in micro / SME business growth as the rural exemplar for England;

- Advance Northumberland Limited is focusing inward investment and strategic account management services on manufacturing sector support. This includes working with skills providers to support employers' workforce needs e.g. Northumberland Manufacturing Skills Network; and,
- Advance Northumberland Limited last year helped growth and expansion companies to leverage £34.27 million private sector investment into Northumberland with the creation of over 230 new jobs in the County.

Boosting the tourism sector

During 2018 the County attracted 10.48 million visitors bringing £1 billion expenditure and creating 13,020 jobs (direct employment).

Since 2012 this represents a 17% growth in visitor numbers, 35% growth in economic value and an 18% growth in jobs created.

Tourism is recognised in the Northumberland Economic Strategy 2019-2024 as the County's second largest employment sector and as one of the key industrial growth opportunities.

Investing in towns and communities

Town centres are a major focus with bespoke support in partnership with local stakeholders through the developing Town Forum Network and other partnerships with communities across the county.

The purpose of this network is to support the delivery of the Northumberland town investment programme. Examples of projects in development in 2020 include:

- Alnwick Bus Station feasibility study;
- Ashington Portland Park;
- Blyth Future High Streets Fund application;
- Berwick Maltings Theatre and Conference Centre;
- Bedlington Town Centre Redevelopment; and,

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- Morpeth, Blyth and Ponteland Leisure Centres.

Delivering Infrastructure

- Digital – Local Full Fibre Network (LFFN), 5G Digital, data and rural broadband - making the case for North of Tyne testbed;
- Major Road and Rail - Supporting major road and rail schemes;
- Northumberland Line – a further £10.00 million has been committed during 2019-20 to fund the design phase of the project running between March 2020 and April 2021;
- A1, A69, Blyth Relief Road, and;
- Keeping the county moving - Focus on maintaining our highway infrastructure – 5,100 km of carriageways with over 4,200 structures, including over 1,200 bridges.

Future Places to live and work

- New Local Plan proposing where new homes, workplaces and facilities will be;
- 17,700 homes including affordable housing;
- Supporting 15,000 jobs to 2036;
- Major council house building programme in development;
- New school capital investment to support the future workforce; and,
- Major leisure facilities investment.

The Council is focused on delivering excellent services as effectively as possible within reduced resources. Technology is being utilised to maximise the time staff can spend delivering services, including creating 'back office' hubs to bring together staff, reducing costs and providing a space for staff working across the county to use, saving travel time and meaning more time to deliver frontline services.

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7. Treasury Management Activities

The Council's debt and investment position, excluding accrued interest, at the end of the period was as follows:

	31 March 2020	
	Principal £000	Average Rate %
Public Works Loans Board	468,344	2.65
Local Authority Loans	111,000	1.17
Other Market Loans	245,637	3.99
Total Debt	824,981	2.85
Total Investments	191,050	1.13

During the year the Council repaid £81.54 million of maturing borrowing and took out replacement borrowing of £175.00 million in line with authorised limits - made up of £5.00 million short term borrowing and £170.00 million of long term borrowing. This resulted in a net increase in total borrowing of £93.46 million.

Core treasury management investment balances increased during the year by £95.05 million, largely as a result of the COVID-19 grant support received at the end of March 2020, and also because of the reduced utilisation of investment balances to cover the Capital Financing Requirement (CFR) in lieu of borrowing externally.

The Council manages its investments in-house and invests with the institutions listed in the Council's approved counterparty list. The Council's aim is to achieve the optimum return on its investments while remaining within the authorised levels of security and liquidity.

The Council invests for a range of periods from overnight to 12 months for banks and building societies, dependent on the Council's cash flows, the interest rates on offer, durational limits set out in the approved investment strategy and assumptions about future changes in interest rates. Funds are also placed with other local authorities for longer periods. Although market rates remain low the Council has achieved higher than average interest rates on its investments during the period.

8. Pension Deficit

At 31 March 2020 the County Council's net liability for future pension costs was £804.21 million. Sixty eight percent of this net liability is attributable to the Local Government Pension Scheme (LGPS), which is a funded scheme, and the rest to unfunded schemes such as the Firefighters' Pension Scheme. For the LGPS, the Council pays an employer's contribution into the Northumberland County Council Pension Fund at a rate set by the Fund's actuary. The rate paid in 2019-20 was set on the basis of the actuarial valuation of the Fund as at 31 March 2016. This set the rate payable for the three years ending 31 March 2020 with an aim to fully fund the liabilities within approximately 21 years. The value of Northumberland County Council Pension Fund's investment assets fell sharply in the last two months of 2019-20 as the COVID-19 pandemic led to a sharp decline in global stock markets. This sharp fall in investment value wiped out the positive investment returns built up over the previous three years.

9. Group Results

The Council delivers some of its activities through a number of wholly owned subsidiaries. Group financial statements are therefore produced to reflect the full extent of the Council's economic activity and financial position.

The Group accounts consolidate the results and balances of the Council with those organisations considered to be part of the Group. Intra-company transactions are eliminated and the accounting policies of the subsidiaries are aligned with those of the Council on consolidation in order to present the overall group position. The Group statements have equal prominence as the single entity statements.

On the 13 November 2018, the Arch Group was re-organised with Arch (Corporate Holdings) Limited being removed as the Group holder and replaced with Advance Northumberland Limited. Arch (Corporate Holdings) Limited remains within the Council's group but ceased trading at this point and is now dormant.

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The Group results show a deficit on the provision of services after taxation of £53.36 million (£63.18 million deficit in 2018-19), incorporating a net deficit for the Advance Northumberland Group after group consolidation adjustments of £4.39 million (£1.32 million surplus in 2018-19). Within this balance there is an unrealised net loss of £31.63 million on Investment Properties as a result of a net downward revaluation. Prior to consolidation adjustments Advance Northumberland Limited showed a deficit of £33.14 million (£4.43 million deficit in 2018-19).

The Group balance sheet shows the value of assets and liabilities recognised by the Group at 31 March 2020 and the level of reserves, split into usable and unusable.

As Restated 31 March 2019 £m		31 March 2020 £m
1,858.85	Long Term Assets	1,878.93
25.52	Net Current Assets	62.42
(1,467.22)	Long Term Liabilities and Provisions	(1,619.65)
417.15	Net Assets	321.70
	Represented by:	
205.43	Usable Reserves	213.84
211.72	Unusable Reserves	107.86
417.15	Total Reserves	321.70

Advance Northumberland Group owed the Council £281.53 million (£281.33 million 2018-19) primarily in respect of principal and interest due on a commercial loan facility; whilst, the Council owed Advance Group £0.19 million (£1.17 million in 2018-19).

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10. Corporate Risks

The Council has a process to manage risks and assist the achievement of its objectives, alongside national and local performance targets. The Corporate Risk Register plays an integral role in supporting achievement of priorities as set out in the Corporate Plan.

Key risks currently identified and being managed at the corporate level include those relating to the following areas:

- finance;
- regeneration;
- economic inclusion;
- response to climate change;
- OD/workforce;
- civil contingency and business continuity; and
- COVID-19 Local Outbreak Prevention and Control Plan; and
- COVID-19 recovery

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11. Explanation of the Financial Statements

The Statement of Accounts for Northumberland County Council presents the overall financial performance and position of the Council for the year ended 31 March 2020 and has been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The amounts presented in the financial statements and notes have been rounded to the nearest thousand pounds unless otherwise stated.

It comprises core statements together with disclosure notes and the following:

- Housing Revenue Account (HRA)
- Collection Fund Account
- Group Accounts
- Firefighters' Pension Fund
- Pension Fund Account
- Annual Governance Statement

The Core Statements are: **Comprehensive Income and Expenditure Statement**

This reports the income and expenditure associated with the provision of Council services. It also discloses non-cash surpluses and deficits relating to the revaluation of Council assets, and, gains and losses on pension scheme assets and liabilities.

Movement in Reserves Statement

This shows the movement in the year for the different reserves held by the Council. These reserves are analysed into "usable" (i.e. those that represent resources that can be applied to fund expenditure) and "non-usable" (i.e. those that must be set aside for specific purposes).

Balance Sheet

This is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Council's disposal, its long term indebtedness and summarised information on the assets held.

Cash Flow Statement

This summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement as cash in hand. Cash equivalents are deposits repayable on demand.

Notes to the Financial Statements

The notes to the accounts provide further detail of material items within the core Financial Statements.

Housing Revenue Account (HRA)

This separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.

Collection Fund Account

This account is maintained separately as a statutory requirement, to show the transactions of the Council as a billing authority in relation to Council Tax and Non-domestic Rates. It shows the way in which the income collected has been distributed to precepting authorities.

Group Accounts

The Group Accounts show the full extent of the Council's economic activities by reflecting the Group's activities.

Firefighters' Pension Fund

These statements provide information relating to the transactions in the year.

Pension Fund Account

These Statements provide information about the financial position and performance of the Fund and are an extract from the Pension Fund Annual Report.

Annual Governance Statement

This identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for.

Written Statements and Narrative Report

Independent Auditor's Report

Independent Auditor's Report to the Members of Northumberland County Council Report on the financial statements

Opinion

We have audited the financial statements of Northumberland County Council and Group for the year ended 31 March 2020, which comprise the which comprise Council and Group Movement in Reserves Statement, Council and Group Comprehensive Income and Expenditure Statement, Council and Group Balance Sheet, Council and Group Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2020 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Material uncertainty relating to valuations of land and property

We draw attention to Note 14 and Note 43 of the Council's single entity financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land and buildings. As disclosed in Note 14 and Note 43 of the financial statements, the Council's valuer included a 'material valuation uncertainty' declaration within their report as a result of the Covid-19 pandemic impacting on the relevant market evidence upon which to base their judgements. Our opinion is not modified in respect of this matter.

Material uncertainty relating to valuations of investment property

We draw attention to Group Note 3 of the Council's group financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Group's investment property. As disclosed in Group Note 3 of the financial statements, the Group's investment properties have been revalued at the reporting date by a third party firm of RCIS registered commercial surveyors. The valuation is reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RCIS Red Book Global. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Interim Executive Director of Finance and s151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Interim Executive Director of Finance and s151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's and Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Interim Executive Director of Finance and s151 Officer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information

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Independent Auditor's Report

and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Interim Executive Director of Finance and s151 Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Interim Executive Director of Finance and s151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Interim Executive Director of Finance and s151 Officer is also responsible for such internal control as the Interim Executive Director of Finance and s151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Interim Executive Director of Finance and s151 Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Interim Executive Director of Finance and s151 Officer is responsible for assessing each year whether or not it is appropriate for the

Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Authority's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.
- We have nothing to report in these respects.

Conclusion on Northumberland County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Northumberland County Council has

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Independent Auditor's Report

put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of Northumberland County Council as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We can not formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Cameron Waddell
Key Audit Partner For and on behalf of Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle
NE1 1DF

Date: 28 July 2021

Written Statements and Narrative Report

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and,
- approve the statement of accounts.

The Section 151 Officer's responsibilities

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts and of its Pension Fund Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"), are required respectively to present fairly the financial position of the Council and of the Pension Fund at the accounting date and the income and expenditure for the year then ended.

In preparing this statement of accounts the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently except where policy changes have been noted in these accounts;
- made judgements and estimates that were reasonable and prudent; and,
- complied with the Code.

The Section 151 Officer has also:

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

Executive Director of Finance - Finance Certificate

I certify that the Statement of Accounts presents fairly the financial position of the County Council and the Northumberland Pension Fund as at 31 March 2020 and their income and expenditure for the year ended 31 March 2020.

Jan Willis

Interim Executive Director of Finance & Section 151 Officer

28 July 2021

Core Financial Statements

Core Financial Statements

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Gross Expenditure £000	Gross Income £000	As Restated 2018-19	Description	Note	Gross Expenditure £000	Gross Income £000	2019-20
		Net Expenditure £000					Net Expenditure £000
198,106	(107,666)	90,440	Adult Services		211,984	(114,098)	97,886
1,288	(492)	796	Chief Executive		4,061	(2,184)	1,877
262,459	(201,922)	60,537	Children's Services		254,068	(181,294)	72,774
165,587	(88,637)	76,950	Finance		128,557	(76,617)	51,940
24,886	(2,895)	21,991	Human Resources & Organisational Development		30,781	(6,019)	24,762
25,438	(38,400)	(12,962)	Local Authority Housing (HRA)		27,333	(34,010)	(6,677)
111,546	(39,814)	71,732	Place		122,301	(44,101)	78,200
12,564	(498)	12,066	Corporate Expenditure & Income		6,645	(651)	5,994
801,874	(480,324)	321,550	Cost of Services		785,730	(458,974)	326,756
		48,604	Other Operating Income and Expenditure	3			42,773
		25,856	Financing and Investment Income and Expenditure	4			26,943
		(344,459)	Taxation and Non-Specific Grant Income	5			(360,642)
		51,551	Deficit on Provision of Services				35,830
		(17,161)	Deficit/(Surplus) on Revaluation of Non Current Assets	14			(33,156)
		(127)	Deficit/(Surplus) from investments in equity instruments designated at fair value through other comprehensive income	29			4,490
		(37,170)	Actuarial(Gains)/Losses on remeasurement of the net defined benefit liability	31			68,820
		(54,458)	Other Comprehensive Income and Expenditure				40,154
		(2,907)	Total Comprehensive Income and Expenditure				75,984

Core Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year of the 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.

As Restated 2018-19	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total £000
Balance brought forward 1 April 2018	(55,433)	(110,985)	(27,385)	-	(786)	(22,339)	(3,477)	(220,405)	(146,061)	(366,466)
Movement in Reserves during 2018-19:										
(Surplus)/Deficit on the provision of services	60,391	-	(8,840)	-	-	-	-	51,551	-	51,551
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(54,458)	(54,458)
Total Comprehensive Income & Expenditure	60,391	-	(8,840)	-	-	-	-	51,551	(54,458)	(2,907)
Adjustments between accounting basis & funding basis under regulations (Note 12)	(69,554)	-	5,837	-	(820)	(5,535)	159	(69,913)	69,913	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(9,163)	-	(3,003)	-	(820)	(5,535)	159	(18,362)	15,455	(2,907)
Transfers to/(from)Earmarked Reserves (Note 13)	9,163	(9,163)	2,000	(2,000)	-	-	-	-	-	-
(Increase)/Decrease in 2018-19	-	(9,163)	(1,003)	(2,000)	(820)	(5,535)	159	(18,362)	15,455	(2,907)
Balance at 31 March 2019 carried forward	(55,433)	(120,148)	(28,388)	(2,000)	(1,606)	(27,874)	(3,318)	(238,767)	(130,606)	(369,373)

2019-20	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total £000
Balance brought forward 1 April 2019	(55,433)	(120,148)	(28,388)	(2,000)	(1,606)	(27,874)	(3,318)	(238,767)	(130,606)	(369,373)
Movement in Reserves during 2019-20:										
(Surplus)/Deficit on the provision of services	38,237	-	(2,407)	-	-	-	-	35,830	-	35,830
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	40,154	40,154
Total Comprehensive Income & Expenditure	38,237	-	(2,407)	-	-	-	-	35,830	40,154	75,984
Adjustments between accounting basis & funding basis under regulations (Note 12)	(42,415)	-	1,390	-	(1,496)	(4,490)	(986)	(47,997)	47,997	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(4,178)	-	(1,017)	-	(1,496)	(4,490)	(986)	(12,167)	88,151	75,984
Transfers to/(from)Earmarked Reserves (Note 13)	2,685	(2,685)	2,000	(2,000)	-	-	-	-	-	-
(Increase)/Decrease in 2019-20	(1,493)	(2,685)	983	(2,000)	(1,496)	(4,490)	(986)	(12,167)	88,151	75,984
Balance at 31 March 2020 carried forward	(56,926)	(122,833)	(27,405)	(4,000)	(3,102)	(32,364)	(4,304)	(250,934)	(42,455)	(293,389)

Core Financial Statements

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the year to 31 March 2020 by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

As Restated 2018-19 £000		Note	2019-20 £000
(51,551)	Net surplus/(deficit) on the provision of services		(35,830)
127,210	Adjustments to net surplus or deficit on the provision of services for non-cash movements	32	127,648
(58,037)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32	(57,167)
17,622	Net cash flows from Operating Activities		34,651
33,873	Investing Activities	33	(118,995)
(43,439)	Financing Activities	34	91,388
8,056	Net increase in cash and cash equivalents		7,044
43,737	Cash and cash equivalents at the beginning of the reporting period		51,793
51,793	Cash and cash equivalents at the end of the reporting period		58,837

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Notes to the Accounts

Notes to the Accounts

Notes References

Note	Note Description	Note	Note Description
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4	Financing and Investment Income and Expenditure	27	Significant Commitments Under Capital Contracts
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14	Property, Plant and Equipment	37	Impairment Losses
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17	Capital Expenditure and Capital Financing	40	Accounting Policies
18	Intangible Assets	41	Accounting Standards That Have Been Issued but Have Not Yet Been Adopted and Other Issues
19	Financial Instruments	42	Critical Judgements in Applying Accounting Policies
20	Nature and Extent of Risks Arising from Financial Instruments	43	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty
21	Leases	44	Events After the Reporting Period
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Notes

Supporting the
Comprehensive
Income and
Expenditure
Statement

1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services.

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

As Restated 2018-19			2019-20		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
£000	£000	£000	£000	£000	£000
85,144	5,296	90,440	93,486	4,400	97,886
775	21	796	1,714	163	1,877
52,425	8,112	60,537	61,517	11,257	72,774
32,384	44,566	76,950	34,750	17,190	51,940
17,287	4,704	21,991	17,972	6,790	24,762
(7,125)	(5,837)	(12,962)	(5,287)	(1,390)	(6,677)
48,629	23,103	71,732	47,629	30,571	78,200
(64,332)	76,398	12,066	(46,644)	52,638	5,994
165,187	156,363	321,550	205,137	121,619	326,756
(177,353)	(92,646)	(269,999)	(210,333)	(80,593)	(290,926)
(12,166)	63,717	51,551	(5,196)	41,026	35,830
(193,803)		Opening General Fund and HRA Balance at 31 March 2019	(205,969)		
(12,166)		Add: Surplus on General Fund and HRA Balance in Year	(5,196)		
(205,969)		Closing General Fund and HRA Balance at 31 March 2020	(211,165)		

Note: the split between the General Fund and HRA balances are detailed in the Movement in Reserves Statement.

Notes to the Accounts

Notes to the Expenditure and Funding Analysis

The adjustments between the funding and accounting basis shown above are analysed further in the following tables.

Adjustments for Capital Purposes

This column adds in depreciation, impairment and revaluation gains and losses in the services line; and, for:

- Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. Also any change in the fair value of assets held for sale is reflected in this note;
- Financing and Investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and,
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income line is credited with capital grants receivable in the year without conditions; or, for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

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

- For Services - this represents the removal of the employers pension contributions made by the authority as allowed by statute; and, the replacement with current service costs and past service costs; and,
- For Financing and Investment income and expenditure – the net interest on the defined benefit liability is charged to the comprehensive income and expenditure statement.

Other Differences

Other differences between amounts debited/credited to the comprehensive income and expenditure statement and amounts payable/receivable to be recognised under statute:

- For Financing and Investment income and expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts;
- For Services - this represents the change in accrued employee benefits such as annual leave; and,
- The charge under taxation and non-specific grant income represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year; and, the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits in the Collection Fund.

Notes to the Accounts

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts.

As Restated 2018-19					2019-20				
Adjustments for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustments	
£000	£000	£000	£000		£000	£000	£000	£000	
4,568	736	(8)	5,296	Adult Services	2,817	1,644	(61)	4,400	
-	21	-	21	Chief Executive	-	133	30	163	
9,848	(1,062)	(674)	8,112	Children's Services	10,739	784	(266)	11,257	
21,209	23,519	(162)	44,566	Finance	18,875	(1,553)	(132)	17,190	
4,486	216	3	4,705	Human Resources & Organisational Development	6,286	555	(51)	6,790	
(6,211)	374	-	(5,837)	Local Authority Housing (HRA)	(2,921)	1,552	(21)	(1,390)	
21,953	1,102	48	23,103	Place	28,282	2,441	(152)	30,571	
75,493	905	-	76,398	Corporate Expenditure & Income	52,659	(21)	-	52,638	
131,346	25,811	(793)	156,364	Net Cost of services	116,737	5,535	(653)	121,619	
(113,602)	17,760	3,196	(92,646)	Other Income And Expenditure	(93,114)	15,915	(3,394)	(80,593)	
17,744	43,571	2,403	63,718	(Surplus) or Deficit	23,623	21,450	(4,047)	41,026	

2. Expenditure and Income Analysed by Nature

The Council's income and expenditure is analysed as follows:

	2019-20	Adult Services	Chief Executive	Children's Services	Finance	Human Resources & Organisational Development	Local Authority Housing (HRA)	Place	Corporate Expenditure & Income
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure:									
Depreciation, amortisation, impairment	53,645	724	-	7,092	4,477	5,124	9,585	26,643	-
Employee Benefits Expenses	307,821	34,423	1,455	151,422	47,563	11,181	9,544	44,588	7,645
(Gain) or Loss on the Disposal of Assets	64,680	-	-	-	-	-	-	-	64,680
Interest Payments	32,069	26	-	22	-	-	3,819	-	28,202
Other Services Expenditure	413,205	176,169	734	75,100	94,812	14,342	5,247	46,636	165
Payments to Housing Capital Receipts Pool	1,508	-	-	-	-	-	-	-	1,508
Precepts and Levies	16,096	-	-	-	-	-	-	-	16,096
Support Services Recharges	29,289	668	1	20,453	238	69	2,951	4,909	-
Total Expenditure	918,313	212,010	2,190	254,089	147,090	30,716	31,146	122,776	118,296
Income:									
Fees Charges and Other Services Income	(241,072)	(96,827)	(628)	(20,999)	(6,174)	(6,019)	(34,160)	(35,713)	(40,552)
Government Grants	(370,032)	(17,271)	-	(160,295)	(71,997)	-	(77)	(8,722)	(111,670)
Income from Council Tax and Non-domestic Rates	(249,279)	-	-	-	-	-	-	-	(249,279)
Interest and Investment Income	(22,100)	-	-	-	-	-	-	(6)	(22,094)
Total Income	(882,483)	(114,098)	(628)	(181,294)	(78,171)	(6,019)	(34,237)	(44,441)	(423,595)
Deficit/(Surplus) on the Provision of Services	35,830	97,912	1,562	72,795	68,919	24,697	(3,091)	78,335	(305,299)

Notes to the Accounts

	As Restated 2018-19 £000	Adult Services £000	Chief Executive £000	Children's Services £000	Finance £000	Human Resources & Organisational Development £000	Local Authority Housing (HRA) £000	Place £000	Corporate Expenditure & Income £000
Expenditure:									
Depreciation, amortisation, impairment	53,403	875	-	7,240	4,142	4,185	9,369	24,233	3,359
Employee Benefits Expenses	330,016	32,202	900	155,847	54,186	10,529	8,255	41,690	26,407
(Gain) or Loss on the Disposal of Assets	71,183	-	-	-	1	-	-	-	71,182
Interest Payments	38,955	7	-	18	-	-	3,923	-	35,007
Other Services Expenditure	406,479	164,390	387	78,600	107,104	12,019	4,925	40,282	(1,228)
Payments to Housing Capital Receipts Pool	1,103	-	-	-	-	-	-	-	1,103
Precepts and Levies	15,733	-	-	-	-	-	-	-	15,733
Support Services Recharges	29,808	639	1	20,773	155	6	2,882	5,352	-
Total Expenditure	946,680	198,113	1,288	262,478	165,588	26,739	29,354	111,557	151,563
Income:									
Fees Charges and Other Services Income	(232,021)	(88,340)	(492)	(21,205)	(6,927)	(2,895)	(38,701)	(33,675)	(39,786)
Government Grants	(413,392)	(19,326)	-	(180,717)	(81,686)	-	(200)	(6,495)	(124,968)
Income from Council Tax and Non-domestic Rates	(219,403)	-	-	-	-	-	-	-	(219,403)
Interest and Investment Income	(30,313)	-	-	3	-	-	-	-	(30,316)
Total Income	(895,129)	(107,666)	(492)	(201,919)	(88,613)	(2,895)	(38,901)	(40,170)	(414,473)
Deficit/(Surplus) on the Provision of Services	51,551	90,447	796	60,559	76,975	23,844	(9,547)	71,387	(262,910)

3. Other Operating Income and Expenditure

2018-19		2019-20
£000		£000
15,733	Parish and other precepts	16,097
1,103	Payments to the Government Housing Capital Receipts Pool	1,508
(32)	(Upward)/Downward Valuation of Assets Held for Sale	(13,565)
31,800	Losses on the disposal of non-current assets	38,733
48,604	Total net operating expenditure	42,773

4. Financing and Investment Income and Expenditure

2018-19		2019-20
£000		£000
35,014	Interest payable and similar charges	33,227
17,840	Net interest on the net defined benefit liability/ (asset)	16,600
(26,941)	Interest receivable and similar income	(23,341)
(57)	Income and expenditure in relation to investment properties and changes in fair value	457
25,856	Total Financing and Investment Income and Expenditure	26,943

5. Taxation and Non-Specific Grant Income

2018-19		2019-20
£000		£000
(178,940)	Council tax income	(189,325)
(40,462)	Non domestic rates income	(59,955)
(71,420)	Non-ring fenced government grants	(62,128)
(53,637)	Capital grants and contributions	(49,234)
(344,459)	Total Taxation and Non Specific Grant Income	(360,642)

6. Better Care Fund

National policy requires local authorities and NHS Clinical Commissioning Groups (CCGs) to establish a pooled fund under Section 75 of the NHS Act 2006, and to make joint decisions about how to use the fund to promote integration between health and social care services. A Better Care Fund Plan for 2019-20, submitted to NHS England in September 2019, set out in detail how the funds, which the Council and Northumberland CCG were required to include in the pooled fund, would be allocated to specific purposes. The CCG was required under national rules to transfer a total of £15.09 million from its contribution to the local authority; the local authority was required to include in the fund "Improved Better Care Fund" (iBCF) grant funding paid directly to the Council, as well as capital funding for adaptations to the homes of disabled people.

2018-19		2019-20
£000		£000
	Funding Provided to the pooled budget:	
(11,376)	Northumberland County Council	(15,062)
(23,181)	Northumberland Clinical Commissioning Group	(24,216)
(34,557)		(39,278)
	Expenditure met from the pooled budget:	
26,324	Northumberland County Council	30,980
8,233	Northumberland Clinical Commissioning Group	8,298
34,557		39,278
-	Net surplus	-

7. Members' Allowances

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

2018-19 £000		2019-20 £000
106	National Insurance	107
1,341	Allowances	1,363
44	Expenses	43
1,491	Total	1,513

8. Officers' Remuneration

The Accounts and Audit Regulations 2015 require authorities to disclose the number of employees whose remuneration in the year was £50,000 and above, shown in bands of £5,000. Remuneration is defined as all amounts paid to or receivable by an employee, expense allowances chargeable to tax and the money value of benefits. The change in the profile of number of employees within each band reflects salary increments and pay awards, early retirements and part-year effects of staff joining or leaving the County Council within the year.

The note excludes senior employees whose individual remuneration is in the remuneration of senior officers disclosure.

2018-19 All Employees	Remuneration Band	2019-20 All Employees
82	£50,000 to £54,999	94
56	£55,000 to £59,999	60
57	£60,000 to £64,999	53
18	£65,000 to £69,999	21
14	£70,000 to £74,999	13
6	£75,000 to £79,999	9
4	£80,000 to £84,999	3
7	£85,000 to £89,999	1
3	£90,000 to £94,999	6
3	£95,000 to £99,999	4
2	£100,000 to £104,999	2
-	£105,000 to £109,999	2
-	£110,000 to £114,999	-
1	£115,000 to £119,999	-
-	£315,000 to £319,999*	1
253	Total	269

* The Coroner had their terms and conditions reviewed during 2019-2020 which was backdated to 1 April 2015. Arrears were paid in the employee's October 2019 salary. The salary arrears were £361,916.10. However, there was a clawback in relation to accommodation costs of £138,866.87 therefore the net total arrears due was £223,049.23. The post would have been in the £130,000 to £134,999 banding had there not been a backdated payment.

Notes to the Accounts

The Accounts and Audit Regulations 2015 require authorities to disclose the remuneration of Senior Officers. There have been no bonuses paid to any of the senior officers in 2018-19 or 2019-20.

2019-20	Note	Salary & Non-Taxable Allowances £	Taxable Allowances £	Compensation for loss of office	Benefits in kind* £	Total Salary & Allowances £	Pension Contributions £	Total Salary & Allowances inc Pension Contributions £
Post Holder Information								
Senior Officers – salary is £150,000 or more per year								
Chief Executive and Head of Paid Service - Daljit Lally	1	95,927	40,000	-	5,095	141,022	24,967	165,989
Executive Director of Adults & Children's Services - Cath McEvoy-Carr		153,384	-	-	-	153,384	28,376	181,760
Director of Transformation - Allison Joynton	2	146,514	-	-	14,924	161,438	27,105	188,543
Executive Director of HR & OD and Deputy Chief Executive - Kelly Angus	3	146,788	-	-	11,596	158,384	21,108	179,492
Senior Officers emoluments – salary is between £50,000 and £150,000 per year								
Executive Director of Place	4	110,090	-	-	-	110,090	13,174	123,264
Executive Director of Place	5	68,911	-	-	-	68,911	12,749	81,660
Executive Director of Finance (Section 151 Officer)	6	40,490	-	-	3,012	43,502	7,491	50,993
Service Director Finance	7	124,400	-	-	14,409	138,809	23,014	161,823
Service Director - Partnerships and Devolution	8	32,763	-	66,563	-	99,326	-	99,326
Executive Director of Regeneration, Commercial and Economy	9	22,918	-	-	-	22,918	4,240	27,158
Director of Business Development (Care Services)	10	69,893	-	-	-	69,893	12,784	82,677
Head of Shared Procurement Services	11	77,453	-	-	17,354	94,807	14,532	109,339
Service Director - Strategic Commissioning and Finance	12	56,972	-	-	3,040	60,012	8,193	68,205
Chief Fire Officer		112,050	7,380	-	-	119,430	40,559	159,989

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

Notes to the Accounts

Note	From	To	Post Holder	Information
1	01-Apr-19	31-Mar-20	Chief Executive and Head of Paid Service	This post is 0.50 FTE.
2	01-Apr-19	31-Mar-20	Director of Transformation	Jointly funded post with Northumbria Healthcare NHS Foundation Trust. Each organisation pays 50.00%.
3	01-Apr-19	31-Mar-20	Executive Director of HR & OD and Deputy Chief Executive	Employee seconded from and paid by Northumbria Healthcare NHS Foundation Trust. Salary recharged 100.00% to Northumberland County Council.
4	01-Apr-19	30-Sep-19	Executive Director of Place	Leaving date 30 September 2019.
5	07-Oct-19	31-Mar-20	Executive Director of Place	New appointment 7 October 2019.
6	16-Dec-19	31-Mar-20	Executive Director of Finance (Section 151 Officer)	New appointment 16 December 2019.
7	01-Apr-19	21-Jul-19	Service Director Finance	
	22-Jul-19	15-Dec-19	Service Director Finance and Interim Section 151 Officer	
	16-Dec-19	31-Mar-20	Service Director Finance	
8	01-Apr-19	24-Apr-19	Service Director Partnerships and Devolution	Leaving date 24 April 2019.
9	03-Feb-20	31-Mar-20	Executive Director of Regeneration, Commercial and Economy	New appointment 3 February 2020.
10	12-Aug-19	31-Mar-20	Director of Business Development (Care Services)	New appointment 12 August 2019.
11	01-Apr-19	31-Mar-20	Head of Shared Procurement Services	This post is jointly funded with Northumbria Healthcare NHS Foundation Trust as part of a shared service agreement. Each Organisation pays 50.00%.
12	01-Apr-19	31-Mar-20	Service Director - Strategic Commissioning and Finance	Shared role between Northumberland County Council and Northumbria Healthcare NHS Foundation Trust. Each Organisation pays 50.00%.
NOTE:	01-Apr-19	21-Jul-19	Executive Director of Finance (Section 151 Officer)	The role was covered by an interim appointment and was not a Northumberland County Council Employee.

2018-19	Note	Salary & Allowances £	Compensation for loss of office** £	Benefits in kind* £	Total Salary & Allowances £	Pension Contributions £	Total Salary & Allowances inc Pension Contributions £
Post Holder Information							
Senior Officers – salary is £150,000 or more per year							
Chief Executive and Head of Paid Service - Daljit Lally	1	138,139	-	-	138,139	25,326	163,465
Senior Officers – salary is between £50,000 and £150,000 per year							
Executive Director of Adults and Children's Services	2	149,100	-	-	149,100	27,488	176,588
Executive Director of Place		139,624	-	-	139,624	25,830	165,454
Executive Director of Finance and Deputy Chief Executive	3	97,299	72,812	-	170,111	20,067	190,178
Director of Transformation	4	144,161	-	13,352	157,513	26,656	184,169
Director of Public Health		93,978	-	-	93,978	17,386	111,364
Deputy Director of Community Services	5	96,745	-	-	96,745	13,912	110,657
Service Director - Finance	6	113,061	-	12,939	126,000	20,916	146,916
Service Director - Partnerships and Devolution	7	68,514	-	20,806	89,320	18,336	107,656
Project Director	8	63,230	-	5,368	68,598	11,697	80,295
Executive Director of HR and OD and Deputy Chief Executive	9	146,676	-	12,080	158,756	21,092	179,848
Executive Director of Adult Social Care & Strategic Commissioning	10	48,602	-	1,696	50,298	6,989	57,287
Service Director - Strategic Commissioning and Finance	11	54,024	-	3,657	57,681	7,769	65,450
Chief Fire Officer		116,696	-	-	116,696	23,722	140,418

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

**Note - The amount included within this column includes the cost of legal fees paid by the Council in connection with the termination of the officer's employment.

Notes to the Accounts

Note	From	To	Post Holder	Information
1	01-Apr-18	31-Mar-19	Chief Executive and Head of Paid Service	This post is 0.50 FTE.
2	01-Apr-18	30-Nov-18	Executive Director of Children's Services	
	01-Dec-18	31-Mar-19	Executive Director of Adults and Children's Services	
3	01-Jun-18	08-Feb-19	Executive Director of Finance and Deputy Chief Executive	New Appointment.
4	01-Apr-18	30-Nov-18	Director of International Projects and System Transformation	Jointly funded post with Northumbria Healthcare NHS Foundation Trust. Each organisation pays 50.00%.
	01-Dec-18	31-Mar-19	Director of Transformation	Jointly funded post with Northumbria Healthcare NHS Foundation Trust. Each organisation pays 50.00%.
5	01-Apr-18	23-Jul-18	Head of Adult Social Care	Employee is paid by Northumberland County Council. Salary recharged 100% to Northumbria Healthcare NHS Foundation Trust.
	24-Jul-18	31-Mar-19	Deputy Director of Community Services	Employee is paid by Northumberland County Council. Salary recharged 100% to Northumbria Healthcare NHS Foundation Trust.
6	01-Apr-18	31-May-18	Service Director - Finance and Interim Section 151 Officer	
	01-Jun-18	07-Feb-19	Service Director - Finance	
	08-Feb-19	31-Mar-19	Service Director - Finance and Interim Section 151 Officer	
7	01-Apr-18	31-Mar-19	Service Director – Partnerships and Devolution	Jointly funded Post with North Tyneside Council and Newcastle City Council. Each organisation pays 33.33%.
8	01-Apr-18	10-May-18	Project Director	This post is 1.00 FTE
	11-May-18	31-Mar-19	Project Director	This post is 0.40 FTE
9	01-Apr-18	31-Mar-19	Executive Director of HR and OD and Deputy Chief Executive	Employee seconded from and paid by Northumbria Healthcare NHS Foundation Trust. Salary recharged 100% to Northumberland County Council
10	01-Apr-18	30-Nov-18	Executive Director of Adult Social Care and Strategic Commissioning	Shared role between Northumberland County Council and Northumbria Healthcare NHS Foundation Trust. Employee paid by Northumbria Healthcare NHS Foundation Trust. Figures represent 50% of the total salary costs. Leaving date 30 November 2018.
11	01-Apr-18	31-Mar-19	Service Director - Strategic Commissioning and Finance	Shared role between Northumberland County Council and Northumbria Healthcare NHS Foundation Trust. Employee paid by Northumbria Healthcare NHS Foundation Trust. Figures represent 50% of the total salary costs.

The number of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below:

Exit package cost band	Number of Compulsory Redundancies	Number of Compulsory Redundancies	Number of Other Departures Agreed	Number of Other Departures Agreed	Total Number of Exit Packages by cost band	Total Number of Exit Packages by cost band	Total Cost of Exit packages in each band	Total Cost of Exit packages in each band
	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19 £	2019-20 £
£0 - £20,000	23	32	51	123	74	155	495,177	1,152,241
£20,001 - £40,000	2	3	9	25	11	28	315,291	796,241
£40,001 - £60,000	-	-	1	15	1	15	42,958	701,356
£60,001 - £80,000	-	-	4	1	4	1	264,930	60,721
£80,001 - £100,000	-	-	-	2	-	2	-	173,163
	25	35	65	166	90	201	1,118,356	2,883,722
Add amounts provided for in Comprehensive Income and Expenditure Statement not included in bandings					10	21	118,343	602,701
Total cost included in Comprehensive Income and Expenditure Statement	25	35	65	166	100	222	1,236,699	3,486,423

The Council's Comprehensive Income and Expenditure Statement includes a provision for £0.60 million which has been agreed and is payable to 21 officers. These costs are not included in the bands and therefore an additional line has been added to reconcile to the total cost of termination benefits reported in the Comprehensive Income and Expenditure Statement.

9. External Audit Costs

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

2018-19 £000		2019-20 £000
119	Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor for the year	190
7	Fees payable to the appointed auditor for the certification of grant claims and returns for the year	3
46	Fees payable in respect of any other services provided by the appointed auditor during the year	7
172	Total	200

Note: Fees payable in respect of other services provided by the appointed auditor are in relation to fees paid relating to VAT advice and an assurance report for the pooling of housing capital receipts return.

10. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the Schools Finance and Early Years (England) Regulations 2018. The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools' Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2019-20 are as follows:

Schools' Budget Funded by DSG	Central Expenditure £000	Individual Schools' Budget £000	Total £000
Final DSG for 2019-20			232,709
Academy figure recouped for 2019-20			(95,150)
Total DSG after Academy Recoupment			137,559
Brought forward from 2018-19			(1,236)
Agreed budgeted distribution in 2019-20	44,762	91,561	136,323
In Year Adjustments *	294	-	294
Final Budget Distribution for 2019-20	45,056	91,561	136,617
Less Actual Central Expenditure	45,663	-	45,663
Less Actual ISB deployed to Schools	-	91,561	91,561
Carried forward to 2020-21	(607)	-	(607)

* Note: Of the £294k, £206k relates to estimated, additional 2019-20 Early Years block funding due from the Department for Education in June 2020 based upon the January 2020 census.

11. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019-20:

2018-19 £000		2019-20 £000
	Credited to Taxation and Non Specific Grant Income	
	Revenue	
1,593	Adult Social Care Support Grant	-
7,991	Business Rates Section 31 Grants	11,574
-	COVID-19 Grant	10,025
7,935	Improved Better Care Fund	10,607
5,777	New Homes Bonus Grant	5,994
308	Other	450
26,486	Retained Business Rates Top up Grant	19,358
18,990	Revenue Support Grant	-
2,340	Rural Services Delivery Grant	-
-	Social Care Support Grant	2,599
-	Winter Pressures Grant	1,521
71,420	Total Revenue	62,128

2018-19 £000		2019-20 £000
	Grants Credited to Services:	
	Revenue :	
78,900	Council Tax / Housing Benefit Subsidy Grants	68,708
149,115	Dedicated Schools Grant (DSG)	136,617
9,409	Education and Skills Funding Agency (ESFA)	6,268
13,866	Grants in Support of Individual School Budgets	15,191
6,146	North East Combined Authority Grant	6,094
12,690	Other Grants	16,478
16,226	Public Health Grant	15,798
4,760	The Private Finance Initiative (PFI)	4,760
291,112	Total Revenue Grants	269,914
	Donations and Contributions	
4,722	Contribution from Other Local Authorities	5,472
13,153	Health Service	16,121
-	Ministry of Justice Advances	1,439
5,936	Other Donations and Contributions	5,062
7,104	S117 Health Contribution	8,401
30,915	Total Donations and Contributions	36,495
322,027	Total Credited to Services	306,409

Notes to the Accounts

2018-19 £000		2019-20 £000
	Capital	
3,496	Department for Education - Basic Need	2,779
8,408	Department for Education - Capital Maintenance	7,801
-	Department for Education - Devolved Formula Capital (DFC)	1,056
1,886	Department for Education - Early Years	-
215	Department for Education - Kylee House Refurbishment	1,761
48	Department for Transport - Challenge Fund / Masonry Arch Programme	-
4,020	Department for Transport - Challenge Fund / Rural Roads Programme	-
-	Department for Transport - Challenge Fund - Steel Bridges Programme	3,700
26,347	Department for Transport - Local Transport Plan	16,959
474	Department for Transport - Pot Hole Grant	900
-	Environment Agency - Seahouses Main Pier Refurbishment	2,778
-	Heritage Lottery Fund - Hirst Park	1,564
2,163	Ministry of Housing, Communities & Local Government - Disabled Facilities Grant	2,146
1,070	Ministry of Housing, Communities & Local Government - Rural Growth Network Local Growth Fund	1,354
-	North East Combined Authority (NECA) - Integrated Transport	1,633
5,510	Other	4,803
53,637	Total Capital	49,234

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that can require the monies or property to be returned to the Grant Awarding Body. The balances at the year end are as follows:

31 March 2019 £000		31 March 2020 £000
	Capital Grant Receipts in Advance:	
2,685	Department for Education - Devolved Formula Capital (DFC)	2,002
-	Ministry of Housing, Communities & Local Government - Borderlands	1,000
303	Affordable Warmth Solutions - Warm Homes Fund	142
900	Department for Transport - Pot Hole Grant	-
425	Environment Agency - Seahouses Main Pier Refurbishment	28
1,715	Other	1,073
6,028	Total Capital Grants Receipts in Advance	4,245
	Revenue Grant Receipts in Advance:	
66	Department for Education	80
144	Environment Agency	-
75	Heritage Lottery Fund	37
3	Historic England	-
685	Home Office	-
469	Ministry of Housing, Communities & Local Government	9,108
42	National Archives	41
-	Society of Antiquaries of Newcastle upon Tyne	2
1,484	Total Revenue Grants Receipts in Advance	9,268
7,512	Total Receipts in Advance	13,513

Notes
Supporting the
Movement in
Reserves
Statement

12. Adjustments between Accounting Basis and Funding Basis under Regulations

The following note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The year end balances are stated in the Movement in Reserves Statement.

2019-20	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(43,314)	(9,525)	-	-	-	52,839
Revaluation (losses)/gains on Property Plant and Equipment	3,620	2,947	-	-	-	(6,567)
Modification losses / (gains) in respect of capital financial assets	(77)	-	-	-	-	77
Loss allowances in respect of capital financial assets	(150)	-	-	-	-	150
Movements in the fair value of Investment Properties	(461)	-	-	-	-	461
Amortisation of intangible assets	(747)	(59)	-	-	-	806
Capital grants and contributions applied	39,318	5	-	-	-	(39,323)
Revenue expenditure funded from capital under statute	(17,247)	(31)	-	-	-	17,278
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(64,475)	-	-	-	-	64,475
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	23,219	-	-	-	-	(23,219)
Capital expenditure charged against the General Fund and HRA balances	1,345	-	-	-	-	(1,345)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	9,911	-	-	(9,911)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	5,421	-	(5,421)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	25,947	-	(25,947)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	4,929	-	-	(4,929)
Voluntary set aside of Capital Receipts to repay debt	-	-	17,838	-	-	(17,838)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(176)	-	176	-	-	-

Notes to the Accounts

2019-20	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(1,508)	-	1,508	-	-	-
Adjustment primarily involving the Major Repairs Reserve:						
Posting of HRA resources from revenue to the Major Repairs Reserve	-	9,584	-	-	(9,584)	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	8,598	(8,598)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,370)	-	-	-	-	1,370
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(62,483)	(3,767)	-	-	-	66,250
Employer's pension contributions and direct payments to pensioners payable in the year	42,585	2,215	-	-	-	(44,800)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	3,019	-	-	-	-	(3,019)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	629	21	-	-	-	(650)
Total Adjustments	(42,415)	1,390	(1,496)	(4,490)	(986)	47,997

Notes to the Accounts

As Restated 2018-19	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(43,340)	(9,369)	-	-	-	52,709
Revaluation (losses)/gains on Property Plant and Equipment	(14,025)	6,684	-	-	-	7,341
Movements in the fair value of Investment Properties	47	5	-	-	-	(52)
Amortisation of intangible assets	(674)	-	-	-	-	674
Capital grants and contributions applied	42,166	200	-	-	-	(42,366)
Revenue expenditure funded from capital under statute	(12,249)	-	-	-	-	12,249
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(70,808)	-	-	-	-	70,808
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	24,656	-	-	-	-	(24,656)
Capital expenditure charged against the General Fund and HRA balances	5,945	-	-	-	-	(5,945)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	11,271	-	-	(11,271)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	5,736	-	(5,736)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	39,381	-	(39,381)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	8,917	-	-	(8,917)
Voluntary set aside of Capital Receipts to repay debt	-	-	31,508	-	-	(31,508)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(133)	-	133	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(1,104)	-	1,104	-	-	-
Transfer from Deferred Capital Receipts Reserve	-	-	(3,101)	-	-	3,101
Adjustment primarily involving the Major Repairs Reserve:						
Posting of HRA resources from revenue to the Major Repairs Reserve	-	9,369	-	-	(9,369)	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	9,528	(9,528)
Adjustments primarily involving the Financial Instruments Adjustment Account:						

Notes to the Accounts

As Restated 2018-19	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(5,473)	-	-	-	-	5,473
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(83,101)	(3,109)	-	-	-	86,210
Employer's pension contributions and direct payments to pensioners payable in the year	40,531	2,029	-	-	-	(42,560)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(3,439)	-	-	-	-	3,439
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	795	28	-	-	-	(823)
Total Adjustments	(69,554)	5,837	(820)	(5,535)	159	69,913

13. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019-20.

2018-19									2019-20				
1 April 2018	Transfers Out	Transfers In	31 March 2019		1 April 2019	Transfers Out	Transfers In	31 March 2020		1 April 2019	Transfers Out	Transfers In	31 March 2020
£000	£000	£000	£000		£000	£000	£000	£000		£000	£000	£000	£000
Earmarked General Fund Reserves:													
5,035	(743)	518	4,810	Balances held by schools under a scheme of delegation	4,810	(2,498)	99	2,411					
1,249	(150)	-	1,099	Community Led Housing	1,099	(128)	-	971					
-	-	8,177	8,177	Council Transformation Fund	8,177	(690)	-	7,487					
-	-	-	-	COVID-19 Grant	-	-	10,025	10,025					
-	-	-	-	Dedicated Schools Grant	-	(607)	-	(607)					
-	-	-	-	Economy & Regeneration Investment Reserve	-	-	435	435					
12,600	(2,198)	1,117	11,519	Estates Rationalisation	11,519	(1,353)	-	10,166					
-	-	-	-	EU Exit Funding	-	-	315	315					
-	-	-	-	Haltwhistle Repairs Reserve	-	-	13	13					
7,227	(4,070)	5,106	8,263	Insurance Reserve	8,263	(4,145)	4,851	8,969					
12,298	(1,514)	-	10,784	Invest to Save	10,784	(277)	-	10,507					
-	-	1,000	1,000	Legal Challenges	1,000	(263)	-	737					
424	-	-	424	Local Authority Mortgage Scheme	424	-	-	424					
4	(4)	-	-	Market Traders' Levy	-	-	-	-					
83	-	-	83	NCC Economic Regeneration Reserve	83	-	-	83					
-	-	3,460	3,460	Northumberland Line	3,460	(1,758)	8,500	10,202					
-	-	355	355	Northumberland Sport	355	(355)	-	-					
453	-	-	453	Planning Delivery Grant	453	(211)	203	445					
-	-	-	-	Problematic Empty Properties	-	-	50	50					
-	-	660	660	Regeneration Additional Capacity Reserve	660	(138)	-	522					
-	-	2,550	2,550	Regeneration Development Reserve	2,550	(184)	-	2,366					
9,307	(9,523)	8,437	8,221	Revenue Grants Reserve	8,221	(7,343)	7,570	8,448					
57	-	-	57	Rural Growth Network	57	-	18	75					
-	-	25	25	School Libraries	25	-	22	47					
5,629	(2,558)	2,743	5,814	Section 106 Reserve	5,814	(738)	2,870	7,946					

Notes to the Accounts

2018-19									2019-20			
1 April 2018	Transfers Out	Transfers In	31 March 2019		1 April 2019	Transfers Out	Transfers In	31 March 2020				
£000	£000	£000	£000		£000	£000	£000	£000				£000
2,500	-	-	2,500	Severe Weather Reserve	2,500	-	-	2,500				2,500
-	-	900	900	Social Fund	900	(98)	-	802				802
-	-	141	141	Sports Development	141	-	139	280				280
51,987	(5,234)	-	46,753	Strategic Management Reserve	46,753	(11,654)	-	35,099				35,099
-	-	-	-	Violence Reduction Reserve	-	-	30	30				30
2,000	-	-	2,000	Winter Services Reserve	2,000	-	-	2,000				2,000
110,853	(25,994)	35,189	120,048		120,048	(32,440)	35,140	122,748				
Transferred from the Borough and District Councils:												
53	(11)	-	42	ADC Parks & Open Spaces	42	(11)	-	31				31
79	(21)	-	58	ADC Section 106 Monies	58	(4)	-	54				54
132	(32)	-	100		100	(15)	-	85				
110,985	(26,026)	35,189	120,148	Total Earmarked General Fund Reserves	120,148	(32,455)	35,140	122,833				
HRA Account Reserves:												
-	-	2,000	2,000	HRA - Capital Investment Reserve	2,000	-	2,000	4,000				4,000
-	-	2,000	2,000	Total HRA Account Reserves	2,000	-	2,000	4,000				
110,985	(26,026)	37,189	122,148	Total Reserves	122,148	(32,455)	37,140	126,833				

Notes to the Accounts

Balances Held by Schools under a Scheme of Delegation

The School Balances Reserve of £2.41 million includes school balances of £2.30 million (£4.50 million in 2018-19), which are retained by schools under the Council's Local Management of Schools scheme and are not available for use by the County Council, and school-related balances totalling £0.11 million (£0.31 million in 2018-19). The school balances are made up as follows:

31 March 2019 £000		31 March 2020 £000
7,057	Unspent Balances	5,822
(2,099)	Overspent Balances	(3,169)
(454)	Loans Outstanding	(355)
4,504		2,298

The Council has agreed a Loan Scheme to enable First, Middle, High and Special Schools to borrow money from the aggregate balances of delegated budgets. At 31 March 2020 there were 2 loans outstanding of £0.35 million (£0.45 million in 2018-19):

- Stakeford First School £0.02 million; and,
- Alnwick Duchess High School £0.33 million.

Schools' balances are committed to be spent on the education service.

Community Led Housing

This reserve was created from the Council's allocation from the Department for Communities and Local Government's Community Housing Fund. It is to be used to support community-led housing developments in areas where the impact of second homes is particularly acute. To enable community groups to deliver affordable housing units of mixed tenure on sites which are to be of little interest to mainstream house builders and to build collaboration, skills and supply chains at a local level. The reserve will enable capital investment, technical support and revenue to be provided to make schemes viable.

Council Transformation Fund

This reserve was established to fund projects that will realise the transformation ambitions of the Council.

COVID-19 Grant Reserve

This reserve holds funding provided by government to mitigate pressures in relation to COVID-19. The treatment of the grant is consistent with other revenue grants as described in the Revenue Grants Reserve narrative which follows.

Dedicated Schools Grant (DSG) Reserve

The Department for Education (DfE) regulations (The School and Early Years Finance (England) Regulations 2020) have been updated for 2020-21 to make clear the requirement that a DSG deficit balance must be met from future funding and disclosed as an earmarked usable reserve. Following the updated statutory requirements for 2020-21, a negative earmarked reserve has been created to demonstrate a comparable position for 2019-20. The reserve will carry forward the deficit on the central element of the Dedicated Schools Grant, which has arisen due to increasing pressures in providing for children with special educational needs. The authority is required to carry forward the full deficit and it will be recovered from the grant allocation in future years. See Note 10 for further information.

Economy and Regeneration Investment Reserve

This reserve was established as part of the 2019-20 Provisional Outturn Report presented to Cabinet 9 June 2020. It is to be used for investment in future projects totalling £0.44 million that have been identified by the service that will require funding over the next few years.

Estates Rationalisation

This reserve has been reviewed by the Head of Property Services and Capital Programming and is required to cover the future costs arising from the Council's estates rationalisation programme.

EU Exit Reserve

This reserve was established during 2019-20 in relation to future expenditure throughout Northumberland resulting from the impact of the United Kingdom's exit from the European Union.

Notes to the Accounts

Haltwhistle Repairs Reserve

Greenholme Court is an integrated Health and Social Care scheme in Haltwhistle providing independent living accommodation for older people. This reserve has been established to fund future capital works on the accommodation.

Insurance Reserve

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.

The balance on the reserve as at 31 March 2020 is £8.97 million (31 March 2019 £8.26 million) and is assessed as sufficient to cover unforeseen levels of claim settlements in future years.

The County Council pays the first £0.10 million of each building claim, apart from schools which are consortia constructed, in which case it is 20% of the claim. The County Council also pays the first £0.12 million of each public liability and employer's liability claim for all services. Motor vehicle claims are paid by the County Council in respect of its own damage and up to £0.12 million for third party claims.

Invest to Save

This reserve was created as a source of funding for projects identified by officers that would, in the short to medium term, allow the Council to save money by investing in new technology or changing the way in which business is conducted. This reserve now totals £10.51 million for which £10.00 million is available to fund new projects.

Legal Challenges

The reserve was created to fund Legal fees required to secure the Council's interests in a number of on going disputes.

Local Authority Mortgage Scheme

Interest received on Local Authority Mortgage Schemes is set aside to meet any potential future mortgage defaults. Northumberland County

Council has previously agreed to participate in Capita's Local Authority Mortgage Scheme. The scheme is designed to provide mortgages to first time buyers to help them onto the property ladder. The Council worked in partnership with Lloyds Bank and provided a cash backed indemnity to Lloyds who in turn, subject to applicants meeting their lending criteria, awarded mortgages to first time buyers at a lower rate of interest. In return for the cash backed indemnity the Council received interest payments from Lloyds. This scheme closed during 2016-17 but the interest is being held in case of future defaults.

Market Traders' Levy

This reserve was fully utilised in 2018-19 and is no longer required.

NCC Economic Regeneration Reserve

The reserve was established from the sale of the County Council's waste disposal company. It is used to lever other contributions and add to the Council's initial stake in four key areas within the Economic Regeneration Strategy: inward investment, support for existing companies, key projects in communities, and, development opportunities for major projects.

It is anticipated that the remaining balance of £0.08 million will be fully utilised during 2020-21.

Northumberland Line

This reserve has been created to fund the cost of completing the design stage of the project which is anticipated to be completed in April 2021.

Northumberland Sport

The Council transferred the activities and the associated assets of Northumberland Sport to North-North-East Partnership on 1 January 2020.

As at 31 March 2020 there were no funds held by the Council on behalf of Northumberland Sport.

Planning Delivery Grant

This was created using the Planning Delivery Grant received by the former District and Borough councils and Northumberland County Council prior to Local Government Reorganisation. This is used to contribute towards expenditure in the preparation of the Northumberland Local Plan, primarily

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the core strategy. Cabinet approved an increase of £0.20 million to this reserve on 9 June 2020.

Problematic Empty Properties

This reserve was established as part of the 2019-20 Provisional Outturn Report presented to Cabinet 9 June 2020. It is to be used to take a strategic approach to empty homes and 'stuck' sites (housing sites identified by the Strategic Housing Land Assessments enforcement work and the Empty Homes Programmes which have not come forward for development) through the use of enforcement action and resultant work in default.

Regeneration Additional Capacity Reserve

This reserve was established to fund additional capacity in regeneration for 3 years from 2018-19.

Regeneration Development Reserve

This reserve was established to fund the development of priority regeneration and economic growth projects.

Revenue Grants Reserve

Revenue government grants on occasion are paid to local authorities but have a number of conditions attached to them. The introduction of International Accounting Standard (IAS) 20 has resulted in an amendment to the accounting treatment: where no grant conditions exist or conditions have been met the grant is transferred into the Comprehensive Income and Expenditure Statement. If, however expenditure has not yet been incurred the grants are transferred into an earmarked reserve and then subsequently released back into revenue once expenditure is incurred.

Rural Growth Network

The Rural Growth Network (RGN) Programme is one of five national pilots being funded by The Department for Environment, Food and Rural Affairs (DEFRA). Northumberland County Council is undertaking the applicant and accountable body role for the programme which is being delivered across rural areas in Northumberland, Durham and Gateshead. Funding has been paid to Northumberland County Council under Section 31 of the Local Government Act 2003, and is being used for the development of Rural Business Hubs and business development and networking support as

detailed in the annual delivery plans. The scheme commenced on 1 October 2012 and completed in October 2015 with the balance of the funding being used for the Local Growth Fund (LGF) Programme which ends in 2020-21.

School Libraries

The responsibility for the School Library service transferred from Active Northumberland to the Council on 1 June 2018. Funds which are not spent in year are held in reserve and are committed to support the future service delivery of school libraries. During 2019-20 £0.02 million was added to the reserve. At 31 March 2020 the funds held in reserve totalled £0.05 million.

Section 106 Reserve

The reserve was created in 2011-12 to hold Section 106 balances. Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as S106 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, Education and Healthcare. The monies are held until the particular provision is undertaken. During 2019-20 £2.87 million was received from developers with £0.74 million used to fund schemes.

Severe Weather Reserve

This reserve was created following the Department for Transport's recommendation that local highways authorities ensure they retain a contingency for repairing damage to local highways and associated assets caused by incidents such as extreme weather that may occur from time to time.

Social Fund

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 one-off 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

Notes to the Accounts

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. During 2019-20 £0.10 was utilised from the reserve. At 31 March 2020 the funds held in reserve totalled £0.80 million.

Sports Development

The responsibility for the Sports Development service transferred from Active Northumberland to the Council on 1 June 2018. Funds which are not spent in year are held in reserve and are committed to support the future service delivery of Sports Development. During 2019-20 £0.14 million was added to the reserve. At 31 March 2020 the funds held in reserve totalled £0.28 million.

Strategic Management Reserve

This reserve was established following a review of all usable reserves during 2015-16 which enabled £48.12 million to be released to support the Medium Term Financial Plan.

The movement on this reserve was £11.65 million during 2019-20 as shown below:

	2019-20 Movement in year £000
To balance 2019-20 budget (as approved as part of MTFP 2019-22)	1.93
Library Review	0.02
Active Northumberland - Management Fee	1.00
Blyth Relief Road funding	0.10
Northumberland Cultural Fund	0.10
Northumberland Line	8.50
Total	11.65

The Council approved the use of up to £2.50 million from this reserve at its budget meeting in February 2020 comprising up to £1.00 million per annum to fund increases in the Active Northumberland Management Fee for the

two years of the plan and £0.50 million in order to fund non-recurrent pressures in 2021-22.

Violence Reduction Reserve

This reserve was established during 2019-20 for future work around violence reduction within our communities.

Winter Services Reserve

This reserve was created following the severe winter weather encountered during 2017-18 to fund future severe winter weather events.

Alnwick District Council – Parks & Open Spaces

This reserve was established by Alnwick District Council during 2005-06 and 2006-07 with total funding of £0.22 million from capital receipts. It was to be utilised in a similar way to Section 106 agreements, to fund work within the district's parks and open spaces. £0.01 million was utilised during 2019-20.

Alnwick District Council – Section 106 Monies

The reserve was established by Alnwick District Council from income received in relation to Section 106 agreements.

Housing Revenue Account – Earmarked Reserve HRA

An Earmarked Reserve was created within the HRA in 2018-19 to fund the development and delivery of a housing development plan. An additional £2.00 million was added during 2019-20.

Movements in the Capital Investment Reserve are detailed in note 10 of the Notes to the Housing Revenue Account Income and Expenditure Statement.

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Notes

Supporting the
Balance Sheet

14. Property, Plant and Equipment

Movements in 2019-20:	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation:									
At 1 April 2019	334,512	479,457	154,932	589,485	10,074	17,881	35,982	1,622,323	118,094
Additions	8,496	17,467	8,039	27,676	55	339	43,600	105,672	865
Reclassifications	1,757	21,285	(12,506)	10,233	94	726	(21,939)	(350)	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	-	22,844	(18,832)	-	-	(10,943)	-	(6,931)	(20,523)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,526)	(10,611)	-	-	-	9,781	-	(7,356)	-
De-recognition - Disposals	(2,710)	(26,441)	(4,547)	-	(4)	(961)	(443)	(35,106)	-
De-recognition - Other	-	(4,617)	(2,939)	(20,152)	-	(13)	-	(27,721)	(2,939)
Assets reclassified from Held for Sale	-	761	-	-	-	4,614	-	5,375	-
At 31 March 2020	335,529	500,145	124,147	607,242	10,219	21,424	57,200	1,655,906	95,497
Accumulated Depreciation:									
At 1 April 2019	-	35,542	65,828	157,738	1,798	-	-	260,906	33,108
Depreciation/Impairment charge	9,472	14,940	10,549	17,750	129	-	-	52,840	4,716
Reclassifications	-	5,378	(5,576)	-	-	198	-	-	-
Depreciation written out to the Revaluation Reserve	-	(19,249)	(20,781)	-	-	(57)	-	(40,087)	(26,357)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(9,472)	(4,203)	-	-	-	(141)	-	(13,816)	-
De-recognition - Disposals	-	(2,637)	(4,042)	-	-	-	-	(6,679)	(1,502)
De-recognition - Other	-	(463)	(1,502)	(7,773)	-	-	-	(9,738)	-
At 31 March 2020	-	29,308	44,476	167,715	1,927	-	-	243,426	9,965
Net Book Value:									
At 31 March 2020	335,529	470,837	79,671	439,527	8,292	21,424	57,200	1,412,480	85,532
At 31 March 2019	334,512	443,915	89,104	431,747	8,276	17,881	35,982	1,361,417	84,986

Notes to the Accounts

As Restated Movements in 2018-19:	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation:									
At 1 April 2018	327,445	497,759	149,878	539,426	9,799	16,848	45,228	1,586,383	109,556
Additions	8,758	10,746	12,105	32,822	23	-	27,887	92,341	1,583
Reclassifications	3,003	(432)	57	17,237	253	16,316	(36,939)	(505)	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	-	13,094	-	-	-	(413)	-	12,681	6,955
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,597)	(4,278)	-	-	-	(13,391)	-	(20,266)	-
De-recognition - Disposals	(2,097)	(34,888)	(7,108)	-	(1)	(382)	(194)	(44,670)	-
De-recognition - Other	-	(1,849)	-	-	-	-	-	(1,849)	-
Assets reclassified (to)/from Held for Sale	-	(695)	-	-	-	(1,097)	-	(1,792)	-
At 31 March 2019	334,512	479,457	154,932	589,485	10,074	17,881	35,982	1,622,323	118,094
Accumulated Depreciation:									
At 1 April 2018	-	31,569	62,263	142,052	1,676	-	-	237,560	31,311
Depreciation charge	9,272	14,159	10,130	15,686	122	-	-	49,369	4,977
Reclassifications	-	(1,767)	-	-	-	1,767	-	-	-
Depreciation written out to the Revaluation Reserve	-	(4,268)	-	-	-	(212)	-	(4,480)	(3,180)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(9,272)	(2,186)	-	-	-	(1,555)	-	(13,013)	-
De-recognition - Disposals	-	(1,769)	(6,565)	-	-	-	-	(8,334)	-
De-recognition - Other	-	(196)	-	-	-	-	-	(196)	-
At 31 March 2019	-	35,542	65,828	157,738	1,798	-	-	260,906	33,108
Net Book Value:									
At 31 March 2019	334,512	443,915	89,104	431,747	8,276	17,881	35,982	1,361,417	84,986
At 31 March 2018	327,445	466,190	87,615	397,374	8,123	16,848	45,228	1,348,823	78,245

Notes to the Accounts

Valuation of Fixed Assets

Land and buildings are revalued according to a 5 year rolling programme, at 1 April. In addition to this, valuations are carried out on assets which have had a material change in year, that is, if assets have had additions of over £1.00 million or have a new build cost in excess of £2.50 million. Material change valuations are dated 31 March. An assessment of the buildings not valued during 2019-20 using BCIS indices was carried out, resulting in a £28.14 million increase to Property, Plant and Equipment and the Revaluation Reserve.

Surplus Properties were valued at 31 December 2019, using Fair Value Level 2 inputs for valuation purposes, having regard to comparable evidence, applying a rent and yield or capital value rate where appropriate. Development appraisals have been undertaken on sites where there is a clear development opportunity, (see accounting policies for explanation of fair value levels).

The valuation work has been undertaken by BNP Paribas Real Estate UK, One Trinity Gardens Broad Chare, Newcastle upon Tyne, NE1 2HF.

The valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, RICS Valuation - Professional Standards 2014, (the "Red Book").

The sources of information and assumptions made in producing the individual property valuations are set out in the valuation report.

The outbreak of the COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has impacted global financial markets, and market activity is being impacted in many sectors. At the valuation date, it is considered that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value. The current response to COVID-19 has led to an unprecedented set of circumstances on which to base a judgement. The valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case.

Notes to the Accounts

Valuation of Fixed Assets Carried at Current Value

Of the Property, Plant and Equipment not held at cost on the Balance Sheet, 66% was valued in year. Those properties which have not been valued in this financial year were valued as at the date of the last valuation report.

The following statement shows the current net book value of the Council's Property, Plant and Equipment by financial year of revaluation.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets * £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Valued at Historical Cost	-	17,277	48,971	439,527	8,292	-	57,200	571,267
Valued at Current Value in:								
2019-20 materiality adjustment	-	28,137	-	-	-	-	-	28,137
2019-20	335,529	177,299	30,700	-	-	21,424	-	564,952
2018-19	-	81,838	-	-	-	-	-	81,838
2017-18	-	50,422	-	-	-	-	-	50,422
2016-17	-	95,855	-	-	-	-	-	95,855
2015-16	-	20,009	-	-	-	-	-	20,009
Total	335,529	470,837	79,671	439,527	8,292	21,424	57,200	1,412,480

*Note - Due to the re-categorisation of assets, an approximation to historical cost has been made in some cases.

15. Investment Property

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

2018-19 £000		2019-20 £000
(21)	Rental income from investment property	(17)
11	Direct operating expenses arising from investment property	13
(10)	Net Gain	(4)

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

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

2018-19 £000		2019-20 £000
1,479	Balance at the start of the year	1,531
-	Reclassifications	350
-	Assets reclassified (to)/from Held For Sale	378
52	Net (losses)/gains from fair value adjustments	(461)
1,531	Balance at the end of the year	1,798

Fair Value Hierarchy

All of the Council's investment property portfolio has been assessed as Level 2 for valuation purposes (see accounting policies for explanation of fair value levels).

Valuation Techniques used to determine Level 2 Fair Values for Investment Properties

The fair value of investment property has been determined having regard to comparable evidence, applying a Rent and Yield or Capital Value Rate where appropriate.

Highest and Best use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuers

The investment property portfolio has been valued at 31 December 2019 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by BNP Paribas Real Estate UK, the Council's valuing agents.

16. Heritage Assets

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

	Museum, Art and Artefact Collection	Public Sculptures and Memorials	Historic Buildings	Total
	£000	£000	£000	£000
Cost or Valuation:				
As at 1 April 2019	5,452	1,326	1,070	7,848
Additions	-	-	-	-
Reclassifications	-	-	-	-
As at 31 March 2020	5,452	1,326	1,070	7,848
Accumulated Depreciation and Impairment :				
As at 1 April 2019	-	52	23	75
As at 31 March 2020	-	52	23	75
Net Book Value 31 March 2020	5,452	1,274	1,047	7,773
Net Book Value 31 March 2019	5,452	1,274	1,047	7,773

Museum, Art and Artefact Collection

The Council's museum and art and artefacts collections are included in the Balance Sheet on the basis of their insurance valuation, which is periodically reviewed.

The museum collections are all on loan to the Woodhorn Trust and include the collections from Woodhorn Museum; the Berwick Museum and Art Gallery; and the Hexham Old Gaol, these were last valued by fine art auctioneers Anderson & Garland in March 2010 and April 2011.

The archive collection is split between Woodhorn and Berwick-upon-Tweed Records Office. Further details can be found on the Woodhorn Museum website www.experiencewoodhorn.com. The Art collection includes oil paintings on display in public libraries. These were last valued by auctioneers Anderson & Garland as at 1 April 2012.

Public Sculptures and Memorials

Carried at cost on the Balance Sheet, the Council is custodian of Public Art, much of which is the result of the Inspire Initiative established in 2003.

The Council is also custodian or has a duty of care for a variety of monuments and memorials throughout the County, details of which can be found from the Public Monuments and Sculpture

Association National recording project (www.pmsa.org.uk) and the North East War Memorial Project (www.newmp.org.uk).

Historic Buildings

The historic buildings included within the Heritage Assets category are held principally for their contribution to knowledge or culture where they are not used for operational purposes. They are carried at cost on the Balance Sheet and include Blyth Battery and Morpeth Clock Tower.

The County Historic Environment Record (HER) database holds records of all of the historic buildings within the County. The majority of historic buildings owned by the Council are in operational use and are therefore included in the main Property Plant and Equipment section of the Balance sheet.

Archaeology

The Council owns the County Historic Environment Record (HER) which is a database and associated GIS data sets, which records all known archaeology sites and historic buildings within the County including Northumberland National Park. This is a public information service and can be found on the Archaeology Data Service website (<http://ads.ahds.ac.uk/catalogue>) and a shortened version is available on the Keys to the Past website (www.keystothepast.info).

This is not recognised on the Balance sheet.

17. Capital Expenditure and Capital Financing

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

2018-19 £000		2019-20 £000
951,984	Opening Capital Financing Requirement	960,543
	Capital Investment:	
91,136	Property, Plant and Equipment	111,812
27,909	Capital Long Term Debtors	17,393
4,338	Advance Northumberland Share Capital	-
1,583	PFI / Finance Lease Additions	865
12,249	Revenue Expenditure Funded From Capital under Statute	10,340
	Sources of Finance:	
(8,917)	Capital receipts	(4,929)
(48,102)	Government grants and other contributions	(44,746)
	Sums set aside from revenue/Major Repairs Reserve:	
(9,528)	Major Repairs Reserve	(8,598)
(5,945)	Direct revenue contributions	(1,345)
(17,746)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(16,467)
(6,910)	Voluntary set aside for the financing of capital investment charged against the General Fund and HRA balances	(6,752)
(31,508)	Set aside of capital receipt for the repayment of debt	(17,838)
960,543	Closing Capital Financing Requirement	1,000,278
	Explanation of movements in year:	
63,140	Increase in underlying need to borrow (unsupported by government financial assistance)	79,927
(56,164)	Minimum Revenue Provision	(41,057)
1,583	Assets acquired under PFI / PPP contracts	865
8,559	Increase in Capital Financing Requirement	39,735

18. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT hardware item included within Property, Plant and Equipment.

The movement on Intangible Asset balances during the year is as follows:

2018-19			2019-20	
Total Intangible Assets (Other)*			Total Intangible Assets (Other)*	
Current	Long Term		Current	Long Term
£000	£000		£000	£000
Balance at start of year:				
113	6,561	Gross carrying amounts	113	6,306
-	(4,711)	Accumulated amortisation	-	(4,417)
113	1,850	Net carrying amount at the start of year	113	1,889
Additions:				
-	327	Purchases	-	67
-	386	Assets Classified from PPE	-	-
-	-	Revaluations increase or decreases	(113)	-
-	(968)	Other Disposals - cost	-	(829)
-	968	Other Disposals - amortisation	-	829
-	(674)	Amortisation for the period	-	(806)
113	1,889	Net carrying amount at the end of year	-	1,150
Comprising:				
113	6,306	Gross carrying amounts	-	5,544
-	(4,417)	Accumulated amortisation	-	(4,394)
113	1,889		-	1,150

*Note - The Council has no internally generated assets.

19. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

31 March 2019				31 March 2020			
Short Term		Long Term		Short Term		Long Term	
Investments	Debtors	Investments	Debtors	Investments	Debtors	Investments	Debtors
£000	£000	£000	£000	£000	£000	£000	£000
Amortised Cost:							
-	70,424	33,250	135,966	72,000	73,333	33,250	128,230
272	-	-	-	339	-	-	-
272	70,424	33,250	135,966	72,339	73,333	33,250	128,230
Fair value through other comprehensive income - designated equity Instruments							
-	-	13,527	-	-	-	9,036	-
272	70,424	46,777	135,966	72,339	73,333	42,286	128,230
-	9,285	4,338	276,119	-	16,358	4,338	274,628
272	79,709	51,115	412,085	72,339	89,691	46,624	402,858

31 March 2019				31 March 2020			
Short Term		Long Term		Short Term		Long Term	
Borrowings	Creditors	Borrowings	Creditors	Borrowings	Creditors	Borrowings	Creditors
£000	£000	£000	£000	£000	£000	£000	£000
Amortised Cost:							
(71,541)	(62,519)	(659,981)	-	(94,543)	(66,183)	(730,438)	-
(6,055)	-	-	-	(6,116)	-	-	-
20	-	1,727	-	-	-	-	-
(77,576)	(62,519)	(658,254)	-	(100,659)	(66,183)	(730,438)	-
-	-	-	-	-	-	-	-
(77,576)	(62,519)	(658,254)	-	(100,659)	(66,183)	(730,438)	-
-	(5,862)	-	(80,443)	-	(14,133)	-	(76,507)
(77,576)	(68,381)	(658,254)	(80,443)	(100,659)	(80,316)	(730,438)	(76,507)

The non-financial instruments figures represent items outside the scope of financial instruments; such as amounts in respect of statutory debts and do not arise from contracts (Council Tax and Non-Domestic Rates), rights and obligations arising from leases Private Finance Initiatives (PFI), receipts in advance, prepayments, cash and cash equivalents, and interests in subsidiaries and entities that are included within the authority's group accounts.

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Investments in equity instruments designated at fair value through other comprehensive income

The Council has decided to designate its 15.42% shareholding in Newcastle Airport Local Authority Holding Company Limited (NALAHCL) as fair value through other comprehensive income under IFRS9 classifications. This decision protects Council taxpayers from any future movements in the value of these shareholdings until such time as the shares are sold or released.

	Nominal Value £000	Fair Value 31 March 2020 £000	Movement in Fair Value during 2019-20 £000
Newcastle Airport	295	9,036	(4,491)

Material Soft Loans Made by the Council

The Council has made a number of soft loans to voluntary and other organisations at less than market rates (soft loans). Details of these advances are identified in the following table:

Loan	Term (Years)	Contracted Rate %	Fair Value Rate %	Opening Balance (Fair Value) 1 April 2019 £000	Loans Repaid £000	Increase in discounted amount £000	Closing Balance (Fair Value) 31 March 2020 £000	Closing Balance (Nominal) 31 March 2020 £000
Berwick Core - Solar Panels	9	4.00	9.34	14	(14)	2	2	2
Northumberland Aged Miners Housing Association - Solar Panels	20	3.54	5.87	1,578	(25)	27	1,580	1,807
Northumbria Healthcare NHS Foundation Trust - Local Government Pension Scheme	15	1.50	5.00	1,241	(225)	61	1,077	1,205
The Maltings - LED Technologies Investment	10	3.87	5.85	102	(20)	5	87	92

*Note - The Council applies a de minimis level of £25,000 for new soft loans adjustments.

Notes to the Accounts

Valuation Assumptions

The interest rate at which the fair value of soft loans has been made is arrived at from either the prevailing market rate of interest for a similar instrument and for an organisation with a similar credit rating; or, where it is difficult to identify the prevailing rate of interest, by taking the Council's prevailing cost of borrowing and adding an allowance for the risk that the loan might not be repaid by the borrower.

Loans to Other Organisations

In addition to the above, the following loans were made during the year. Taking into consideration the Council's prevailing cost of borrowing and adding an allowance for the risk that the loans might not be repaid, the Council does not consider that soft loan adjustments are appropriate for these loans, as the assessed fair value rate is lower than the contracted rate.

Not Considered as Soft Loans	Purpose of Loan	Contracted Rate	Assessed Fair Value Rate	New Advances in Year £000
Advance Northumberland Limited	Property Purchases	4.12%	2.66%	10,459

Notes to the Accounts

Financial Instruments Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

As Restated 2018-19					2019-20				
Financial Liabilities measured at Amortised Cost	Financial Assets at Amortised Cost	Investments in equity instruments designated as fair value through other comprehensive income	Total		Financial Liabilities measured at Amortised Cost	Financial Assets at Amortised Cost	Investments in equity instruments designated as fair value through other comprehensive income	Total	
£000	£000	£000	£000		£000	£000	£000	£000	
(27,895)	-	-	(27,895)	Interest expense	(25,089)	-	-	(25,089)	
(113)	-	-	(113)	Fee Expense	(81)	-	-	(81)	
(28,008)	-	-	(28,008)	Total expense in surplus or deficit on the provision of services	(25,170)	-	-	(25,170)	
-	12,954	-	12,954	Interest income*	-	8,423	-	8,423	
-	12,954	-	12,954	Total income in surplus or deficit on the provision of services	-	8,423	-	8,423	
-	-	127	127	Gain/(Loss) on Revaluation	-	-	(4,491)	(4,491)	
-	-	127	127	Surplus/(deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(4,491)	(4,491)	
(28,008)	12,954	127	(14,927)	Net gain/(loss) for the year	(25,170)	8,423	(4,491)	(21,238)	

*Note interest income excludes amounts received from Advance Northumberland because it is excluded from the scope of financial instruments provisions.

Notes to the Accounts

Fair Value of Financial Assets

Some of the Council's financial assets are measured in the balance sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

31 March 2019 Fair Value £000	Recurring Fair Value Measurements	Input Level in Fair Value Hierarchy	Valuation technique used to measure fair value	31 March 2020 Fair Value £000
13,527	Equity shareholding in Newcastle Airport Local Authority Holding Company Limited	Level 3	Combination of the discounted cash flow of income method together with the guideline public company method of the market approach to valuations	9,036
13,527		Total Assets		9,036

Through its shares and 15.42% holding in Newcastle Airport Local Authority Holding Company Limited (NALAHCL) the Council has an effective shareholding of 7.86% in Newcastle International Airport Limited (NIAL) (and the group companies of NIAL Group Limited and NIAL Holdings Limited) - see Related Parties note 35. The valuation of the holding is reviewed each year to consider whether any events have occurred which would materially change the valuation.

The spread of COVID-19 across the world towards the end of 2019-20 led to a sudden decline in air travel prompting the value of the shareholding to be impaired.

The fair value for Newcastle Airport is based on a combination of the discounted cash flow of income method together with the guideline public company method of the market approach to valuations and other observable and unobservable factors. The last full valuation took place at 31 March 2019.

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

Trading of shares only takes place when one or more of the seven North East Authorities (LA7) or AMP Capital Investors Limited wishes to sell their shareholding. There are no plans to dispose of shares next year.

There has been no change in the valuation technique used during the year for the financial instruments.

Notes to the Accounts

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for all the other financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value; and,
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

As Restated 31 March 2019		31 March 2020		
Carrying Amount	Fair Value	Carrying Amount	Fair Value	
£000	£000	£000	£000	
321,862	482,418	PWLB - Maturity	448,848	746,152
675	1,153	PWLB - Annuity	648	1,114
30,722	31,937	PWLB - EIP	22,166	23,156
178,190	352,452	LOBOs	178,211	456,389
204,381	273,253	Market Loans	181,224	287,376
-	-	Long-Term Creditors	-	-
735,830	1,141,213	Total Financial Liabilities	831,097	1,514,187

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The differences are attributable to fixed interest instruments receivable being held by the Council where the interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

As Restated 31 March 2019		31 March 2020		
Carrying Amount	Fair Value	Carrying Amount	Fair Value	
£000	£000	£000	£000	
272	272	Short Term Investments	72,339	72,339
46,777	49,202	Long Term Investments	42,286	44,582
135,966	135,966	Long Term Debtors	128,230	145,591
183,015	185,440	Total Financial Assets	242,855	262,512

20. Nature and Extent of Risks Arising from Financial Instruments

Risk Management

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments; and,
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its Treasury Management activities will be measured. Accordingly, the analysis and reporting of treasury management activities focuses on the risk implications for the organisation.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure from the Council's customers. The Council's Counterparty Policy sets out the limits for investments.

Specified Investments

Type of Organisation	Minimum Credit Rating Criteria		Maximum Investment Amount	Maximum Period of Investment
	Fitch	Moody		
UK Local Authorities (Including the North East Combined Authority)	N/A	N/A	Unlimited	15 years (with annual calls)
Debt Management Organisations	N/A	N/A	Unlimited	6 months
UK Government Gilts, Bonds and Treasury Bills	N/A	N/A	Unlimited	12 months
Nationalised and Semi-Nationalised Banks	N/A	N/A	£35m (Group Limit £70m)	12 months
Money Market Funds	AAA	Aaa	£25m (Group Limit £150m)	Instant access
Deposits and Certificates of Deposit with approved eligible financial institutions which meet the following criteria				
Very High Grade UK Clearing Banks/ Building Societies	ST:F1+	ST:P-1		
	LT:AA-	LT:Aa2	£25m (Group Limit £50m)	12 months
High Upper Medium Grade UK Clearing Banks/ Building Societies	ST:F1	ST:P-1		
	LT:A-	LT:A3	£15m (Group Limit £30m)	12 months
High Grade Foreign Banks	ST:F1	ST:P-1		
	LT:A-	LT:A3	£10m (Group Limit £30m)	6 months

Notes to the Accounts

Non-specified Investments

No Treasury Management Strategy limits were exceeded during the reporting period.

Type of Organisation	Minimum Credit Rating Criteria		Maximum Investment Amount	Maximum Period of Investment
	Fitch	Moody		
UK Local Authorities (Including the North East Combined Authority)	N/A	N/A	Unlimited	15 years
UK Government Gilts, Bonds and Treasury Bills	N/A	N/A	Unlimited	15 years
Enhanced Cash Funds (Variable net asset value)	AAA	Aaa	£15m per fund (£60m in total)	30 (1) days notice
Deposits or Corporate Bonds with institutions which meet the rating criteria	ST:F1	ST:P-1	£10m per institution	5 Years
	LT:A-	LT:A3		
Deposits or Corporate Bonds with institutions which meet the rating criteria	ST:F2	ST:P-2	£5m per institution	12 months
	LT:A-	LT:A3		
Good, Medium Grade UK Clearing Banks/ Building Societies	ST:F2	ST:P-2		
	LT:BBB	LT:Baa1	£10m per banking Group	6 months
Building Societies which have assets in excess of £10,000m	N/A	N/A	£12m per Building Society	12 months
Building Societies which have assets in excess of £5,000m	N/A	N/A	£10m per Building Society	6 months
Building Societies which have assets in excess of £1,000m	N/A	N/A	£5m per Building Society	3 months

Amounts Arising from Expected Credit Losses

Allowances for impairment losses have been assessed for amortised cost assets (including long-term debtors), applying the expected credit losses model.

As a result of the COVID-19 pandemic, and its impact on airport operations, an expected credit loss adjustment has been made to the loan notes provided to Newcastle International Airport (NIAL) Group Limited – as outlined in note 35, Related Parties.

It has been concluded that the expected credit losses on all other financial assets are either not material or that the cash flows from the sale of collateral held would negate any such losses. Wherever possible, the Council aims to mitigate its risks and exposure to default by seeking appropriate additional security from the borrower. This is often in the form of a legal charge over the borrower's property / assets. As a result, no allowances for expected credit losses have been made.

Loans to the Council's wholly owned subsidiary, Advance Northumberland Limited, is excluded from the requirements of financial instruments (and therefore the above assessment) as it is covered by more specific provisions about its recognition, measurement and disclosure within the authority's group accounts.

Notes to the Accounts

Customer Debt

The Council has £8.04 million (2018-19 £9.55 million) of debt past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2019		31 March 2020
£000		£000
4,329	Less than three months	2,876
2,746	Three to six months	1,131
887	Six months to one year	2,122
1,586	More than one year	1,910
9,548	Total	8,039

A review of balances at 31 March 2020 suggested that an impairment of £0.06 million (2018-19 £0.59 million) was appropriate.

In addition to customer debt, the Council has also impaired the non-contractual debt which it holds in relation to Council Tax, Business Rates and Housing Benefits.

For Council Tax and Business Rates, any debt that is determined to be individually significant is considered initially on a case by case basis, taking into account the recovery action taken to date and the likelihood of recovery. The remaining debt is then grouped, and an aged debt analysis is carried out applying the percentages shown below.

Year	Percentage	2019-20		Percentage	Debt	Business Rates Impairment
		Council Tax Debt	Impairment			
2015-16 and older	100%	2,187	2,187	100%	556	556
2016-17	80%	825	660	80%	209	174
2017-18	60%	1,252	751	60%	336	214
2018-19	40%	1,991	797	40%	617	259
2019-20	20%	5,486	549	10%	1,930	386
Total	N/A	11,741	4,944	N/A	3,648	1,589
Council's share	N/A	9,240	4,587	N/A	2,592	1,192

As with other Collection Fund balances, the debt and impairment balances relating to Council Tax and Business Rates are shared between the relevant precepting authorities.

For Housing Benefits, the debt is impaired based on the recovery action taken and the likelihood of recovery.

The Council's overall impairment of doubtful debt is shown below.

	2019-20			Not Impaired Debt
	Debt	Historical Experience of Default	Impairment	
Customers	8,039	2.4%	629	7,410
Council Tax	9,240	5.2%	4,587	4,653
Business Rates	2,592	25.4%	1,192	1,400
Housing Benefits	2,593	3.0%	299	2,294
Total	22,464	3.3%	6,707	15,757

Financial Guarantees

The Council has reviewed its exposure to financial guarantees provided in the event of default by other organisations. The only area of risk identified is in relation to a guarantee provided to an employer participating in the Local Government Pension Scheme (LGPS). A formal guarantee agreement is in place in respect of The Association of North East Councils' participation in the LGPS, but the risk of the guarantee being called upon is low, therefore no fair value has been calculated on grounds of materiality.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures set out earlier (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrow from the money markets to cover any day to day cash flow need; and, the PWLB and money markets for

Notes to the Accounts

access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council's long term borrowing can be analysed as follows:

31 March 2019		31 March 2020
£000		£000
Analysis by Loan Type		
316,617	Public Works Loans Board	459,814
165,137	Other Market Loans	94,124
176,500	LOBO (Market Loans)	176,500
658,254		730,438
Analysis of Loans by Maturity		
99,522	Between 1 and 2 years	23,545
16,563	Between 2 and 5 years	15,381
29,374	Between 5 and 10 years	57,285
1,822	Between 10 and 20 years	92,173
12,077	Between 20 and 30 years	32,754
70,296	Between 30 and 40 years	90,700
279,600	Between 40 and 50 years	269,600
149,000	Between 50 and 60 years	149,000
658,254		730,438

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

Notes to the Accounts

Market Risk – Interest Rate Risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the liabilities associated with borrowings will fall;
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and,
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be included in the Comprehensive Income and Expenditure Statement and impact upon the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If interest rates had been 1% higher at 31 March 2020 with all other variables held constant, the effect would have been:

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	31 March 2020 £000
Increase in Interest Payable on Variable Rate Borrowings	830
Increase in Interest Receivable on Variable Rate Investments	(1,302)
Impact on (Surplus) or Deficit on the Provision of Services	(472)
Decrease in Fair Value of fixed rate borrowing (no impact on CIES)	(323,665)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

The increase in interest payable on borrowings is largely due to the fact that the Council has £78.00 million of LOBO borrowing which has now gone past its initial fixed interest period and is subject to the potential to be called by the lender at specific intervals. If a loan were called, the Council would be exposed to a potential change in interest rate. The Council also took out £5.00 million of short term borrowing in 2019-20 which will mature within 1 year.

Market Risk – Price Risk

The Council does not invest in equity shares but does have shareholdings in Newcastle Airport Local Authority Holding Company, Arch (Corporate Holdings) Limited and Advance Northumberland Limited. Further information on these shareholdings is contained in Note 35 Related Parties.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. The shares in Newcastle Airport Local Authority Holding Company are classified as "Fair Value through other Comprehensive Income" and are included at fair value. The shares in Arch (Corporate Holdings) Limited and Advance Northumberland Limited are included at historic cost.

21. Leases

Council as Lessee

Finance Leases

The Council has a number of ground leases for assets included within Property, Plant and Equipment in the Balance Sheet. The land is mostly held on a peppercorn rent and therefore immaterial for reporting purposes.

Council as Lessee

Operating Leases

The Council uses cars, commercial vehicles, refuse vehicles, fire equipment and appliances and information technology equipment financed by entering into operating leases, with typical lives of 6 years.

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2019 £000		31 March 2020 £000
911	Not later than one year	1,016
1,113	Later than one year and not later than five years	851
295	Later than five years	1,004
2,319		2,871

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

31 March 2019 £000		31 March 2020 £000
1,682	Minimum lease payments	1,431

Council as Lessor

Finance Leases

The Council has numerous Finance Leases in place, including schools previously controlled by the Local Authority which have converted to Academy Schools which are now on 125 year leases. The Council either receives nil or peppercorn annual rental for these properties.

Council as Lessor

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities and playgroups; and,
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2019 £000		31 March 2020 £000
533	Not later than one year	447
374	Later than one year and not later than five years	273
175	Later than five years	234
1,082		954

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

22. Debtors

31 March 2019		31 March 2020
£000		£000
	Short Term:	
20,654	Central government bodies	17,974
8,518	NHS Bodies	21,380
41,769	Other entities and individuals	42,002
5,580	Other local authorities	4,976
3,188	Public corporations and trading funds	3,359
79,709	Total Short Term	89,691
	Long Term:	
192,195	Advance Northumberland Commercial	191,575
35,044	Advance Northumberland Development	34,356
38,390	Advance Northumberland Housing	40,236
10,489	Advance Northumberland Housing - Executive	9,834
-	NELEP - East Sleekburn Enterprise Zone	6,174
10,888	NCC - Airport Loan Notes	10,631
	Northumberland Aged Miners Housing Association - Solar Panel Loan	1,379
1,082	Northumberland College	865
5,688	Northumberland College Loan 2014	5,525
21,000	Northumbria Healthcare NHS Foundation Trust Berwick Hospital Loan	19,000
10,000	Northumbria Healthcare NHS Foundation Trust Cramlington Capital Equipment Loan	-
83,468	Northumbria Healthcare NHS Foundation Trust Hexham Hospital Loan	80,579
1,020	Northumbria Healthcare NHS Foundation Trust LGPS Loan	862
1,356	Other Loans	1,842
412,085	Total Long Term	402,858
491,794	Total Debtors	492,549

23. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2019		31 March 2020
£000		£000
64,690	Cash and Cash Equivalents	86,609
(12,897)	Bank overdraft	(27,772)
51,793	Total Cash and Cash Equivalents	58,837

24. Assets Held for Sale

Current	Non Current		Current	Non Current
2018-19	2018-19		2019-20	2019-20
£000	£000		£000	£000
7,238	430	Balance at 1 April	7,645	430
		Assets newly classified as held for sale:		
2,807	-	Property, Plant and Equipment	245	-
(163)	-	Revaluation losses	(6)	-
76	-	Revaluation gains	113	-
		Assets declassified as held for sale:		
(1,015)	-	Property, Plant and Equipment	(5,620)	-
-	-	Investment property	-	(378)
(1,298)	-	Assets sold	(215)	-
		Assets transferred from Non current to current	52	(52)
7,645	430	Balance at 31 March	2,214	-

25. Private Finance Initiatives and Similar Contracts

The following table shows the reconciliation of long term creditors to the PFI and other finance lease liabilities:

31 March 2019		31 March 2020
£000		£000
	Long term finance lease liability:	
(53,349)	Waste PFI	(52,208)
(11,059)	Fire PFI	(10,713)
(64,408)	Total Finance Lease Liability	(62,921)
	Long term deferred credits:	
(10,007)	Waste PFI	(9,341)
(10,007)	Total Deferred Credits	(9,341)
(74,415)	Total Long Term Creditors	(72,262)

The Council has entered into two PFI schemes as detailed below:

Waste PFI

2019-20 was the thirteenth year of a twenty-eight year integrated Waste PFI contract covering the construction, maintenance and operation of a range of waste treatment facilities and reception, storage, transport, recycling, composting, energy recovery and landfill disposal of household and commercial wastes collected by the Council. The Council has the right under the agreement to use the various waste facilities for the provision of Waste Services.

The contract specifies a minimum standard for the services to be provided by the contractor. In the event of a service performance shortfall or if facilities become unavailable deductions will be made to the Unitary Charge payable. The contractor took on the obligation to ensure at all times that the services at each centre meet all the requirements of the Agreement, the Services Specification, the Service Delivery Proposals, Good Industry Practice, Guidance and all applicable Authorities' Policies and Legislation.

The buildings and any plant and equipment at the end of the Agreement will be transferred to the Council for nil consideration, with the exception of

an extension to an existing Energy from Waste facility located outside of the Council's administrative area that will revert to the Contractor as it will be at the end of its useful operational life.

The Council has the right to terminate the Agreement by giving the agreed notice period and paying the Authority Default Termination Sum, as detailed in the Agreement.

Payments to the service provider under this scheme depend upon a number of factors, including the performance of the contract.

Notes to the Accounts

The figures below provide information on the movement of the Waste PFI assets held on the Council's Balance Sheet during 2019-20:

	2018-19 £000	2019-20 Plant Shell £000	2019-20 Project Assets £000	2019-20 £000
Cost brought forward 1 April	96,002	13,566	87,761	101,327
Additions in year	1,583	-	865	865
Revaluations in year	3,742	(1,691)	(18,832)	(20,523)
Disposals	-	-	(2,939)	(2,939)
Cost carried forward 31 March	101,327	11,875	66,855	78,730
Accumulated depreciation brought forward 1 April	(29,516)	(5,043)	(27,510)	(32,553)
Revaluations in year	1,385	5,576	20,781	26,357
Disposals	-	-	1,502	1,502
Depreciation charge for year	(4,422)	(533)	(3,628)	(4,161)
Depreciation at 31 March	(32,553)	-	(8,855)	(8,855)
Net book value carried forward 31 March	68,774	11,875	58,000	69,875

The following table provides information on the movement of the PFI lease liability held on the Council's Balance Sheet during 2019-20:

	2018-19 £000	2019-20 Plant Shell £000	2019-20 Project Assets £000	2019-20 £000
Lease liability brought forward 1 April	55,172	10,856	43,440	54,296
Payments made in year	(876)	(221)	(726)	(947)
Liability carried forward 31 March	54,296	10,635	42,714	53,349

Notes to the Accounts

The following table provides the best estimates of payments in future periods, on the assumption that the contractor provides a reliable service. Variable elements of the charge have been inflated in line with predicted RPI increases.

	31 March 2019 £000	Lifecycle Replacement £000	Repayment of Liability £000	Interest Charges £000	Service Charges £000	31 March 2020 £000
Within one year	24,010	1,241	1,141	7,664	14,685	24,731
Within two to five years	103,015	5,217	6,712	31,129	63,034	106,092
Within six to ten years	146,222	7,129	15,997	38,606	88,965	150,697
Within eleven to fifteen years	168,393	7,872	29,498	34,264	101,839	173,473
Within sixteen to twenty years	36,598	-	-	-	-	-
	478,238	21,459	53,348	111,663	268,523	454,993

The following transactions were processed during 2018-19 and 2019-20:

2018-19 £000		2019-20 £000
12,042	Service Charge	12,918
1,191	Lifecycle Maintenance	1,217
876	Capital Repayment	947
5,836	Interest	5,743
677	Contingent Rent	777
20,622	Total Payment	21,602
(3,141)	PFI Grant Receivable	(3,141)
17,481	Net Payment	18,461

Notes to the Accounts

Fire & Rescue PFI

2019-20 was the tenth year of a twenty-five year PFI contract for the construction, maintenance and operation of two Fire Stations, in Pegswood and West Hartford. The Council has the right under the Agreement to use the stations for the provision of the Fire and Rescue Services.

The contract specifies a minimum standard for the services to be provided by the contractor. In the event of a service performance shortfall or if the facilities become unavailable, deductions will be made to the Unitary Charge payable. The contractor took on the obligation to ensure at all times the services at each station meet all the requirements of the Agreement, the Services Specification, the Service Delivery Proposals, Good Industry Practice, Guidance and all applicable Authorities' Policies and Legislation.

The buildings and any plant and equipment at the end of the Agreement will be transferred to the Council for nil consideration.

The Council has the right to terminate the Agreement by giving the agreed notice period and paying the Default Termination Sum, as detailed in the Agreement.

Payments to the service provider under this scheme depend upon a number of factors, including the performance of the contract. Changes to Works, the Services or the Stations agreed, in accordance with the Change Protocol detailed in the Agreement, will result in an adjustment to the annual payments to the service provider.

The figures below provide information on the movement of the Fire and Rescue PFI assets held on the Council's Balance Sheet during 2019-20:

2018-19 £000		2019-20 £000
13,555	Costs brought forward 1 April	16,767
3,212	Revaluation Gain	-
16,767	Cost carried forward 31 March	16,767
(1,796)	Depreciation brought forward 1 April	(555)
1,796	Revaluations in Year	-
(555)	Depreciation charge for year	(555)
(555)	Depreciation at 31 March	(1,110)
16,212	Net book value carried forward 31 March	15,657

The figures below provide information on the movement of the PFI lease liability held on the Council's Balance Sheet during 2019-20:

2018-19 £000		2019-20 £000
11,664	Lease liability brought forward 1 April	11,375
(289)	Payments made in year	(316)
11,375	Liability carried forward 31 March	11,059

Notes to the Accounts

The following table provides the best estimate of payments in future periods, on the assumption that the contractor provides a reliable service. The amounts include the adjustment to the payments, agreed during 2013-14, relating to changes to Works, the Services or the Stations. The adjustments affect the Lifecycle Maintenance and the Service Charges elements of the Unitary Charge. Variable elements of the charge have been inflated in line with predicted RPI increases.

	31 March 2019	Lifecycle Replacement	Repayment of Liability	Interest Charges	Service Charges	31 March 2020
	£000	£000	£000	£000	£000	£000
Within one year	2,574	227	346	1,207	832	2,612
Within two to five years	10,614	966	1,754	4,441	3,614	10,775
Within six to ten years	14,048	1,349	3,377	4,306	5,243	14,275
Within eleven to fifteen years	15,026	1,527	5,511	2,057	6,190	15,285
Within sixteen to twenty years	3,686	153	72	(94)	270	401
	45,948	4,222	11,060	11,917	16,149	43,348

The following transactions were processed during 2018-19 and 2019-20.

2018-19		2019-20
£000		£000
755	Service Charge	804
215	Lifecycle Maintenance	221
289	Capital Repayment	316
1,236	Interest	1,204
30	Contingent Rent	34
2,525	Total Payment	2,579
(1,619)	PFI Grant Receivable	(1,619)
906	Net Payment	960

26. Creditors

31 March 2019		31 March 2020
£000		£000
(15,802)	Central government bodies	(17,910)
(2,166)	NHS bodies	(1,052)
(46,390)	Other entities and individuals	(48,630)
(1,654)	Other local authorities	(3,423)
(885)	Public corporations and trading funds	(33)
(66,897)	Total	(71,048)

27. Significant Commitments under Capital Contracts

The following significant capital contracts have been entered into by the County Council at 31 March 2020:

	Total Cost	Future Payments
	£000	£000
County Hall Refurbishment	17,000	12,270
Darras Hall Primary School New Build	7,800	1,207
Hexham New Build Schools	40,810	36,976
Morpeth First School New Build	6,700	161
Ponteland Secondary School, Leisure Centre and Fire Station	48,200	13,336

28. Provisions

Provisions	Redundancy Costs £000	Equal Pay Back Pay £000	MMI Liability £000	Repairs & Maintenance £000	NNDR Appeals £000	Estates Rationalisation £000	Active Northumberland Job Evaluation £000	Compensation Claims £000	Total £000
Balance at 1 April 2018	(316)	(942)	(78)	(4,764)	(4,861)	(750)	-	-	(11,711)
Amounts used in 2018-19	286	21	-	3,116	2,334	173	-	-	5,930
Additional provisions made in 2018-19	(118)	(1,843)	-	-	(2,575)	-	(863)	-	(5,399)
Unused amounts reversed in 2018-19	30	-	-	1,648	-	-	-	-	1,678
Balance at 1 April 2019	(118)	(2,764)	(78)	-	(5,102)	(577)	(863)	-	(9,502)
Amounts used in 2019-20	106	2,226	-	-	727	-	863	-	3,922
Additional provisions made in 2019-20	(603)	-	-	-	(5,749)	-	-	(190)	(6,542)
Unused amounts reversed in 2019-20	12	38	-	-	-	-	-	-	50
Balance at 31 March 2020	(603)	(500)	(78)	-	(10,124)	(577)	-	(190)	(12,072)
Comprising:									
Short Term	(603)	(500)	-	-	(10,124)	(577)	-	(190)	(11,994)
Long Term	-	-	(78)	-	-	-	-	-	(78)
Total Provisions	(603)	(500)	(78)	-	(10,124)	(577)	-	(190)	(12,072)

Redundancy Costs

Redundancy costs have been provided for planned areas of restructuring. The redundancy plans were communicated to departments involved during 2019-20 (and for comparative amounts during 2018-19) and as such the Council has a constructive obligation to meet these costs. The amount included is the best estimate of the liability as at the Balance Sheet date.

Equal Pay Back Pay

This provision represents the estimated liability to HMRC relating to a withheld penalty charge which can be imposed if future expectations are not met. All other obligations have now been settled.

Notes to the Accounts

Municipal Mutual Insurance (MMI) Liability

In September 1992 Municipal Mutual Insurance Ltd (MMI), the County Council's former insurers, ceased accepting new business. MMI and its policyholders, including local authorities, have established a Scheme of Arrangement for the orderly run down of the company. MMI's future liabilities under its old policies cannot be fully quantified until the claims, current and yet to be made, have been settled. There is the possibility that, at some time in the future, MMI will not have enough assets to meet the claims and liabilities. The Scheme of Arrangement provides that, if there is a likelihood of a shortfall, MMI can reclaim from the major policy holders part of the claims paid from 1 October 1992.

As at 30 September 2019, the total amount of the Council's claims to date subject to reclamation was £5.49 million (£5.48 million at 31 March 2018). MMI's position deteriorated in 2011-12 following a Supreme Court judgement on MMI's obligations related to asbestos and the asbestos-related disease of mesothelioma, and the Scheme of Arrangement was triggered in November 2012.

In January 2014 Municipal Mutual issued Northumberland County Council with its initial levy payment due under the Scheme of Arrangement namely £0.75 million which was met from the provision.

Similarly in April 2016 Municipal Mutual issued Northumberland County Council with a further levy payment due under the Scheme of Arrangement namely £0.52 million which was met from the provision.

This reserve is now £0.08 million at 31 March 2020 to cover potential outstanding claims.

Repairs and Maintenance

A claim for dilapidation repairs was settled during the year and the unused balance of £1.65 million was returned to revenue in 2018-19.

National Non-Domestic Rates (NDR) Appeals

In addition to the local management of business rates, authorities are expected to finance their proportion of appeals made against the rateable valuation set by the Valuation Office, which are outstanding at 31 March 2020.

Estates Rationalisation

This provision is maintained to cover anticipated costs in relation to rationalising the Council's estate following a review by Estates Management.

Active Northumberland Job Evaluation

This provision was created in 2018-19 to cover the anticipated outstanding costs in relation to job evaluation for Active Northumberland which the Council agreed to fund for the period 1 April 2016 to 31 March 2019. All of the provision has been utilised in 2019-20.

Compensation Claims

There are a number of claims that have been received in relation to a depreciation of property values under the Land Compensation Act Part 1 which have not yet been settled. The estimated value of these claims is £0.19 million.

29. Unusable Reserves

As Restated 31 March 2019 £000		31 March 2020 £000
(5,505)	Accumulated Absences Adjustment Account	(4,855)
695,160	Capital Adjustment Account	672,968
155	Collection Fund Adjustment Account	3,174
-	Deferred Capital Receipts Reserve	-
(7,056)	Financial Instruments Adjustment Account	(8,426)
13,231	Financial Instruments Revaluation Reserve	8,741
(713,940)	Pensions Reserve	(804,210)
148,561	Revaluation Reserve	175,063
130,606	Total Unusable Reserves	42,455

Accumulated Absences Adjustment Account

The Accumulated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2018-19 £000	2018-19 £000	2019-20 £000	2019-20 £000
	(6,327)	Balance at 1 April	(5,505)
6,327	Settlement or cancellation of accrual made at the end of the preceding year	5,505	
(5,505)	Amounts accrued at the end of the current year	(4,855)	
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		650
	(5,505)	Balance at 31 March	(4,855)

Capital Adjustment Account

The balance on the account represents the timing difference between the amount of historical cost of fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.

As Restated 2018-19 £000		2019-20 £000
701,408	Balance at 1 April	695,160
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(49,369)	Charges for depreciation and impairment of non current assets	(52,840)
(3,427)	Change in value of available for sale assets	107
(7,253)	Revaluation losses on Property, Plant and Equipment	6,460
(674)	Amortisation of intangible assets	(806)
(12,249)	Revenue expenditure funded from capital under statute	(17,279)
(70,808)	Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(64,476)
8,824	Adjusting amounts written out of the Revaluation Reserve	6,655
-	Modification adjustments (charged) / credited to Comprehensive Income and Expenditure Statement in respect of capital financial assets	(77)
-	Expected Credit Loss allowances (charged) / credited to Comprehensive Income and Expenditure Statement in respect of capital financial assets	(150)
	Capital financing applied in the year:	
8,917	Use of the Capital Receipts Reserve to finance new capital expenditure	4,929
9,528	Use of the Major Repairs Reserve to finance new capital expenditure	8,598
42,366	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	39,325
5,736	Application of grants to capital financing from the Capital Grants Unapplied Account	5,421
17,746	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	16,467
6,910	Voluntary set aside for the financing of capital investment charged against the General Fund and HRA balances	6,752

Notes to the Accounts

As Restated 2018-19 £000		2019-20 £000
31,508	Set aside of capital receipt for the repayment of debt	17,838
5,945	Capital expenditure charged against the General Fund and HRA balance	1,345
52	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(461)
695,160	Balance at 31 March	672,968

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2018-19 £000		2019-20 £000
3,594	Balance at 1 April	155
(3,439)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non domestic rates calculated for the year in accordance with statutory requirements	3,019
155	Balance at 31 March	3,174

Deferred Capital Receipts Reserve

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

2018-19 £000		2019-20 £000
3,101	Balance at 1 April	-
(3,101)	Transfer to the Capital Receipts Reserve upon receipt of cash	-
-	Balance at 31 March	-

Financial Instruments Adjustment Account

This represents the difference between the amounts charged to the Comprehensive Income and Expenditure Statement and the net charge required against the General Fund Balance in respect of Financial Assets and Financial Liabilities in the Movement in Reserves Statement. The adjustment to the General Fund Balance is required by statutory regulations whereas the Comprehensive Income and Expenditure Statement needs to meet the requirements of the Code.

2018-19 £000		2019-20 £000
(1,583)	Balance at 1 April	(7,056)
(5,716)	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(1,747)
168	Proportion of premiums/(discounts) incurred in previous financial years to be charged/(credited) against the General Fund Balance in accordance with statutory requirements	308
75	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	69
(7,056)	Balance at 31 March	(8,426)

Notes to the Accounts

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments are:

- revalued downwards or impaired and the gains are lost; and
- disposed of and the gains are realised.

The reserve reflects the change in value of the Council's shareholding in Newcastle International Airport which decreased by £4.49 million.

2018-19 £000		2019-20 £000
13,104	Balance at 1 April	13,231
127	Upward Revaluation of Investment	-
-	Downward Revaluation of Investment	(4,490)
13,231	Balance at 31 March	8,741

Pensions Reserve

Pension costs are recognised in the year in which the benefit entitlements are earned by employees rather than the year in which the pensions and the employer's contributions are actually paid. The Pensions Reserve represents the net liability for future pension costs.

2018-19 £000		2019-20 £000
(707,460)	Balance at 1 April	(713,940)
58,770	Return on plan assets	(135,790)
(90,370)	Actuarial gains or (losses) arising on changes in financial assumptions	31,820
71,940	Actuarial gains or (losses) arising on changes in demographic assumptions	25,030
(3,170)	Other	10,120
(86,210)	Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement	(66,250)
42,560	Employer's pensions contributions and direct payments to pensioners payable in the year	44,800
(713,940)	Balance at 31 March	(804,210)

Notes to the Accounts

Revaluation Reserve

The balance on this reserve represents the accumulated gains on the re-valued fixed assets held by the Council since 1 April 2007 less that part of the depreciation charge that has been incurred only because the assets have been re-valued. Whilst these gains increase the net worth of the Council they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated. On disposal the Revaluation Reserve value for an asset is written off to the Capital Adjustment Account.

2018-19 £000		2019-20 £000
140,224	Balance at 1 April	148,561
20,029	Upward revaluation of assets	54,999
	Downward revaluation of assets and impairment losses not charged to the Surplus or (Deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement	(21,842)
(2,868)		
(7,332)	Difference between fair value depreciation and historical cost depreciation	(3,804)
(1,488)	Accumulated gains on assets sold or scrapped	(2,622)
(4)	Amount written off to the Capital Adjustment Account	(229)
148,561	Balance at 31 March	175,063

30. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pensions Scheme

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

As a proportion of the total contributions into the Teachers Pension Scheme, the Council's own contributions equated to approximately 68.95% for 2019-20. The County Council paid £10.45 million in 2019-20 (£9.34 million in 2018-19) to the Teachers' Pensions Agency in respect of teachers' retirement benefits which represents 16.5% of teachers' pensionable pay for the period 1 April 2019 to 31 August 2019 and 23.7% for the period 1 September 2019 to 31 March 2020. The contributions due to be paid in the next financial year are estimated to be £17.61 million.

The Scheme is a defined benefit final salary scheme. It is not possible for the Council to identify its share of the underlying liabilities in the scheme and it is therefore classified as a defined contribution scheme for the purposes of the accounting requirements of IAS 19 and does not form part of the pensions' deficit described in note 31.

The Council is responsible for the costs of any early retirement (the Teachers' unfunded scheme) and this is included in the pension deficit described in note 31.

NHS Pension Scheme

NHS staff who transferred to the Council in 2013-14 can choose to maintain their membership of the NHS Pension Scheme, administered by the NHS Business Services Authority.

The Scheme provides these staff with specified benefits upon retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is an unfunded defined benefit scheme. For 2019-20, the Council paid £0.06 million employees' contributions and £0.08 million

Notes to the Accounts

employers' contributions to the NHS Pension Scheme in respect of former NHS staff. It is not possible for the Council to identify its share of the underlying liabilities in the scheme and it is therefore classified as a defined contribution scheme for the purposes of the accounting requirements of IAS 19 and does not form part of the pensions' deficit described in note 31.

Employees' contribution rates range from 5.6% to 13.5% of pensionable pay and the employers' contributions representing 14.4% of pensionable pay.

The Council expects contributions to the NHS Pension Scheme for 2020-21 to remain unchanged from 2019-20 at £0.14 million.

31. Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers, the Council can make contributions towards the cost of post-employment benefits.

Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The principal risks to the authority of the post-employment schemes are the longevity assumptions, statutory changes to the schemes, structural changes to the membership of the schemes (i.e. large-scale withdrawals from the schemes), changes to inflation and, performance of the investments held by the Northumberland County Council Pension Fund. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

The Council participates in nine post-employment schemes. Seven of these are treated as defined benefit schemes as outlined below, the other schemes are defined contribution schemes and included in note 30.

The Local Government Pension Scheme (LGPS) for employees other than teachers and firefighters is administered by Northumberland County Council. This is a funded defined benefit final salary and career average revalued earnings scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Northumberland County Council Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and ensuring the appropriate management of investments is the responsibility of the Northumberland County Council Pension Fund Panel. Policy is determined in accordance with the LGPS regulations.

The LGPS Unfunded Scheme for employees other than teachers and firefighters is administered by Northumberland County Council. This is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they fall due. The LGPS unfunded scheme provides enhanced pensions for certain former employees who have been granted early retirement by the Council. No enhanced LGPS pensions have been granted since November 2003.

The Teachers' Unfunded Scheme for teachers only is administered by Northumberland County Council. This is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they fall due. The Teachers' Unfunded Scheme provides enhanced pensions for certain former employees who have been granted early retirement by the Council.

The Firefighters' Pension Scheme (FPS), also known as the 1992 Scheme, is administered by Northumberland County Council. This is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pension liabilities. Under the Firefighters' Pension Scheme (Amendment) (England) Order 2006 the Council and employees pay contributions into a notional fund. The fund is topped up by Government grant if the receipts into it are insufficient to meet the cost of pension and other payments. Any surplus in the fund is recouped by Government in the year.

The New Firefighters' Pension Scheme (NFPS), also known as the 2006 Scheme, is administered by Northumberland County Council. This is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pension liabilities. The funding arrangements are as described above for the FPS.

Notes to the Accounts

The 2015 Firefighters' Pension Scheme is administered by Northumberland County Council. This is an unfunded defined benefit career average revalued earnings scheme, meaning that there are no investment assets built up to meet the pension liabilities. The funding arrangements are as described above for the FPS.

The Firefighters' Injury Pensions and Non-Scheme Ill-Health Pensions are administered by Northumberland County Council. These are unfunded defined benefit final salary schemes, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they fall due. These pensions are not covered by the funding arrangements as described above for the FPS and are paid for by the Council on a pay-as-you-go basis.

Notes to the Accounts

Transactions Relating to Post-employment Benefits

The Council recognises 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. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2018-19					2019-20					
LGPS	Firefighters' Schemes	LGPS unfunded Scheme	Teachers' unfunded Scheme	Total		LGPS	Firefighters' Schemes	LGPS unfunded Scheme	Teachers' unfunded Scheme	Total
£m	£m	£m	£m	£m		£m	£m	£m	£m	£m
Actuarial gains and losses arising on changes in demographic assumptions										
Comprehensive Income and Expenditure Statement										
Cost of Services:										
(37.58)	(2.72)	-	-	(40.30)	Current service cost	(45.73)	(3.29)	-	-	(49.02)
(21.21)	(6.86)	-	-	(28.07)	Past service cost	(0.63)	-	-	-	(0.63)
Financing and Investment Income and Expenditure:										
(11.04)	(5.05)	(0.86)	(0.89)	(17.84)	Net interest expense	(10.16)	(4.95)	(0.74)	(0.75)	(16.60)
(69.83)	(14.63)	(0.86)	(0.89)	(86.21)	Total post employment benefit charged to the surplus/deficit on the provision of services	(56.52)	(8.24)	(0.74)	(0.75)	(66.25)
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement										
Remeasurement of the net defined liability comprising:										
58.77	-	-	-	58.77	Return on plan assets (excluding the amount included in the net interest expense)	(135.79)	-	-	-	(135.79)
(79.30)	(10.45)	(0.31)	(0.31)	(90.37)	Actuarial gains and (losses) arising on changes in financial assumptions	27.69	3.64	0.25	0.24	31.82
61.68	7.34	1.38	1.54	71.94	Actuarial gains and (losses) arising on changes in demographic assumptions	26.22	(1.50)	0.23	0.08	25.03
(2.64)	(0.33)	(0.10)	(0.10)	(3.17)	Other	1.37	8.45	0.15	0.15	10.12
38.51	(3.44)	0.97	1.13	37.17	Total other post employment benefit charged to the Comprehensive Income and Expenditure Statement	(80.51)	10.59	0.63	0.47	(68.82)
(31.32)	(18.07)	0.11	0.24	(49.04)	Total charge to the Comprehensive Income and Expenditure Statement	(137.03)	2.35	(0.11)	(0.28)	(135.07)
Movement in Reserves - General Fund Balance:										
69.83	14.63	0.86	0.89	86.21	Reversal of net charges made to the surplus/deficit for the provision of services for post employment benefit	56.52	8.24	0.74	0.75	66.25
Actual amount charged against the General Fund Balance for pensions in the year:										
(31.73)	-	-	-	(31.73)	Employer's contributions payable to the scheme	(32.86)	-	-	-	(32.86)
-	(6.04)	(2.19)	(2.60)	(10.83)	Net retirement benefits payable to pensioners	-	(6.55)	(2.34)	(3.05)	(11.94)

Notes to the Accounts

Note: the Firefighters' schemes' details are shown below:

2018-19					2019-20					
Firefighters' Pension Scheme	New Firefighters' Pension Scheme	2015 Firefighters' Pension Scheme	Injury and Non-Scheme Ill Health	Total	Firefighters' Pension Scheme	New Firefighters' Pension Scheme	2015 Firefighters' Pension Scheme	Injury and Non-Scheme Ill Health	Total	
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Comprehensive Income and Expenditure Statement										
Cost of Services:										
(1.09)	(0.06)	(1.48)	(0.09)	(2.72)	Current service cost	(0.61)	(0.05)	(2.53)	(0.10)	(3.29)
(1.77)	-	(5.09)	-	(6.86)	Past Service Cost	-	-	-	-	-
Financing and Investment Income and Expenditure:										
(4.59)	(0.20)	(0.13)	(0.13)	(5.05)	Net interest expense	(4.32)	(0.20)	(0.31)	(0.12)	(4.95)
(7.45)	(0.26)	(6.70)	(0.22)	(14.63)	Total post employment benefit charged to the surplus/deficit on the provision of services	(4.93)	(0.25)	(2.84)	(0.22)	(8.24)
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement										
Remeasurement of the net defined liability comprising:										
(8.73)	(0.74)	(0.70)	(0.28)	(10.45)	Actuarial gains and (losses) arising on changes in financial assumptions	2.88	0.22	0.49	0.05	3.64
6.45	0.37	0.33	0.19	7.34	Actuarial gains and (losses) arising on changes in demographic assumptions	(1.19)	(0.10)	(0.19)	(0.02)	(1.50)
(0.31)	(0.01)	-	(0.01)	(0.33)	Other	8.72	(2.14)	1.47	0.40	8.45
(2.59)	(0.38)	(0.37)	(0.10)	(3.44)	Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	10.41	(2.02)	1.77	0.43	10.59
(10.04)	(0.64)	(7.07)	(0.32)	(18.07)	Total Charged to the Comprehensive Income and Expenditure Statement	5.48	(2.27)	(1.07)	0.21	2.35
Movement in Reserves - General Fund Balance:										
7.45	0.26	6.70	0.22	14.63	Reversal of net charges made to the surplus/deficit for the provision of services for post employment benefit	4.93	0.25	2.84	0.22	8.24
Actual amount charged against the General Fund Balance for pensions in the year:										
(6.23)	(0.01)	0.47	(0.27)	(6.04)	Net retirement benefits payable to pensioners	(6.89)	(0.02)	0.57	(0.21)	(6.55)

The amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2020 is a loss of £68.82 million (£37.17 million gain to 31 March 2019).

Notes to the Accounts

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount arising in the Balance Sheet as a result of the Council's obligation in respect of its defined benefit plan is as follows:

2018-19					2019-20					
LGPS	Firefighters' Schemes	LGPS unfunded Scheme	Teachers' unfunded Scheme	Total		LGPS	Firefighters' Schemes	LGPS unfunded Scheme	Teachers' unfunded Scheme	Total
£m	£m	£m	£m	£m		£m	£m	£m	£m	£m
(1,626.75)	(209.63)	(31.88)	(32.71)	(1,900.97)	Present value of the defined benefit obligation	(1,613.79)	(200.73)	(29.65)	(29.94)	(1,874.11)
1,187.03	-	-	-	1,187.03	Fair value of plan assets	1,069.90	-	-	-	1,069.90
(439.72)	(209.63)	(31.88)	(32.71)	(713.94)	Net liability arising from defined benefit obligation	(543.89)	(200.73)	(29.65)	(29.94)	(804.21)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	LGPS £m	Firefighters' Pension Scheme £m	New Firefighters' Pension Scheme £m	2015 Firefighters' Pension Scheme £m	Firefighters' Injury & non scheme III Health £m	LGPS unfunded Scheme £m	Teachers' unfunded Scheme £m	Total £m
Opening balance as at 1 April 2019	(1,626.75)	(183.49)	(8.43)	(12.43)	(5.28)	(31.88)	(32.71)	(1,900.97)
Current service cost	(45.73)	(0.61)	(0.05)	(2.53)	(0.10)	-	-	(49.02)
Interest cost	(38.54)	(4.32)	(0.20)	(0.31)	(0.12)	(0.74)	(0.75)	(44.98)
Contributions from scheme participants	(7.62)	(0.21)	(0.02)	(0.56)	-	-	-	(8.41)
Remeasurement gains and (losses):								
Actuarial gains and (losses) arising from changes in financial assumptions	27.69	2.88	0.22	0.49	0.05	0.25	0.24	31.82
Actuarial gains and (losses) arising from changes in demographic assumptions	26.22	(1.19)	(0.10)	(0.19)	(0.02)	0.23	0.08	25.03
Other	1.37	8.72	(2.14)	1.47	0.40	0.15	0.15	10.12
Past service cost	(0.63)	-	-	-	-	-	-	(0.63)
Benefits paid	50.20	7.10	0.04	(0.01)	0.21	2.34	3.05	62.93
Closing balance as at 31 March 2020	(1,613.79)	(171.12)	(10.68)	(14.07)	(4.86)	(29.65)	(29.94)	(1,874.11)
Opening balance as at 1 April 2018	(1,540.63)	(179.68)	(7.80)	(4.89)	(5.23)	(34.18)	(35.55)	(1,807.96)
Current service cost	(37.58)	(1.09)	(0.06)	(1.48)	(0.09)	-	-	(40.30)
Interest cost	(39.65)	(4.59)	(0.20)	(0.13)	(0.13)	(0.86)	(0.89)	(46.45)
Contributions from scheme participants	(7.25)	(0.29)	(0.02)	(0.47)	-	-	-	(8.03)
Remeasurement gains and (losses):								
Actuarial gains and (losses) arising from changes in financial assumptions	(79.30)	(8.73)	(0.74)	(0.70)	(0.28)	(0.31)	(0.31)	(90.37)
Actuarial gains and (losses) arising from changes in demographic assumptions	61.68	6.45	0.37	0.33	0.19	1.38	1.54	71.94
Other	(2.64)	(0.31)	(0.01)	-	(0.01)	(0.10)	(0.10)	(3.17)
Past service cost	(21.21)	(1.77)	-	(5.09)	-	-	-	(28.07)
Benefits paid	39.83	6.52	0.03	-	0.27	2.19	2.60	51.44
Closing balance as at 31 March 2019	(1,626.75)	(183.49)	(8.43)	(12.43)	(5.28)	(31.88)	(32.71)	(1,900.97)

Notes to the Accounts

Reconciliation of the movement in the fair value of the scheme (plan) assets:

2018-19	Local Government Pension Scheme	2019-20
£m		£m
1,100.50	Opening fair value of scheme assets	1,187.03
28.61	Interest income	28.38
	Remeasurement gain and (loss):	
58.77	The return on plan assets, excluding the amount included in the net interest expense	(135.79)
31.73	Contributions by the employer	32.86
7.25	Contributions by participants	7.62
(39.83)	Benefits paid	(50.20)
1,187.03	Closing balance of scheme assets	1,069.90

Local Government Pension Scheme assets comprised:

2018-19	LGPS assets comprised:			2019-20
Total		Quoted	Unquoted	Total
%		%	%	%
-	Cash	0.80	-	0.80
7.90	Corporate Bonds	7.70	-	7.70
65.70	Equities	61.80	4.00	65.80
17.10	Government Bonds	16.40	-	16.40
5.10	Other	-	5.30	5.30
4.20	Property	4.00	-	4.00
100.00	Total	90.70	9.30	100.00

Notes to the Accounts

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Aon Hewitt Limited, an independent firm of actuaries, has assessed all of the liabilities for the pension schemes shown in the accounts, the figures being based on the latest full valuations of the schemes. For the Local Government Pension Scheme the latest full actuarial valuation of the Fund took place as at 31 March 2019. For the Firefighters' Pension Scheme, New Firefighters' Pension Scheme, 2015 Firefighters Pension Scheme and the Injury Pensions and Non-Scheme Ill-Health Pensions the latest full actuarial valuation took place as at 31 March 2019. For the Local Government Pension Scheme Unfunded Scheme and the Teachers' Unfunded Scheme, the latest full actuarial valuation took place as at 31 March 2018. Given the current and unprecedented market conditions, the actuary has based their advice on a full run of the 2019 valuation on the accounting basis as at 31 March 2019, rather than an approximate method which has been used in previous years.

McCloud Judgement

The valuation of assets and liabilities takes into account the impact of the 'McCloud' judgement by the Court of Appeal which found that the transitional protection arrangements put in place when the firefighters and judges pension schemes were reformed were age discriminatory. The judgement is expected to apply to all public-sector schemes which contain transitional protections arrangements including the Local Government Pension Scheme and the 2015 Firefighters Pension Scheme.

For the financial year ending 31 March 2020, a potential McCloud liability has been calculated as at the opening balance sheet date, and uplift applied to the current service costs for future service, based on updated membership data provided for the 31 March 2019 valuation.

A summary of the approach to calculating the potential McCloud liability as at 31 March 2020 is as follows:

- It assumes the remedy applies to all members in service on 1 April 2012, with leavers entitled to immediate benefits (normal or ill health) or on prior withdrawal and dependents benefits on death or after retirement.
- The calculation is based on an average potential McCloud liability uplift factor for past service liabilities (as a % of pay) and future service costs (as a % of pay) for members at each age (split by male and female), based on assumptions adopted by the Fund to report IAS 26 figures as at 31 March 2019. All the demographic assumptions underlying the estimate are consistent with the 31 March 2019 valuation.
- The uplifts were applied to the membership data from the 31 March 2019 valuation to calculate a potential McCloud liability uplift (past and future service)

LGPS Cost Management

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

HM Treasury and SAB have paused their reviews following the McCloud judgement in the Court of Appeal. No allowance will be made for the potential cost of improving members benefits under these reviews until the cost management process recommences.

Guaranteed Minimum Pension

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. The rate at which GMP was accrued and the date it is payable was different between men and women, meaning there is an inequality for men and women members who have GMP.

Notes to the Accounts

The High Court has ruled that equalisation for the effect of unequal Guaranteed Minimum Pensions is required.

The actuary has made an allowance to include a liability for GMP Indexation for all members whose State Pension Age is after 6 April 2016.

The significant assumptions used by the actuary have been:

31 March 2019				31 March 2020				
LGPS	Firefighters' Schemes	LGPS unfunded scheme	Teachers' unfunded scheme		LGPS	Firefighters' Schemes	LGPS unfunded scheme	Teachers' unfunded scheme
Mortality assumptions:								
Longevity at age 65 for current pensioners:								
22.2	21.4	22.2	22.2	Men	22.2	21.5	22.2	22.2
24.1	23.7	24.1	24.1	Women	24.6	23.6	24.6	24.6
Longevity at age 65 for future pensioners:								
23.9	23.1	-	-	Men	23.2	23.2	-	-
25.9	25.6	-	-	Women	26.0	25.4	-	-
2.2%	2.2%	2.2%	2.2%	Inflation - CPI	2.0%	2.0%	2.0%	2.0%
3.7%	3.7%	-	-	Salary increases	3.5%	3.5%	-	-
2.2%	2.2%	2.2%	2.2%	Pension increases	2.0%	2.0%	2.0%	2.0%
2.2%	-	-	-	Pension accounts revaluation rate	2.0%	-	-	-
2.4%	2.4%	2.4%	2.4%	Discount rate	2.3%	2.3%	2.3%	2.3%

The Council employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2020.

The Firefighters' Pension Schemes, LGPS unfunded scheme and the Teachers' unfunded scheme have no assets to cover their liabilities.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analyses changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Notes to the Accounts

Impact on the Defined Benefit Obligation in the Scheme	Increase in assumption £m	Increase in assumption %	Decrease in assumption £m	Decrease in assumption %
Local Government Pension Scheme (LGPS Funded)				
Longevity (increase or decrease in 1 year)	51.64	3.2	(51.64)	(3.2)
Rate of increase in salaries (increase or decrease by 0.1%)	3.23	0.2	(3.23)	(0.2)
Rate of increase in pensions (increase or decrease by 0.1%)	27.43	1.7	(27.43)	(1.7)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(30.66)	(1.9)	30.66	1.9
Firefighters' Pension Scheme (FPS)				
Longevity (increase or decrease in 1 year)	5.65	3.3	(5.65)	(3.3)
Rate of increase in salaries (increase or decrease by 0.1%)	0.17	0.1	(0.17)	(0.1)
Rate of increase in pensions (increase or decrease by 0.1%)	2.74	1.6	(2.74)	(1.6)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(2.91)	(1.7)	2.91	1.7
New Firefighters' Pension Scheme (NFPS)				
Longevity (increase or decrease in 1 year)	0.35	3.3	(0.35)	(3.3)
Rate of increase in salaries (increase or decrease by 0.1%)	0.09	0.8	(0.09)	(0.8)
Rate of increase in pensions (increase or decrease by 0.1%)	0.19	1.8	(0.19)	(1.8)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(0.29)	(2.7)	0.30	2.8

Sensitivity analysis on the LGPS Unfunded Scheme, The Teachers' Unfunded Scheme, 2015 Firefighters' Pension Scheme and the Firefighters' Injury Pensions and non-scheme Ill-Health Pensions scheme has not been included on materiality grounds.

Notes to the Accounts

Asset Liability Matching (ALM) Strategy

Northumberland County Council's Pension Fund Panel (i.e. the pension committee) is responsible for setting and reviewing the asset allocation for Northumberland County Council Pension Fund investments, held for payment of LGPS liabilities. The investment objective of the Fund is to achieve a long term return on the Fund's assets which:

- ensures that the Fund can meet its long term liabilities while minimising the long term cost to participating employers (including Northumberland County Council);
- recognises the advantages of maintaining the stability of contribution rates;
- does not subject the Fund to undue risk.

The primary risk upon which the Panel focuses is that arising through a mismatch between the Fund's assets and its liabilities. The Panel recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Fund's liabilities, which generally move in line with gilt yields. The Panel takes advice on the matter at each quarterly meeting, and every three years (or more often, if necessary) considers the implications of adopting different levels of risk. Subject to managing the risk from a mismatch of assets and liabilities, the Panel aims to ensure the asset allocation policy results in an adequately diversified portfolio across a number of managers and asset classes.

Impact on the Council's Cash Flows

The Council anticipates paying the following amounts in 2020-21 in relation to the seven post-employment schemes covered by this note:

	LGPS £m	FPS £m	NFPS £m	2015 FPS £m	Firefighters' Injury £m	LGPS Unfunded £m	Teachers' Unfunded £m	Total £m
Regular employer contributions payable to Northumberland County Council Pension Fund	26.71	-	-	-	-	-	-	26.71
Payments to beneficiaries	-	-	-	-	-	2.38	3.10	5.48
Payments to beneficiaries net of member contributions receivable, where contributions include the Government Grant	-	7.02	0.02	(0.59)	0.21	-	-	6.66
Total	26.71	7.02	0.02	(0.59)	0.21	2.38	3.10	38.85

LGPS regular employer contributions payable by the Council to Northumberland County Council Pension Fund in 2020-21 includes a fixed monetary lump sum of £0.58 million which is intended to amortise the deficit attributable to the Council over a period of 10 years.

Additional employer contributions will also be payable by the Council to Northumberland County Council Pension Fund in relation to the strain on the fund, for example, where an employee is made redundant and his/her LGPS pension becomes payable before his/her normal retirement date.

Notes to the Accounts

Duration of the defined benefit obligations

The duration of the Council's liabilities is the average period, expressed in number of years, between the calculation date and the date on which the scheme benefit falls due. Duration for the six post-employment schemes covered by this note is as follows:

31 March 2019 No. of years		31 March 2020 No. of years
17.50	Weighted average duration for LGPS, LGPS Unfunded and Teachers' Unfunded	19.00
16.30	Weighted average duration for FPS	16.70
28.20	Weighted average duration for NFPS	27.80
36.00	Weighted average duration for 2015 FPS	33.60
16.60	Weighted average duration for Firefighters' Injury and Non-Scheme III Health Pensions	15.30

Split of the defined benefit obligations

The split of the defined benefit obligations at the last valuation date between the categories of members was as follows:

	Active Members %	Deferred Members %	Pensioners %
Local Government Pension Scheme	34.00	19.00	47.00
Firefighters' Pension Scheme	26.00	4.00	70.00
New Firefighters' Pension Scheme	56.00	23.00	21.00
2015 Firefighters' Pension Scheme	93.00	7.00	-
Firefighters' Injury and non-scheme III- Health Pensions	33.00	-	67.00
Local Government Pension Scheme Unfunded	-	-	100.00
Teachers' Unfunded	-	-	100.00

Notes Supporting the Cash Flow Statement

32. Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2018-19 £000		2019-20 £000
(22,844)	Interest received	(22,487)
35,384	Interest paid	33,165
(4,338)	Dividends	(786)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

As Restated 2018-19 £000		2019-20 £000
49,369	Depreciation	52,839
7,341	Impairment and downward valuations	(6,567)
674	Amortisation	806
(144)	Increase/(decrease) in creditors	12,116
(41,170)	(Increase)/decrease in debtors	(20,304)
(982)	(Increase)/decrease in inventories	(131)
43,650	Movement in Pension Liability	21,450
70,808	Carrying amount of non-current asset and non-current assets held for sale, sold or derecognised	64,475
(2,336)	Other non-cash items charged to the net surplus or deficit on the provision of services	2,964
127,210	Subtotal of non-cash movements	127,648

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2018-19 £000		2019-20 £000
3,340	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(7,740)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,933)
(53,637)	Any other items for which the cash effects are investing or financing cash flows	(49,234)
(58,037)	Sub total of adjustments included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities	(57,167)

33. Cash Flows from Investing Activities

2018-19 £000		2019-20 £000
(94,124)	Purchase of property, plant and equipment, investment property and intangible assets	(107,794)
(90,338)	Purchase of short term and long term investments	(277,000)
(23,858)	Other payments for investing activities	(17,493)
7,740	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,933
151,000	Proceeds from short term and long term investments	205,000
83,453	Other receipts from investing activities	70,359
33,873	Net cash flows from investing activities	(118,995)

34. Cash Flows from Financing Activities

2018-19 £000		2019-20 £000
135,019	Cash receipts of short term and long term borrowing	176,747
(1,188)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,263)
(175,541)	Repayments of short and long term borrowing	(81,541)
(1,729)	Other payments for financing activities	(2,555)
(43,439)	Net cash flows from financing activities	91,388

Notes to the Accounts

	1 April 2019	Financing cashflows	Changes which are not financing cash flows		31 March 2020
	£000	£000	Acquisition	Other	£000
			£000	£000	
Long term borrowings	658,254	171,727	-	(99,543)	730,438
Short term borrowings	77,577	(76,521)	-	99,604	100,660
Lease liabilities	-	-	-	-	-
On balance sheet PFI	64,407	(1,263)	-	(223)	62,921
Other payments	(5,546)	(2,555)	-	-	(8,101)
Total liabilities from financing activities	794,692	91,388	-	(162)	885,918

	1 April 2018	Financing cashflows	Changes which are not financing cash flows		31 March 2019
	£000	£000	Acquisition	Other	£000
			£000	£000	
Long term borrowings	662,775	45,020	-	(49,541)	658,254
Short term borrowings	113,948	(85,542)	-	49,171	77,577
Lease liabilities	22	(22)	-	-	-
On balance sheet PFI	65,671	(1,166)	-	(98)	64,407
Other payments	(3,817)	(1,729)	-	-	(5,546)
Total liabilities from financing activities	838,599	(43,439)	-	(468)	794,692

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Other Notes

35. Related Parties

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

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties.

Members

Members of the Council have direct control over the Council's financial and operating policies. During 2019-20 goods and services were commissioned from organisations in which Members had an interest. Also funding consists of other grants paid to organisations in which Members had an interest. All interests were declared by the appropriate Members. Members had interests in 110 organisations with transactions totalling £122.12 million in respect of goods or services provided to the Council (94 and £123.16 million in 2018-19).

During 2019-20 goods and services amounting £66.25 million were provided by the Council to 111 organisations in which Members had an interest (£74.76 million and 82 in 2018-19).

Included in the above sums are amounts due from the Council of £2.16 million and due to the Council of £3.47 million as at 31 March 2020 (£6.13 million and £9.23 million in 2018-19).

Officers

During 2019-20 goods and services were provided to or commissioned from organisations in which officers had an interest. All interests were declared by the appropriate officers. Officers had interests in 12 organisations with

transactions totalling £40.84 million in respect of goods or services provided to the Council (10 and £36.24 million in 2018-19).

During 2019-20 goods and services amounting £63.06 million were provided by the Council to 12 organisations in which officers had an interest (£72.76 million and 10 in 2018-19).

Included in the above sums are amounts due from the Council of £0.04 million and due to the Council of £3.13 million as at 31 March 2020 (£1.00 million and £8.69 million in 2018-19).

Schedules of related party transactions are available to inspect upon request.

Northumberland County Council Pension Fund

Northumberland County Council administers the Pension Fund. During 2019-20 the Pension Fund had an average balance of £6.56 million loaned to the Council for which it received interest of £41,491 (and an average balance of £2.46 million it borrowed from the Council during 2018-19 for which it paid interest of £15,567). The costs incurred by the Council in administering the Fund, excluding audit fees, are recharged to the Fund on an annual basis. In 2019-20 these costs amounted to £0.37 million (£0.35 million in 2018-19). £1.54 million was due to the Council at 31 March 2020 (£3.66 million at 31 March 2019).

Employer contributions for Pension Fund Panel members and senior management who are members of the Scheme are paid in accordance with the rates set by the actuary in the Rates and Adjustments Certificate, and active member contributions are paid in accordance with rates set in the Local Government Pension Scheme Regulations. The terms and conditions which apply to Panel members and senior managers are the same as those which apply to all other Scheme members. Four voting Panel members were members of the Scheme at 31 March 2020 (four at 31 March 2019).

Northumberland County Council Pension Fund merged with the Tyne and Wear Pension Fund on 1 April 2020. Further details of this are reported in Note 44 Events after the reporting period.

Active Northumberland

Northumberland County Council commission Active Northumberland to provide Leisure Services. There is a signed Leisure Partnership

Notes to the Accounts

Agreement, covering the period 2018-2022, which formally documents the commissioner/provider contractual relationship between the Council and Active Northumberland for the provision of Leisure Services.

The Council retains ownership of the leisure assets which Active Northumberland run on behalf of the Council. Whilst the Council determines what activities it requires Active Northumberland to deliver on its behalf, the Council is not involved operationally with how those services are delivered and this is a matter for the Active Northumberland Board.

A number of Service Level Agreements between Active Northumberland and the Council were agreed and effective from 1 April 2018 and continued to operate during 2019-20.

An assessment of the Council's relationship with Active Northumberland in 2019-20 concluded that there was no requirement to consolidate the financial position of Active Northumberland within the Council's group position. The assessment concluded that the Council did not have significant control over Active Northumberland and the traded position was not material to the overall group position. The Council committed to pay Active Northumberland a management fee of £2.66 million in 2019-20 (£2.23 million in 2018-19). £1.66 million was paid during the year and a creditor of £1.00 million was raised at the year end. In addition, other agreed funding of £0.23 million was paid in 2019-20 (£0.87 million in 2018-19).

Entities Controlled or Significantly Influenced by the Council

Arch Group

Following the restructuring which occurred on 1 April 2009 as part of Local Government Reorganisation the Council took possession of the investments and holdings of Wansbeck District Council. Included within these holdings was an investment in Wansbeck Life Limited (subsequently Arch (Commercial Enterprise) Limited) which comprised 100% of the ordinary share capital and 50% of the voting share capital. Following changes to the composition of the Board of Directors during 2010-11 it was confirmed that Northumberland County Council, by virtue of these shareholdings and its control of the Board, was in a position to exert control over the entity and its

wholly owned subsidiary Northern Coalfields Property Company (subsequently Arch (Housing) Limited).

On 13 November 2018, the Arch Group was re-organised with Arch (Corporate Holdings) Limited being removed as the Group holder and replaced with Advance Northumberland Limited. Arch (Corporate Holdings) Limited ceased trading from this point.

Although Arch (Corporate Holdings) Ltd does not form part of the Advance Northumberland Limited group, it remained a 100% owned company of Northumberland County Council.

The Arch Group brought together services in housing, commercial property, physical regeneration and business growth. The Arch Group consisted of six wholly owned companies and two joint ventures.

During 2019-20 Arch (Corporate Holdings) Ltd was dormant, and on 10 November 2020 was dissolved. In 2018-19 Northumberland County Council incurred capital expenditure of £4.34 million for the purchase of share capital from the Arch Group. Income to Northumberland County Council for 2018-19 from the Arch Group was £4.34 million for a dividend payment. There were no amounts owing to or from Northumberland County Council and the Arch Group at 31 March 2020 (nil at 31 March 2019).

Advance Group

On 13 November 2018 all assets, liabilities and shares of the Arch Group were transferred to Advance Northumberland Limited.

The financial results of Advance Group are consolidated within the Group Accounts section of this document.

The loans the Council has made to Advance Northumberland are shown in the Long Term debtors section of Note 22 – Debtors.

The Advance Group brings together services in housing, commercial property, regeneration and business growth. The Advance Group consists of five wholly owned companies and one joint venture; its principal activities are as follows:

Notes to the Accounts

Advance Northumberland Limited

The company acts as a holding entity for the companies that comprise the Advance Group. Advance Northumberland Limited conducts no business in its own right.

The activities of the company group are:

- Company Secretary role;
- Corporate Policy monitoring and creation;
- Financial Control and Monitoring;
- Human Resource services;
- Marketing and Communications;
- Programme Management;
- Secretarial Services;
- Strategic Corporate Objectives;
- Strategic Management overview;
- Tax Advice; and,
- Transactional Finance.

Advance Northumberland (Commercial) Ltd: The principal activities of the company are:

- to further the needs of the community within the boundaries of the area currently known as Wansbeck (the “Community”) and the wider area of Northumberland;
- to protect, restore and enhance the environment of the Community through the purchase, lease and management of land in the Community;
- to provide land, commercial accommodation and services to the Community and Businesses;
- to promote economic regeneration in the Community through the provision of light industrial, retail and office accommodation to small businesses; and,

- to provide business advice and support to businesses through Inward Investment initiatives and the administration of the Regional Growth Fund.

Advance Northumberland (Commercial) Ltd will optimise the performance of the property portfolio by driving down the number and duration of voids, reducing debt and ensuring prompt payment.

Advance Northumberland (Housing) Ltd: The principal activity of the company is the provision of rented residential accommodation in South East Northumberland.

Advance Northumberland (Developments) Ltd: The principal activities of the company are to provide project management services in connection with capital developments undertaken by the Advance Group and Northumberland County Council. In addition, the Ascent Homes brand provided new homes for sale throughout Northumberland.

Advance Northumberland (Financial) Ltd: There have been minimal transactions for 2019-20 which relate to historic repayment of loans that were previously granted by Northumberland County Council.

Prudhoe Estates LLP Ltd

The group holds a joint venture agreement with the Duke of Northumberland with both holding a 50% ownership in Prudhoe Estate LLP, which is a property development company.

As at 31 March 2020 the Advance Group owed the Council (the ultimate holding company) £281.53 million (£281.33 million 2018-19) primarily in respect of principal and interest due on a commercial loan facility; whilst, the Council owed Advance Group £0.19 million (£1.17 million in 2018-19). During 2019-20 Northumberland County Council paid the Advance Group £13.52 million (£0.22 million 2018-19) mainly for capital grant claims for Northumberland Energy Park Phase 1. Income to Northumberland County Council from the Advance Group was £13.35 million (£13.17 million 2018-19), mainly due to interest payable on the commercial loan facility.

Northumberland Property (NO.1) and (NO.2)

On 7 and 8 August 2018 Northumberland Property (NO.1) Limited and Northumberland Property (NO.2) Limited were incorporated at Companies

Notes to the Accounts

House. Both companies are wholly owned and registered with Ward Hadaway Solicitor, Sandgate House, 102 Quayside, Newcastle Upon Tyne, NE1 3DX.

The Council has significant control over both of these companies in that it can appoint and remove Company Directors. Both companies remained dormant throughout 2019-20.

Northumbria Healthcare NHS Foundation Trust

Northumberland County Council has entered into a partnership agreement for the delegation of Adult Social Care functions to Northumbria Healthcare NHS Foundation Trust. In conjunction with this, a number of officer roles are shared between the Council and Northumbria Healthcare NHS Foundation Trust. Details of senior employees are outlined in Officers' Remuneration Note.

The County Council has also provided loan finance facilities to Northumbria Healthcare NHS Foundation Trust. The total amount outstanding on these facilities as at the 31 March 2020 was £118.31 million.

Newcastle International Airport

The Council has designated its Newcastle Airport equity instrument as fair value through other comprehensive income under IFRS9 classifications. This decision protects Council taxpayers from any future movements in the value of these shareholdings until such time as the shares are sold or released.

Under the Airport Act 1986, Newcastle International Airport Limited (NIAL) was formed and seven local authorities were allocated shares in consideration for all the property, rights and liabilities that were transferred into the new company.

On 4 May 2001, the seven local authority shareholders of NIAL (the "LA7") created NIAL Holdings Limited, which is 51% owned by LA7 and 49% owned by AMP Capital Investors Limited following their purchase on 16 November 2012. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Limited (NALAHCL), a company wholly owned by the seven authorities.

NALAHCL has a called up share capital of 10,000 shares with a nominal value of £1 each. The Council holds a 15.42% interest in NALAHCL, valued

at £9.04 million (£13.53 million in 2018-19). The shares are not held for trading outside of the LA7.

The valuation of the holding is reviewed each year to consider whether any events have occurred which would materially impair the valuation. The spread of COVID-19 across the world towards the end of 2019-20 led to a sudden decline in air travel prompting the value of the shareholding to be impaired.

Through its shares in NALAHCL the Council has an effective shareholding of 7.86% in NIAL (and the group companies of NIAL Group Limited and NIAL Holdings Limited). The principal activity of NIAL (registered number 2077766) is the provision of landing services for both commercial and freight operators. A dividend of £0.79 million was received for the year ended 31 December 2019 (Nil for the year ended 31 December 2018).

Members of the LA7 entered into a loan agreement with NIAL Group Limited in 2012-13, issuing £67.67 million shareholder loan notes. The loan notes will be repayable in 2032 with interest normally being received up to that date on a six monthly basis.

Due to major curtailments in the airport operations as a result of the COVID-19 pandemic the Council has agreed to modify the terms of these loans and has accepted that given the unprecedented circumstances the airport can defer interest repayments for the following two financial years with catch up payments to be made in instalments at a later date. This has resulted in a restatement of the loan value with a modification loss of £1.02 million (nil in 2018-19) charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement. Furthermore the Council looked at several observable factors regarding the robustness of the airport operations going forward resulting in an expected lifetime loss provision of £0.15 million (nil in 2018-19) in the event all repayments are not made at some time in the future. This item has been charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement. However, as the Council has accounted for the loan to the airport as a capital item, both the modification loss and expected lifetime loss provision has been reversed out of the Comprehensive Income and Expenditure Statement and charged to the Capital Adjustment Account,

Notes to the Accounts

resulting in no bottom line impact within the Comprehensive Income and Expenditure Statement.

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

NIAL Group Limited made a profit before tax of £11.01 million and a profit after tax of £7.50 million for the year ended 31 December 2019. In 2018-19, the Group made a profit before tax of £10.44 million and a profit after tax of £7.44 million.

36. Trust and Other Third Party Funds

Trust Schools

The Council holds funds for the following Trust schools:

31 March 2019		31 March 2020
£000		£000
Ashington Partnership:		
43	Ashington Central Primary School	-
-	Bothal Primary School	47
43	Total Ashington Partnership	47
West Partnership:		
22	Bellingham First School	31
9	Bellingham Middle School	-
31	Total West Partnership	31

Academies/Agencies

The Council acted as the Payroll provider for nine Academies and one Agency during the 2019-20 financial year, namely:

- Cramlington Learning Village Academy (since 1 September 2011);
- Berwick Academy (since 1 November 2011);
- The Three Rivers Academy (since 1 December 2011. However, the contract ended on 31 August 2019);
- Meadowdale Academy (since 1 April 2012;)
- Pax Christi Catholic Partnership Academy (since 1 March 2015);
- Active Northumberland (since 1 September 2015 with regard to Teachers Pensions);
- Hadrian Learning Trust Academy (since 1 September 2016. However, the contract ended on 31 August 2019);
- Ponteland Academy (since September 2017);
- Pele Trust (Since 1 February 2019); and,

- Tyne Community Learning Trust (since 1 September 2019).

As part of this service the Council pays Teachers' Pension contributions to the Teachers' Pensions Agency on behalf of these Academies/Agency. For 2019-20, £4.96 million (2018-19 £3.80 million) employers' contributions for the Academies/Agency, 16.48% of pensionable pay for the period 1 April 2019 – 31 August 2019, 23.68% of pensionable pay for the period 1 September 2019 – 31 March 2020 and £2.30 million (2018-19 £2.18 million) employees' contributions for the Academies, at rates ranging from 7.4% to 11.7% of pensionable pay, were paid over to the Teachers' Pensions Agency.

Bank Accounts for Adult Clients in Care

The Council administers individual bank accounts for those people in the care of the County Council. At 31 March 2020 the balance on these accounts was £3.33 million (£3.03 million at 31 March 2019) and has been excluded from the Council's Balance Sheet.

Non-County Bodies

The Council controls income received from non-County bodies for particular clients and client groups. As at 31 March 2020 this income totalled £0.06 million (£0.07 million at 31 March 2019) and has been excluded from the Council's Balance Sheet.

Adult Amenity Funds

The Council controls funds which may have been donated or are the result of fund-raising efforts and are to be used for named clients or activities and are classed as Amenity Funds. As at 31 March 2020 these funds totalled £0.40 million (£0.39 million at 31 March 2019) and have been excluded from the Council's Balance Sheet.

Disability Living Allowances

The Council held Disability Living Allowance money of £0.34 million at the end of 2019-20 (£0.34 million at the end of 2018-19) paid to children in its care. This money is held until it is spent on the children and has been excluded from the Council's Balance Sheet.

Notes to the Accounts

Kielder Water and Forest Park Development Trust

Kielder Water and Forest Park Development Trust is a registered charity which uses the Council to host its financial arrangements.

As at 31 March 2020 the balance held was £0.15 million and has been excluded from the Council's Balance Sheet.

The Council also holds funds on behalf of the following organisations. The balances have been excluded from the Balance Sheet:

31 March 2019 £000	31 March 2020 £000
4	4
-	5
2	2
4	4
4	4
(44)	(30)
Section 278 and Section 38 Monies Held:	
8	8
5	5
20	20
15	15
90	90
154	154
44	44
-	105
8	8
13	13
24	24
25	25
1,471	1,471
-	55
11	11
37	37
11	11
40	40
5	5
1,951 Total	2,130

Notes to the Accounts

Choppington Schools' Educational Fund

The County Council is responsible for looking after one small charitable fund that has been set aside for specific educational aid (Choppington Schools Educational Fund). The fund is invested in Equities Investment Fund for Charities, Charishare Common Investment Funds and with the County Council. Income received during 2019-20 through dividends was £164 (£157 in 2018-19). There was no expenditure incurred during 2019-20 or during 2018-19. Funds held by the Council total £3,625.03.

Hexham TIC Lease

The Council is currently holding a rent deposit from Savage Silk. This will be repaid at the end of the 15 year lease which commenced December 2019 and is subject to lease conditions.

Joyce Wakenshaw Bequest Fund

The late Joyce Wakenshaw was an avid library customer and left monies to the Northumberland & Durham Family History Society to be spent at Blyth Library in the Local History Area for a period of ten years from 2015-16.

Meg Burdon Library Legacy Fund

The late Meg Burdon worked for many years at Morpeth Library. £0.01 million has been left in her will to provide children's activities at Morpeth Library for a period of ten years from 2014-15.

Rent Deposit Client Funds

Private Sector tenants contributions towards rent deposits to be held for 5 years from January 2019.

The Northumberland Children's Fund

This money is made available for the benefit of young people in Northumberland by way of a grant. Grants totalling £0.23 million have been paid to organisations in 2019-20, and income of £0.25 million has been received from the holders of the Trust Fund. The overdrawn balance was recovered on 28 April 2020 from the holders of the Trust Fund.

Section 278 and Section 38 Monies Held:

The following monies relate to agreements with developers and are dependent on the developer meeting the obligations of the agreement. Due to the nature of these types of works, these agreements do not have a time frame prescribed for repayment.

Blaeberry Hill

S38 Bond from Kowalczyk & Rugman for Highway works at Blaeberry Hill, Rothbury.

Corbridge Road, Hexham

Section S278 Agreement for residential development at Corbridge Road, Hexham. The balance is to be repaid to the developer upon completion.

DP Front Red Row

Section 38 Bond from DP Builders.

Horsdonside, Wooler

S38 Bond from Three Rivers Housing Association for adoptable estate roads at Horsdonside, Wooler.

Lidl - Bedlington

Section S278 Agreement for Lidl - Bedlington. The balance is to be repaid to the developer upon completion.

Lidl - Blyth

Section S278 Agreement for Lidl - Blyth. The balance is to be repaid to the developer upon completion.

Lucker Hall, Belford

Section S278 Agreement for Lucker Hall, Belford. The balance is to be repaid to the developer upon completion.

Miller Homes – Corbridge

This money is held to carry out accommodation works at the Corbridge Middle School site as a direct consequence of the sale of the land.

Network Rail Hexham Goods Yard

Network Rail Section S278 Agreement for Hexham Station Yard. The balance is to be repaid to the developer upon completion.

Notes to the Accounts

New Ridley Road Stocksfield

This is a Section 38 Agreement. The Bond will be held until work on the surface water sewer is complete.

North Stobswood Opencast Coal Site

Northumberland County Council is holding the interest on the bond as the site is in the aftercare period. This will be reviewed in 2020.

Olive Grove Ltd, Rose Villa, Seghill

This is a section 38 Agreement for residential development at Rose Villa, Seghill. The bond will be repaid upon completion.

Portland Park Infrastructure Works

The Council is currently holding £1.47 million in relation to the on-going works on the Portland Park Infrastructure. The sum will be repayable to the developer on satisfactory completion of the works and after the specified maintenance period.

Red Lion House, Corbridge

Section S278 Agreement for Land South of Red Lion House, Corbridge. The balance is to be repaid to the developer upon completion.

Lightpipe Longframlington

Section S278 Agreement for Lightpipe, Longframlington. The balance is to be repaid to the developer upon completion.

Able Construction

This is a Section 38 agreement for residential development at Piper Road, Ovingham. The bond will be repaid upon completion.

Sisters Windfarm

Section S278 Agreement for Sisters Windfarm, Widdrington. The balance is to be repaid to the developer upon completion.

Southlane SJ Williams

S38 Bond from Mr S Williams for Highway works at Southlane, Rothbury.

Twickenham Court

S38 Bond from Adams Development for works at Twickenham Court, Seghill.

37. Impairment Losses

There have been no impairment losses during 2019-20.

38. Contingent Liabilities

Home Housing Association

Future possible payments may be required to Home Housing association, a subsidiary of Home Group Limited, in relation to the guarantee given against loan stock which was used to fund the build of approximately 100 properties. The Council's proportion of the total liability is £2.72 million (3.18%) and may only be called upon in the event of certain legislative changes, which would make the Association unable to meet its obligations under the loan from its own resources.

The guarantee will expire in 2037, 50 years from the date of original agreement in 1987.

No fair value for the guarantee has been included under Financial Instruments as the Council considers that the probability of the guarantee being called upon is low.

National Non-Domestic Rates Appeals

From 1 April 2013 new arrangements for the retention of business rates came into effect. Local Authorities in general are allowed to retain a proportion of the business rates collected within their area. In the past, the Council's share has been 50%. However, for 2019-20 only, the Council was part of the North of Tyne Pool, meaning that the Council's share was 75%. In addition, from 1 April 2013 Local Authorities assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts that were paid over to Central Government under the old business rates scheme in respect of 2012-13 and prior years. A provision of £13.50 million

has been created within the 2019-20 accounts based on the best estimate of the actual liability to meet the cost of known appeals. This has been allocated 75% to Northumberland County Council and 25% to Central Government. The shares will revert back to the 50/50 split for 2020-21. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

Water Rates Collection

The former Alnwick District Council entered into a contract with Northumbrian Water, whereby it collected water charges from its tenants on its behalf and was paid a commission. This contract novated to Northumberland County Council as a result of Local Government Reorganisation in 2009. The High Court has found that similar contracts between London Borough of Southwark and Thames Water and the Royal Borough of Kingston and Thames Water is a contract for resale of water under which the recovery of commission is limited by law. The Royal Borough of Kingston appealed the decision to the Court of Appeal which was unsuccessful. The key issue in the cases was that the local authorities were acting as a 'customer' in which case they were reselling water services and should have passed savings onto tenants.

Following the Southwark ruling, an agreement was entered into between Northumberland County Council (NCC) and Northumbrian Water (NWL) which came into force on 1 April 2018. This agreement explicitly sets out that NCC is not acting as a water re-seller for the purposes of the

Water Resale Order 2001 and 2006 and is acting solely as agent for NWL.

Given that the Council has not received any claims in respect of its previous contractual relationship with Northumbrian Water no provision has been made in the accounts at 31 March 2020. The Council has estimated the potential liability from similar claims to be £0.385 million, to be met from the Housing Revenue Account.

39. Contingent Assets

Cowpen Crematorium Insurance Claim

Following a fire at the Crematorium on 12 March 2015 the Council is continuing to pursue a claim for uninsured losses with the insurance company of the building contractor who was undertaking works on the site at that time.

The uninsured losses relate to emergency payments made to the families immediately preceding the fire and loss of revenue whilst the facility was closed up to the point it reopened in December 2015.

A settlement offer has been made but this was rejected and the case is continuing to be pursued.

Street Lighting Modernisation Project - Galliford Try Contracts

The street lighting modernisation project was established to upgrade the street lighting asset and has involved replacing approx 18,000 life expired lighting columns and converting these columns and approx 26,500 lanterns on other columns to Light Emitting Diodes (LED).

Notes to the Accounts

The project has been carried out through two contracts, both of which were let to Galliford Try Infrastructure Ltd.

The Phase 2 works contract commenced in December 2014 under an NEC3 Option C target cost contract form which incorporates a pain/gain mechanism for actual costs in comparison to the target cost. The project started on site in March 2015, initially with an expected completion date of February 2018. Completion of the Phase 2 contract was certified on Tuesday 31 March 2020.

After completion of Phase 2 was issued, the Project Manager carried out an "Assessment of Amount due at Completion" of the payments to be made, taking into account the pain/gain mechanism. This assessment was issued to Galliford Try on 7 April 2020, in accordance with the timescales set out in the NEC contract. The assessment showed that a significant sum was due to the Council from Galliford Try.

The assessment remains in dispute with Galliford Try and the Council is working with its advisors in order to bring this matter to a close. The value of the sum likely to be received by the Council has not been disclosed as commercially sensitive negotiations are ongoing.

40. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2019-20 financial year and its position at the year end of 31 March 2020. The authority is required to prepare an annual Statement of Accounts in line with the Accounts and Audit Regulations 2015. The

Regulations require that they are prepared in accordance with proper accounting practices.

These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019-20, supported by International Financial Reporting Standards (IFRS).

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

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

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees)

are recorded as expenditure when the services are received, rather than when payments are made;

- Interest receivable on investments and payable on borrowings are accounted for respectively on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and,
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The only exception to the adoption of accruals relates to accounting for income and expenditure by those schools that do not use the full functionality of the Council's finance systems and therefore account on a cash basis. This exception does not have a material impact on the accounts.

Accruals are recognised where the value exceeds £0.01 million.

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the financial statements, depending on how significant the items are to aid an understanding of the Council's financial performance.

Notes to the Accounts

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending

opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction. This is shown within the Capital Adjustment Account and the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits Payable during Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable at the 31 March. Any accrual made is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date; or, an officer's decision to accept voluntary redundancy; and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions

Notes to the Accounts

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

Post-Employment Benefits

The Council operates nine pension schemes:

- **The Local Government Pension Scheme** (LGPS) administered by Northumberland County Council;
- **The LGPS Unfunded Scheme** administered by Northumberland County Council;
- **The Teachers' Unfunded Scheme** administered by Northumberland County Council;
- **The Firefighters' Pension Scheme (FPS)** administered by Northumberland County Council;
- **The New Firefighters' Pension Scheme (NFPS)** administered by Northumberland County Council;

- **The 2015 Firefighters' Pension Scheme** administered by Northumberland County Council;
- **The Firefighters' Injury Pensions and non-scheme III-Health Pensions** administered by Northumberland County Council;
- **Teachers' Pension Scheme** administered by CAPITA Teachers' Pensions on behalf of the Department for Education; and,
- **The NHS Pension Scheme** administered by NHS Business Services Authority on behalf of the Department of Health.

All of the schemes provide members with defined benefits, earned as employees working for the Council.

However, the arrangements for the Teachers' and NHS Pension Schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payment of benefits is recognised in the Council's Balance Sheet. The relevant service lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to these schemes in the year.

The other seven schemes are accounted for as defined benefit schemes:

- The liabilities of these seven schemes attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, and former employees, based on assumptions about mortality rates, commutation rates, and projected earnings for current employees, etc.
- Liabilities are discounted to their current value, using the appropriate discount rate (based on the rate of return on high quality corporate bonds).
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities at current bid price
 - unquoted securities at professional estimate
 - unitised securities at current bid price
 - property at market value.

Notes to the Accounts

The change in the Net Pensions Liability is analysed into the following components:

Component	Description
Service cost comprising:	
Current service cost	The increase in liabilities as a result of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
Past service cost	The increase in liabilities arising as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority	The change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
Remeasurement comprising:	
Return on plan assets	Excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
Actuarial gains and losses	Changes in the Net Pensions Liability that arise because of changes in the actuarial assumptions from the previous year – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
Contributions paid to the pension fund	Cash paid as employer's contributions to the pension fund in settlement of liabilities – not accounted for as an expense.

Statutory provisions require the General Fund Balance to be charged with the amount payable by the Council in the year not the amount calculated in accordance with relevant accounting standards. There are appropriations to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and credits for retirement benefits and replace them with debits for the employer contributions paid or payable in the year. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Notes to the Accounts

Events after the Reporting Period

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

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

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

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and then carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the

effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and, interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over either the term of the replacement loan or the remaining term on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow

characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and,
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore largely classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and, interest credited to the Comprehensive Income and

Notes to the Accounts

Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be forgone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets Measured at Fair Value through Other Comprehensive Income

The Council has elected to classify its equity shareholdings in Newcastle Airport Local Authority Holding Company Limited

(NALAHCL) and Advance Northumberland Limited into a 'fair value through other comprehensive income' treatment, rather than 'fair value through profit or loss', as the assets are not held for trading.

The impact of the election is that movements in fair value will not be debited/credited to the Surplus or Deficit on the Provision of Services as they arise. Instead, movements will be accumulated in the Financial Instruments Revaluation Reserve until the asset is derecognised, at which point the net gain or loss would be transferred to the General Fund Balance.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Revenue

Notes to the Accounts

Grants Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Heritage Assets

Tangible and Intangible Heritage Assets (described here as “Heritage Assets”)

The Council’s Heritage Assets are held with the aim of increasing the knowledge, understanding and appreciation of the Council’s history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council’s accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed; these rules together with the accounting treatment for heritage assets are as follows.

Museum, Art and Artefact Collection

The Council’s museum and art collections are reported on the Balance Sheet on the basis of their insurance valuations, which are periodically reviewed.

The Council does not consider it appropriate to charge depreciation on the assets as they have high residual values and indeterminate lives.

The collection is relatively static and acquisitions and donations are rare. Where these do occur, acquisitions are initially recognised at cost and donations are recognised at valuation.

Public Sculptures and Memorials

Due to the nature of the assets held and the lack of comparable values, the Council considers that obtaining valuations for the vast majority of Public Sculptures & Memorials would involve a disproportionate cost in comparison to the benefits to the users of the Council’s financial statements. This is because of the nature of the assets held and the lack of comparable values. Other than recently acquired public art, which is held at cost, the Council does not recognise these heritage assets on the Balance Sheet.

These assets have indeterminate lives hence the Council does not consider it appropriate to charge depreciation.

Historic Buildings

Similar to community assets, the Council considers that obtaining valuations for this type of asset would involve a disproportionate cost in comparison to the benefits to the users of the

Council’s financial statements. The Council holds this class of asset at cost on the Balance Sheet.

Archaeology

Due to the diverse nature of the assets held and lack of comparable market values, the Council does not consider that reliable cost or valuation information can be obtained for archaeological assets. Consequently, the Council does not recognise these assets on the balance sheet.

The Council does not make any purchases of archaeological items.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council’s general policies on impairment. Heritage assets which have a doubtful provenance or are unsuitable for public display may be disposed of. The proceeds of such items are accounted for in accordance with the Council’s general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Notes to the Accounts

Intangible Assets

Capital expenditure on non-monetary assets that do not have physical substance but are controlled by the Council (e.g. software licences), and are expected to have future economic benefits or service potential to the Council, are classified as intangible assets.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured at cost. Amounts are only revalued where the fair value of the assets can be determined by reference to an active market.

Intangible Assets are given finite useful lives, based on an assessment of the period that the asset is expected to be of use to the Council. The useful lives assigned to the major intangible asset types are:

Asset Type	Estimated Useful Life
Applications Software	5 Years
Library Management System & Housing Management System	5 Years
Fire Service call taking and mobilising system	5 Years
Vehicle Tracking System & Parking Enforcement Software	5 Years

The carrying amount of an intangible asset is amortised on a straight-line basis, over its useful life.

For statutory purposes, amortisation, impairment losses and disposal gains and

losses are not permitted to have an impact on the General Fund Balance. They are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £0.01 million) the Capital Receipts Reserve.

Interests in Companies and Other Entities

The Council has material interests in companies that have the nature of subsidiaries and is required to prepare group accounts. In the Council's own single entity accounts the interests are recorded as financial assets at cost, less any provision for losses. In preparing the Group accounts, the following have been applied:

- All relationships within the scope of the Group accounts have been assessed;
- Transactions between the Council and its subsidiaries have been eliminated from the Group statement of accounts and accompanying notes; and,
- The financial statements of the subsidiaries are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 the Financial Reporting standard and this may give rise to difference in accounting treatment. Where material differences are identified, the subsidiary accounts are aligned to the accounting policy of the Council upon consolidation.

Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

Notes to the Accounts

greater than £0.01 million) the Capital Receipts Reserve.

Leases

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

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

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

The Council as Lessee Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are

made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor Finance Leases

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

Lease rentals receivable are apportioned between:

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

Notes to the Accounts

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line

basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Non-current Assets Held for Sale

Property assets where a disposal is highly probable within the next 12 months and the asset is available for sale in its present condition are classified as assets held for sale. Management must be committed to the sale within one year from the date of classification. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Subsequent decreases in fair value less costs to sell are charged directly to the Comprehensive Income and Expenditure Account. Gains in fair value are only recognised to the extent that they reverse a loss previously recognised in the surplus or deficit on provision of services. No depreciation is charged on assets held for sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified as non-current assets and valued at the lower of either:

- the carrying amount before classification as held for sale; adjusted for depreciation, amortisation or revaluations that would

have been recognised had they not been classified as Held for Sale, or,

- the recoverable amount at the date of the decision not to sell.

When an asset is disposed of the carrying amount of the asset on the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement, alongside any receipts from the disposal.

Amounts received are categorised as capital receipts and credited to the Capital Receipts Reserve. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing, and is appropriated to the Capital Adjustment Account through the Movement in Reserves Statement.

Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

Property, Plant and Equipment

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

Notes to the Accounts

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. For General Fund items of property, plant and equipment, a de minimis level of £0.01 million is applied below which expenditure is charged directly to the Comprehensive Income and Expenditure Statement as it is incurred.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- vehicles, plant and equipment - depreciated historical cost basis as a proxy for current value due to the short useful lives, or low value (or both);

- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- surplus assets - current value, determined using the fair value approach by the measurement of the highest and best use value.
- all other assets – current value, determined using the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Assets included in the Balance Sheet at current value are revalued at least every 5 years to ensure that their carrying amount is not materially different from their current value at the year-end.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed each year for possible impairment. If a material impairment is identified a material change valuation is carried out to value the asset at its current value.

Notes to the Accounts

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement, alongside any receipts from the disposal.

Amounts received for a disposal in excess of £0.01 million are categorised as capital receipts and credited to the Capital Receipts Reserve, this can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). A proportion of receipts relating to housing is payable to the government.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing.

Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Depreciation

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

The depreciation charge is applied on a straight line basis over the following periods:

Asset	Depreciation Period
Land & Buildings & Community Assets (after deducting residual value)	4 to 40 years (as determined by the valuation officers)
Infrastructure:	
Other	40 years
Surface Dressing	10 years
Vehicles, Plant and Equipment:	
CCTV equipment	3 to 30 years
Fire engines	10 to 15 years
Furniture and Fittings, ICT, other equipment	3 to 15 years
Grounds maintenance / car parking equipment	3 to 15 years
Other vehicles	3 to 10 years
Play / sport / gym equipment	3 to 20 years
Salt Barns	25 years
Solar Panels	25 years
PFI Assets:	
Buildings and Infrastructure	25 to 40 years
Waste Plant Shell & Equipment	3 to 50 years

Where an item of Property, Plant and Equipment has major components where the cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Notes to the Accounts

Private Finance Initiative (PFI) and Similar Contracts

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

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

- finance cost – an interest charge applied to the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability due to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Provisions, Contingent Liabilities and Contingent Assets Provisions

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

of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

Notes to the Accounts

otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there

is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council – these reserves are explained therefore in the relevant policies below.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Tax Income

Tax Income (Council Tax, National Non Domestic Rates (NNDR).

National Non Domestic Rates (NNDR)

Retained Business Rates and Top-up income included in the Comprehensive Income and

Expenditure Statement for the year will be treated as accrued income.

Council Tax

Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

NNDR, Top-up and Council Tax income will be recognised in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line. As a Billing Authority, the difference between the NNDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

NNDR and Council Tax income is recognised when the obligating event that triggers the payment to the Authority has taken place; it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably.

Revenue relating to Council Tax and NNDR is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

Notes to the Accounts

Accounting for Schools

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) are considered to be entities controlled by the Council and are recognised in the Council's single entity accounts. Therefore all schools' transactions, cash flows and balances are recognised in each of the financial statements.

Schools' non-current assets (school buildings and playing fields) are recognised on the Balance Sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school or the school governing body own the assets or have had rights to use the assets transferred to them through a licence arrangement.

When a maintained school converts to an Academy, the schools non-current assets held on the Council's balance sheet are treated as a disposal. The carrying value of the asset is written off to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to an Academy is fully provided for

under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Fair Value

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

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

The measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The valuation of these assets and liabilities, use appropriate techniques for each circumstance, maximising the use, relevant known data, and minimising the use of estimates.

To increase consistency and comparability in fair value measurement and related disclosures, the inputs to valuation techniques used to measure fair value are categorised into three levels:

- **Level 1** inputs - unadjusted quoted prices in active markets for items identical to the asset being measured.
- **Level 2** inputs – inputs other than those in level 1 that are directly or indirectly observable.
- **Level 3** inputs – unobservable inputs for the asset or liability.

41. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted and other issues

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2019-20 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2020-21 code are:

- Amendments to IAS 28 Investment in Associates and Joint Ventures: Long term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

In addition, IFRS 16 Leases will be adopted for the 2021-22 Statement of Accounts. Due to the COVID-19 pandemic, implementation of this standard has been deferred from 1 April 2020 to 1 April 2021.

IFRS 16 will require local authorities that are lessees to recognise most of their leases on their balance sheet as 'right of use' assets with corresponding lease liabilities.

This is expected to have some impact on the 2021-22 Statement of Accounts but this is not expected to be significant as any material leases, such as fleet and PFI arrangements, are already reflected on the Balance Sheet although some changes may be required to existing reporting arrangements.

42. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 40, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision;
- The Council is deemed to control the services provided under the contracts for both Waste Management and Fire and Rescue accommodation. The accounting policies for PFI schemes and similar contracts have been applied to these arrangements and the associated assets (valued at £69.87 million for Waste and £15.66 million for Fire and Rescue) are recognised as Property, Plant and Equipment on the Council's Balance Sheet;
- The Council recognises school land and buildings on its Balance Sheet where the Council, the school or the school's Governing Body directly own the asset or have ownership rights and control of the property. Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then it is not included in the Council's Balance Sheet;
- The "McCloud/Sargeant" judgement in the Court of Appeal found that the transitional protection arrangements put in place when the firefighter's and judges' pension schemes were reformed were age discriminatory. On 27 June 2019, the Supreme Court denied permission to appeal this judgement, and on 15 July 2019 the Government issued a ministerial statement saying they would expect to compensate members across all public-sector schemes which contained transitional protection arrangements. The next stage is for

Notes to the Accounts

the case to be referred to the Employment Tribunal to agree the remedy - it is not likely to be known until 2020-21.

Although it is unknown what impact this will have on future employer pension contributions at this stage, the Pension Fund's Actuary has calculated a potential IAS 19 accounting liability for the LGPS of 1.09% of pensionable pay for 2019-20 which has been included in the current service cost. Where an additional liability arises relating to past service this may result in increased employer contribution rates in the future.

Following a Government consultation on a proposed remedy for all public sector schemes in July 2020, the actuary confirmed that this is consistent with the valuation assumptions that have already been included within the accounts, there is therefore no impact to the estimates provided, and,

- On 26 October 2018, the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required. The ruling confirmed that trustees have a duty "to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs".

HM Treasury have, however, gone on record since the Lloyds judgement to say, "Public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgement".

The Council will recognise the liability for GMP Indexation for all members whose State Pension Age is after 6 April 2016 with effect from 2019-20.

Notes to the Accounts

The Council has completed a school by school assessment across the different types of schools it controls within the County. The types of schools that have been assessed are shown below:

Type of School	Total No. of Schools £000	No. of Primary Schools £000	No. of Secondary Schools £000	No. of Special Schools £000	No. of All Through Schools £000	No. of Pupil Referral Units £000
Community	73	57	9	7	-	-
Foundation	5	3	2	-	-	-
Pupil Referral Unit	1	-	-	-	-	1
Voluntary Aided	29	28	1	-	-	-
Voluntary Controlled	8	8	-	-	-	-
Total Maintained Schools	116	96	12	7	-	1
Academies	47	25	19	2	1	-
Free Schools	1	1	-	-	-	-
Total Schools	164	122	31	9	1	1

All Community schools and the Pupil Referral Unit are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet. The Council has not recognised assets relating to Voluntary Aided, Voluntary Controlled, Foundation, Free schools or Academies. Where Academy schools are leased from the Council on a 125 year lease, they are treated as a disposal from the balance sheet, as this is deemed to be the majority of the asset's life.

The following schools have all converted to academy status during 2019-20:

- Broomley First School (September 2019)
- Highfield Middle School (September 2019)
- Mickley First School (September 2019);
- Ovingham Church of England First School (September 2019);
- Ovingham Middle School (September 2019);
- Prudhoe Castle First School (September 2019);
- Prudhoe Community High School (September 2019).
- Whittonstall First School (September 2019);
- Wylam First School (September 2019);

Notes to the Accounts

The net book value of these assets at the time of disposal was £23.39 million. The transfers are shown as a reduction in the Property, Plant and Equipment line on the Balance Sheet and as a loss on disposal in the Comprehensive Income and Expenditure Statement. The loss does not affect the General Fund balance as the amounts are appropriated to the Capital Adjustment Account in the Movement in Reserves Statement.

43. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	The balance of Property, Plant and Equipment held by the Council at 31 March 2020 was £1,412.48 million. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Where an asset is considered specialised or there is no active market, it is valued by the depreciated replacement cost (DRC) method. This considers the costs to construct a modern equivalent asset (MEA) to deliver the same service. The Council's valuers estimate these values with reference to build costs published by the Royal Institute of Chartered Surveyors. Due to the outbreak of the Novel Coronavirus (COVID-19), it is considered that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value. The valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. If markets respond differently to the assumptions made the carrying amount of the asset will change. If markets respond differently to the assumptions made the carrying amount of the asset would be under or overstated. This would be adjusted when the assets are next revalued. A 1% change to the valued assets (excluding those held at cost), would result in a £7.45 million change to the balance of Property, Plant and Equipment held by the Council, and a £1.87 million difference to the depreciation charged to the CIES.
Pensions Liability	At 31 March 2020, the Council had a net pension liability of £804.21 million. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	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 £30.66 million. However, the assumptions interact in complex ways. During 2019-20, the Council's actuary advised that the net pension liability for funded LGPS benefits had decreased by £27.69 million due to changes in the financial assumptions and decreased by £26.22 million due to changes in the demographic assumptions. There was also a decrease of £1.37 million due to changes in liability experience.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

44. Events After the Reporting Period

The Statement of Accounts was authorised for issue by the Executive Director of Finance (Section 151 Officer) on 31 July 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Academy Conversions

The following six schools have converted to academy status in 2020-21.

- Morpeth Stobhillgate First school on 1 April 2020;
- St Bede's Catholic Primary School on 1 December 2020;
- St Joseph's RC Middle School on 1 December 2020;
- St Mary's Catholic First School on 1 December 2020;
- St Wilfrid's Catholic Primary School on 1 December 2020;
- Warkworth C of E First School on 1 September 2020;

The Property, Plant and Equipment line in the Balance Sheet contained valuations totalling £1.33 million for the schools which will transfer out of Council ownership.

Pension Fund Merger

Northumberland County Council Pension Fund merged into Tyne and Wear Pension Fund on 1 April 2020. The Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020 (UK Statutory Instrument 2020 No 502) came into force on 3 June 2020 giving this merger retrospective effect. All assets and liabilities of Northumberland County Council Pension Fund became the assets and liabilities of Tyne and Wear Pension Fund on 1 April 2020, and therefore Northumberland County Council Pension Fund's final day as a reporting entity was 31 March 2020.

The Merger Regulations removed Northumberland County Council from the LGPS Regulations as a body required to maintain a LGPS fund or prepare

accounts from 1 April 2020. There are no non-adjusting events after the Balance Sheet date.

Northumberland Enterprise Holdings Limited

On 17 September 2020 the Council incorporated a new company with Companies House, Northumberland Enterprise Holdings Limited.

Northumberland Enterprise Holdings Limited is a 100% owned subsidiary of the Council.

The Company is currently dormant; no trading activity has taken place.

45. Prior Period Adjustment

HRA Dwelling Valuations - Social Adjustment Factor

The 2019-20 financial statements have been adjusted to incorporate the impact of amending the Social Adjustment Factor for social housing valuation EUV-SH from 42% to 44%, as outlined within the Stock Valuation and Resource Accounting guidance which was updated from 1 April 2016. Within this guidance the adjustment factor utilised to assess the adjustment from Existing Use Value to Existing Use Value – Social Housing has been re-assessed for the North East region as 44%. Previous years financial statements have shown EUV-SH of 41%, 42% ,42% respectively as recommended by the Council's independent external valuers.

Summary of Accounting Impact - Balance Sheet 2018-19 and 2019-20		£000
Property, Plant and Equipment - Council Dwellings		
1 April 2018		14,981,105
31 March 2019		339,815
31 March 2020		45,346
Increase in Assets		15,366,266

This adjustment also had an impact on other areas within the financial statements, these changes have been reflected in the following notes to the accounts:-

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cashflow Statement
- Note1 - Expenditure and Funding Analysis
- Note 2 - Expenditure and Income Analysed by Nature
- Note 12 - Adjustments between accounting basis and funding basis under regulations
- Note 14 - Property Plant and Equipment

- Note 29 - Unusable reserves
- Note 29 - Capital Adjustment Account
- Note 32 - Cashflows from Operating Activities

These amendments were also reflected in the Housing Revenue Account statements and Notes as follows:-

- Note 1 - Note to the Movement on the Housing Revenue Account Statement
- Note 3 - Housing Revenue Account Assets
- Note 4 - Major Repairs Reserve

These amendments were also reflected in the Group statements and Notes as follows:-

- Group Comprehensive Income and Expenditure Statement
- Group Movement in Reserves Statement
- Group Balance Sheet
- Group Cash Flow Statement
- Note 1 - Group Property, Plant and Equipment
- Note 5 - Group Unusable Reserves
- Note 6 - Group Capital Adjustment Account

Where corresponding figures have been changed the words 'as restated' have been placed under the year heading on all relevant statements and notes.

Housing Revenue Account

Housing Revenue Account (HRA) Income and Expenditure Statement for the year ended 31 March 2020

This account reflects the statutory obligation to “ring-fence” and show separately the financial transactions relating to the provision of housing. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

As Restated 2018-19 £000		Note	2019-20 £000
	Expenditure:		
7,936	Repairs and maintenance		7,977
6,750	Supervision and management		7,818
850	Rents, rates, taxes and other charges		1,233
9,369	Depreciation and Amortisation of Assets		9,584
7	Debt management costs		7
-	Revenue expenditure funded from capital under statute		31
330	Movement in the allowance for Bad Debt (not specified by the Code)	9	494
25,242	Total Expenditure		27,144
	Income:		
(29,401)	Dwelling rents (gross)		(28,696)
(336)	Non dwelling rents (gross)		(319)
(1,580)	Charges for services and facilities		(1,610)
(394)	Contributions towards expenditure		(437)
(6,689)	Revaluation gains		(2,947)
-	HRA Subsidy Receivable		(1)
(38,400)	Total Income		(34,010)
(13,158)	Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement		(6,866)
196	HRA services' share of Corporate and Democratic Core costs		189
(12,962)	Net cost for HRA Services		(6,677)
	HRA Share of the operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:		
(200)	Capital grants and contributions receivable	1	(5)
3,917	Interest payable and similar charges		3,811
(301)	Interest and investment income		(221)
706	Pensions net interest expense		685
(8,840)	Surplus for the year on HRA Services		(2,407)

Movement on the Housing Revenue Account Statement

This statement shows how the HRA Income and Expenditure Statement surplus reconciles to the movement in the HRA balance for the year.

As Restated 2018-19 £000		Note	2019-20 £000
(27,385)	Balance on the HRA at the end of the previous year		(28,388)
(8,840)	Surplus for the year on the HRA Income and Expenditure Statement		(2,407)
5,837	Adjustments between accounting basis and funding basis under Statute	1	1,390
(3,003)	Net increase before transfers to or from reserves		(1,017)
2,000	Transfer to earmarked reserves	10	2,000
(1,003)	(Increase)/Decrease in year on the HRA		983
(28,388)	Balance on the HRA at the end of the current year		(27,405)

1.Note to the Movement on the Housing Revenue Account Statement

As Restated 2018-19 £000		2019-20 £000
	Analysis of adjustments between accounting basis and funding basis under Statute included within the Movement on the HRA Statement	
6,689	Transfers to the Capital Adjustment Account	2,947
200	Capital grants and contributions applied	5
-	Revenue expenditure funded from capital under statute	(31)
(1,080)	HRA share of contributions to the Pensions Reserve	(1,552)
28	Accumulated Absences	21
5,837	Total	1,390

2.Housing Stock

2018-19 No.		2019-20 No.
7,154	Houses and Bungalows	7,092
1,344	Flats	1,346
4	Shared Ownership	4
10	Houses in Multiple Occupation	-
8,512	Total	8,442

2a. An analysis of the change in stock is as follows:

2018-19 No.		2019-20 No.
8,542	Stock at 1 April	8,512
19	Additions	-
-	Appropriations	(4)
-	Demolitions	(2)
(49)	Sales	(64)
8,512	Stock at 31 March	8,442

3.Housing Revenue Account Assets

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Surplus Assets £000	Investment Properties £000	Intangible Assets* £000	Assets under construction £000	Total £000
Gross book value at 1 April 2019 - As Restated	334,512	2,798	75	252	302	356	1,422	339,717
Re-categorisation	1,757	(1,113)	-	-	-	-	(1,382)	(738)
Additions	8,496	-	-	-	-	-	260	8,756
Disposals	(2,710)	-	-	-	-	-	-	(2,710)
Revaluations	(6,526)	-	-	-	-	-	-	(6,526)
Gross book value at 31 March 2020	335,529	1,685	75	252	302	356	300	338,499
Depreciation at 1 April 2019	-	117	30	-	-	60	-	207
Re-categorisation	-	(44)	-	-	-	-	-	(44)
Depreciation & Amortisation - charged in year	9,472	38	15	-	-	59	-	9,584
Revaluations	(9,472)	-	-	-	-	-	-	(9,472)
Depreciation at 31 March 2020	-	111	45	-	-	119	-	275
Net book value at 31 March 2020	335,529	1,574	30	252	302	237	300	338,224
Net book value at 1 April 2019 - As Restated	334,512	2,681	45	252	302	296	1,422	339,510

*Intangible Assets at 1 April 2019 have been split between Gross book value and Depreciation. In previous years accounts Intangible Assets were reflected as gross book value only.

The value of Council dwellings at 31 March 2020 of £335.53 million shown in the Balance Sheet is valued on the basis of existing use for social housing. The vacant possession value would be £762.56 million. This shows that the economic cost to government of providing council housing at less than open market value is £427.03 million.

The value of land has not been valued separately from the buildings and has only been split on subsequent revaluations. Therefore, the value of the land within 'other land and buildings' is £0.48 million. Surplus Assets consist of land valued at £0.25 million, and investment properties include £0.01 million worth of land.

Following guidance from the Ministry of Housing, Communities and Local Government (MHCLG) on Stock Valuation for Resource Accounting, the Existing Use Value – Social Housing adjustment factor has been amended to the North East Regional factor of 44%.

We have calculated a Prior Period adjustment to amend the prior years social adjustment factor from 42% to 44% and valuations have been updated.

The outbreak of the COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has impacted global financial markets, and market activity is being impacted in many sectors. At the valuation date, it is considered that less weight can be attached to previous market evidence for comparison purposes to inform opinions of value.

It has been noted in the Addendum letter in relation to the valuation report from BNP Paribas Real Estate UK that although COVID-19 has had an impact and some material uncertainty, based upon National Housing rates it is indicated that the valuations may have only fluctuated by 0.1%.

However there still remains the need for a higher degree of caution attached to the valuations than would normally be the case.

4. Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve (MRR) with the main credit to the reserve being an amount equivalent to the total depreciation charges for all HRA assets. Until 2011-12, under Item 8 of Part 6 of the Local Government and Housing Act 1989, councils were able to transfer the difference between the depreciation credit to the reserve and the Major Reserves Allowance (MRA) back to the HRA. From 2012-13 councils were no longer allowed to reverse non-dwelling depreciation and were only allowed to reverse dwelling depreciation on a transitional basis until 2017-18. Subsequent to this from 1 April 2017, it has been announced that both dwelling and non-dwelling depreciation can be reversed from 2017-18 and subsequent years until further guidance is issued.

The Council is able to fund HRA related capital expenditure directly from the reserve, along with any voluntary set aside to repay debt. The movement in the Major Repairs Reserve is shown below:

As Restated 2018-19 £000		2019-20 £000
	Income:	
(9,369)	Depreciation on Fixed Assets	(9,584)
(9,369)	Total Income	(9,584)
	Expenditure:	
	Capital expenditure funded from the Reserve	
9,528	Houses	8,598
9,528	Total Expenditure	8,598
159	(Increase)/Decrease in year on the MRR	(986)
(3,477)	Balance brought forward at 1 April	(3,318)
(3,318)	Balance carried forward at 31 March	(4,304)

5. HRA Capital Expenditure and Financing

2018-19 £000		2019-20 £000
	Expenditure:	
10,034	Houses	8,756
186	Vehicle, Plant and Equipment	31
10,220	Total Expenditure	8,787
	Financing:	
200	Government Grants	5
492	Capital Receipts	184
9,528	Major Repairs Reserve	8,598
10,220	Total Financing	8,787

6.Capital Receipts

The Local Government Act 2003 stipulates that income from the disposal of assets must be split into usable and reserved elements. The reserved element is paid over to the national pool and the usable element can be used to fund capital expenditure. A summary of receipts for the year is included below:

	Gross Receipt £000	Usable Element £000	Reserved Element £000
Houses	3,191	1,683	1,508

7.Accounting for Pensions

The net impact on the HRA as a result of IAS 19 was a debit of £1.55 million representing the excess of current service cost over pension contributions, as a result of implementing IAS 19.

The net charge resulting from implementing IAS 19 is reversed within the HRA meaning there is no effect on the amount to be met from rents.

8.Tenant Arrears

At the end of the final collection week in 2019-20, tenant rent arrears were as follows:

As at 31 March 2019			As at 31 March 2020	
£000	%		£000	%
Rents:				
591	2.01	Current tenants	841	2.93
1,292	4.40	Former tenants	1,345	4.69
1,883	6.41	Balance at 31 March	2,186	7.62

9.Provision for Impairment of Debt

The provision for bad debt required at 31 March 2020 is £2.57 million compared with £2.59 million at 31 March 2019, a decrease of £0.02 million.

Bad Debts of £0.51 million were written off during the year and a contribution of £0.49 million was made to the provision.

The provision for bad debts at 31 March 2020 is:

2018-19		2019-20
£000		£000
2,651	Balance at 1 April	2,587
(394)	Bad Debts written off during year	(506)
330	Increase in provision	494
2,587	Balance at 31 March	2,575

10. Earmarked Reserve - HRA

An Earmarked Reserve was created within the HRA during 2018-19 to fund the development and delivery of a housing development plan. The transfer of £2.00 million during 2019-20 was approved at the Council budget meeting in February 2020 and is part of the HRA Medium Term Financial Plan 2019-20 to 2023-24.

The movement in Earmarked Reserve is shown below:

2018-19 £000	2019-20 £000
- Balance at 1 April	(2,000)
(2,000) Transferred to Earmarked Reserve	(2,000)
(2,000) Balance at 31 March	(4,000)

Collection Fund

Collection Fund Account

The Collection Fund reflects the statutory obligation of billing authorities to maintain a separate Collection Fund, distinct from the General Fund of the County Council. The Collection Fund accounts independently for income relating to Council Tax and National Non Domestic Rates (NNDR) on behalf of those bodies (including the County Council) for whom the income has been raised.

Collection Fund surpluses or deficits declared by the billing authority relating to Council Tax and NNDR are apportioned to the relevant precepting bodies in the subsequent financial year. For Northumberland, the Council Tax precepting body is the Police and Crime Commissioner for Northumbria and the NNDR precepting body is Central Government.

2018-19 Total £000		Note	Council Tax £000	NNDR £000	2019-20 Total £000
	Income:				
(190,933)	Council Tax	1	(204,365)	-	(204,365)
(78,821)	Business Rates	2	-	(84,916)	(84,916)
(2,408)	Transitional Protection Payments		-	(1,723)	(1,723)
(272,162)	Total Income		(204,365)	(86,639)	(291,004)
	Expenditure:				
	Apportionment of previous year's surplus/(deficit):				
4,542	Northumberland County Council		2,258	(1,346)	912
217	Police and Crime Commissioner for Northumbria		153	-	153
1,082	Central Government - Share		-	(1,346)	(1,346)
	Precepts, demands and shares:				
206,473	Northumberland County Council	2	177,740	57,820	235,560
8,562	Parish and Town Councils		8,948	-	8,948
11,327	Police and Crime Commissioner for Northumbria		14,080	-	14,080
38,747	Central Government - Share	2	-	19,273	19,273
	Charges to Collection Fund:				
478	Costs of collection		-	477	477
1,749	Provision for bad debts		751	1,090	1,841
483	Provision for appeals		-	3,294	3,294
2,432	Disregarded amounts		-	3,565	3,565
276,092	Total Expenditure		203,930	82,827	286,757
3,930	(Surplus)/Deficit for year		(435)	(3,812)	(4,247)
(2,065)	Opening fund balance		(2,415)	4,280	1,865
1,865	Closing fund balance		(2,850)	468	(2,382)
	Allocated to:				
(122)	Northumberland County Council		(2,640)	(46)	(2,686)
(153)	Police and Crime Commissioner for Northumbria		(210)	-	(210)
2,140	Central Government		-	514	514
1,865			(2,850)	468	(2,382)

1. Council Tax

The Council collects Council Tax charged on residential properties based upon property valuations estimated at 1 April 1991. These valuations are classified into 8 valuation bands.

The calculation of the tax base (adjusted for discounts and exemptions and expressed as an equivalent number of Band D dwellings) was approved at Full Council in February 2019.

The net Council Tax liability in 2019-20 was £204.37 million (£190.93 million in 2018-19).

Properties No.	Band D equivalent Properties No.	2018-19			2019-20		
		Council Tax Charge £	Council Tax Band	Proportion	Properties No.	Band D equivalent Properties No.	Council Tax Charge £
-	66.81	968.87	A (Disabled)	5/9	-	67.46	1,016.68
70,566	30,026.35	1,162.64	A	6/9	70,549	30,562.21	1,220.01
24,082	15,465.95	1,356.41	B	7/9	24,338	15,646.51	1,423.36
19,612	15,196.04	1,550.19	C	8/9	19,897	15,415.27	1,626.69
16,090	14,784.04	1,743.96	D	9/9	16,404	15,051.30	1,830.03
10,523	11,920.90	2,131.51	E	11/9	10,755	12,152.73	2,236.70
6,586	8,946.67	2,519.05	F	13/9	6,681	9,061.42	2,643.38
4,087	6,430.80	2,906.60	G	15/9	4,153	6,515.47	3,050.04
523	893.04	3,487.92	H	18/9	529	902.60	3,660.06
152,069	103,730.60		Total		153,306	105,374.97	
	179.60		Band D equivalent adjustments			172.10	
	103,910.20		Gross Tax Base			105,547.07	
	(1,241.51)		Adjustment for non collection			(730.36)	
	102,668.69		Net Tax Base			104,816.71	

2.National Non-Domestic Rates (NNDR)

The Council collects Business Rates for its area based on rateable values, set by the Valuation Office Agency, and multipliers, set by Central Government. The two Business Rates multipliers, expressed as a rate in the pound (pence/£), are shown in the following table:

2018-19 p/£		2019-20 p/£
49.3	Standard Multiplier	50.4
48.0	Small Business Multiplier	49.1

The total non-domestic rateable value of all properties in Northumberland is shown in the table below:

2018-19 £000		2019-20 £000
227,725	Rateable Value at 31 March	230,277

In the past the Council has retained 50% of the rates income collected and the remaining 50% was paid to Central Government. For 2019-20 the Council was part of the North of Tyne Pool Pilot scheme with North Tyneside Council and Newcastle City Council meaning that the Council retained 75% of the rates income with the remaining 25% being paid to Central Government. The 75% pilot scheme was for 2019-20 only so the Council's share reverts to 50% for 2020-21. The relevant shares payable for 2019-20 were estimated before the start of the financial year in line with regulations. Those estimates are shown in the following table:

2018-19 £000		2019-20 £000
38,747	Northumberland County Council	57,820
38,747	Central Government	19,273

A system of top ups and tariffs is in place to ensure that authorities receive income in line with their previously assessed 'baseline' amount. Tariffs due from authorities payable to Central Government are used to finance the top

ups paid by Central Government to those authorities who do not achieve their targeted baseline funding. In this respect the Council received a top up grant in 2019-20 of £26.49 million. A further safety net system acts to ensure that any local authority is protected from a net localised business rate yield of less than 92.5% of its assessed baseline funding.

Group Accounts

Group Accounts Explanatory Foreword

The CIPFA Code of Practice requires that where an authority has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

Bodies Consolidated within the Group Accounts

On 13 November 2018 all assets, liabilities and shares of the Arch Group were transferred to Advance Northumberland Limited. On 10 November 2020 Arch (Corporate Holdings) Limited was dissolved.

The Advance Group is classified as a wholly owned subsidiary of the Council and has been consolidated within the group position on a line by line basis, with all intra-group transactions and balances removed.

Further information in respect of the Council's relationship with Arch (Corporate Holdings) Limited and Advance Northumberland Limited is given within note 35 to the Council's Financial Statements, Related Parties.

Bodies Not Consolidated within the Group Accounts

An assessment of the Council's relationship with Active Northumberland in 2019-20 concluded that there was no requirement to consolidate its financial position within the Council's group position. The assessment concluded that the Council did not have significant control over Active Northumberland. Further information in respect of the Council's relationship with Active Northumberland is contained within note 35 to the Council's Financial Statements, Related Parties.

Group Comprehensive Income and Expenditure Statement

This statement sets out the income and expenditure relating to the Group, together with any appropriations to reserves.

As Restated 2018-19					2019-20		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
198,106	(107,666)	90,440	Adult Services		211,984	(114,098)	97,886
1,288	(492)	796	Chief Executive		4,061	(2,109)	1,952
262,389	(201,906)	60,483	Children's Services		253,998	(181,294)	72,704
165,521	(88,568)	76,953	Finance		128,460	(76,506)	51,954
24,885	(2,872)	22,013	Human Resources & Organisational Development		30,779	(5,964)	24,815
25,427	(38,400)	(12,973)	Local Authority Housing (HRA)		27,313	(34,010)	(6,697)
111,477	(39,681)	71,796	Place		122,288	(43,986)	78,302
12,564	(486)	12,078	Corporate Expenditure & Income		6,645	(651)	5,994
39,420	(50,479)	(11,059)	Subsidiary Companies		25,366	(34,817)	(9,451)
841,077	(530,550)	310,527	Cost Of Services		810,894	(493,435)	317,459
		48,604	Other Operating Income and Expenditure				42,773
		50,590	Financing and Investment Income and Expenditure	12			71,583
		(346,539)	Taxation and Non-Specific Grant Incomes				(378,455)
		63,182	Group (Surplus) or Deficit on Provision of Services				53,360
		(23,440)	(Surplus)/Deficit on Revaluation of Non Current Assets				(31,214)
		(127)	(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income				4,490
		(37,170)	Actuarial (Gains)/Losses on remeasurement of the net defined benefit liability				68,820
		(60,737)	Other Comprehensive Income and Expenditure				42,096
		2,445	Total Comprehensive Income and Expenditure				95,456

Group Movement in Reserves Statement

The following statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus)/Deficit on the Provision of Services shows the true economic cost of providing the Group's services; more details of which are shown in the Group Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Council Usable Reserves	Total Council Unusable Reserves	Council's share of Group Reserves	Total Group Reserves
As Restated 2018-19	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance brought forward 1 April 2018	(55,433)	(110,985)	(27,385)	-	(786)	(22,339)	(3,477)	(220,405)	(146,061)	(53,134)	(419,600)
Movement in Reserves during 2018-19:											
(Surplus)/Deficit on the provision of services	60,391	-	(8,840)	-	-	-	-	51,551	-	11,631	63,182
Other Comprehensive Income and Exp'd	-	-	-	-	-	-	-	-	(54,458)	(6,279)	(60,737)
Total Comprehensive Income and Exp'd	60,391	-	(8,840)	-	-	-	-	51,551	(54,458)	5,352	2,445
Adjustments between accounting basis & funding basis under regulations	(70,552)	-	5,837	-	(820)	(5,535)	159	(70,911)	70,911	-	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(10,161)	-	(3,003)	-	(820)	(5,535)	159	(19,360)	16,453	5,352	2,445
Transfers to/(from) Earmarked Reserves	9,163	(9,163)	2,000	(2,000)	-	-	-	-	-	-	-
(Increase)/Decrease in 2018-19	(998)	(9,163)	(1,003)	(2,000)	(820)	(5,535)	159	(19,360)	16,453	5,352	2,445
Balance at 31 March 2019 carried forward	(56,431)	(120,148)	(28,388)	(2,000)	(1,606)	(27,874)	(3,318)	(239,765)	(129,608)	(47,782)	(417,155)

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Council Usable Reserves	Total Council Unusable Reserves	Council's share of Group Reserves	Total Group Reserves
2019-20	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance brought forward 1 April 2019	(56,431)	(120,148)	(28,388)	(2,000)	(1,606)	(27,874)	(3,318)	(239,765)	(129,608)	(47,782)	(417,155)
Movement in Reserves during 2019-20:											
(Surplus)/Deficit on the provision of services	38,237	-	(2,407)	-	-	-	-	35,830	-	17,530	53,360
Other Comprehensive Income and Exp'd	-	-	-	-	-	-	-	-	40,154	1,942	42,096
Total Comprehensive Income and Exp'd	38,237	-	(2,407)	-	-	-	-	35,830	40,154	19,472	95,456
Adjustments between accounting basis & funding basis under regulations *	(42,415)	-	1,390	-	(1,496)	(4,490)	(986)	(47,997)	47,997	-	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(4,178)	-	(1,017)	-	(1,496)	(4,490)	(986)	(12,167)	88,151	19,472	95,456
Transfers to/(from) Earmarked Reserves	2,685	(2,685)	2,000	(2,000)	-	-	-	-	-	-	-
(Increase)/Decrease in 2019-20	(1,493)	(2,685)	983	(2,000)	(1,496)	(4,490)	(986)	(12,167)	88,151	19,472	95,456
Balance at 31 March 2020 carried forward	(57,924)	(122,833)	(27,405)	(4,000)	(3,102)	(32,364)	(4,304)	(251,932)	(41,457)	(28,310)	(321,699)

Group Balance Sheet

The Balance Sheet summarises the financial position of the Group as a whole. It shows the value of Group assets and liabilities at the end of the financial year.

*As Restated 31 March 2018 £000	As Restated 31 March 2019 £000	Note	31 March 2020 £000	*As Restated 1 April 2018 £000	As Restated 31 March 2019 £000	Note	31 March 2020 £000
1,378,004	1,370,552	Property, Plant & Equipment	1,439,073	(10,465)	(12,897)	Bank Overdraft	(27,772)
7,603	7,773	Heritage Assets	7,773	(114,285)	(77,915)	Short Term Borrowing	(101,000)
282,331	295,448	Investment Property	260,903	(79,113)	(73,067)	Short Term Creditors	6 (85,039)
1,850	1,889	Intangible Assets	1,150	(11,282)	(9,424)	Short Term Provisions	(11,994)
430	430	Assets Held for Sale - non current	-	(805)	(1,484)	Revenue Grants Receipts in Advance	(9,268)
48,697	47,667	Long Term Investments	43,172	(215,950)	(174,787)	Current Liabilities	(235,073)
142,090	135,094	Long Term Debtors	126,857	(85,624)	(83,509)	Long Term Creditors	(79,926)
1,861,005	1,858,853	Long Term Assets	1,878,928	(664,150)	(659,318)	Long Term Borrowing	(731,189)
113	113	Intangible Assets	-	(707,460)	(713,940)	Other Long Term Liabilities	(804,210)
65,513	272	Short Term Investments	72,339	(490)	(78)	Long Term Provisions	(78)
7,238	7,645	Assets Held for Sale - current	2,214	(14,297)	(10,372)	Capital Grants Receipts in Advance	(4,245)
715	1,697	Inventories	1,827	(1,472,021)	(1,467,217)	Long Term Liabilities	(1,619,648)
24,652	30,834	Work in Progress	34,724	419,600	417,155	Net Assets	321,699
76,118	80,601	Short Term Debtors	90,324	205,517	205,428	Usable Reserves	213,844
72,217	79,144	Cash and Cash Equivalents	96,064	214,083	211,727	Unusable Reserves	5 107,855
246,566	200,306	Current Assets	297,492	419,600	417,155	Total Reserves	321,699

Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

As Restated 2018-19 £000		2019-20 £000
(63,182)	Net surplus on the provision of services	(53,360)
141,984	Adjustments to net surplus or deficit on the provision of services for non-cash movements	147,370
(60,117)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(74,831)
18,685	Net cash flows from Operating Activities	19,179
25,717	Investing Activities	(108,586)
(39,907)	Financing Activities	91,452
4,495	Net increase in cash and cash equivalents	2,045
61,752	Cash and cash equivalents at the beginning of the reporting period	66,247
66,247	Cash and cash equivalents at the end of the reporting period	68,292

Accounting Policies

The financial results of the Council and its subsidiary at 31 March 2020 have been consolidated in accordance with IFRS10. All entities within the Group have a reporting date of 31 March. All transactions and balances between the Group companies have been eliminated on consolidation.

The Group accounting policies are specified within the Council only statement. There are some slight divergences from these policies within the Group as stated below:

Capital Expenditure

There is no de-minimis level for capital expenditure for the Advance Group.

Depreciation

Depreciation is charged on the following basis:

Asset	Depreciation Period
Land and Buildings	Reducing balance basis over lease period (30/50 years)
Plant and Machinery	10%-33% per annum reducing balance - 33% per annum straight-line
Photovoltaics	5% per annum straight line
Motor vehicles	25% per annum reducing balance
No depreciation is provided in first year of acquisitions	

In accordance with FRS 102, investment properties are included in the Balance Sheet at their open market value and the aggregate surplus or deficit is transferred to Comprehensive Income and Expenditure Statement. It is the policy of the company for a qualified independent valuer to perform the valuation annually. No depreciation is provided in respect of investment properties.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Government Grants and Contributions

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

- the recipient will comply with the conditions attached to the payments; and,
- the grants or contributions will be received.

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

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

Critical Judgments in applying accounting policies

The Council's wholly owned Subsidiary: Advance Northumberland Ltd, owns assets which are classified as investment property, in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20. Investment Properties are those which are used solely to earn rentals or capital appreciation or both. Investment Properties are accounted for under the fair value model.

Explanatory Notes to the Group Accounts

Where figures in the Group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the Group entities into the Council's accounts.

1.Group Property, Plant and Equipment

Movements in 2019-20	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation:									
At 1 April 2019	334,512	481,611	157,950	589,485	10,074	17,881	41,157	1,632,670	118,094
Additions	8,496	17,552	8,039	27,676	55	339	61,292	123,449	865
Reclassifications	1,757	21,135	(12,426)	10,233	94	726	(21,976)	(457)	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	-	22,844	(18,832)	-	-	(10,943)	-	(6,931)	(20,523)
Revaluation Increases/(Decreases) recognised in the Surplus on the Provision of Services	(6,526)	(10,611)	-	-	-	9,781	-	(7,356)	-
De-recognition - Disposals	(2,710)	(26,441)	(4,549)	-	(4)	(961)	(443)	(35,108)	-
De-recognition - Other	-	(4,617)	(2,939)	(20,152)	-	(13)	-	(27,721)	(2,939)
Assets reclassified (to)/from Held for Sale	-	761	-	-	-	4,614	-	5,375	-
At 31 March 2020	335,529	502,234	127,243	607,242	10,219	21,424	80,030	1,683,921	95,497
Accumulated Depreciation and Impairment:									
At 1 April 2019	-	35,952	66,630	157,738	1,798	-	-	262,118	33,108
Depreciation/Impairment charge	9,472	14,979	10,720	17,750	129	-	-	53,050	4,716
Reclassifications	-	5,378	(5,576)	-	-	198	-	-	-
Depreciation written out to the Revaluation Reserve	-	(19,249)	(20,781)	-	-	(57)	-	(40,087)	(26,357)
Depreciation written out to the Surplus on the Provision of Services	(9,472)	(4,203)	-	-	-	(141)	-	(13,816)	-
De-recognition - Disposals	-	(2,637)	(4,042)	-	-	-	-	(6,679)	(1,502)
De-recognition - Other	-	(463)	(1,502)	(7,773)	-	-	-	(9,738)	-
At 31 March 2020	-	29,757	45,449	167,715	1,927	-	-	244,848	9,965
Net Book Value:									
At 31 March 2020	335,529	472,477	81,794	439,527	8,292	21,424	80,030	1,439,073	85,532
At 31 March 2019	334,512	445,659	91,320	431,747	8,276	17,881	41,157	1,370,552	84,986

As Restated Movements in 2018-19	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation:									
At 1 April 2018	327,445	516,269	152,896	539,426	9,799	16,848	53,867	1,616,550	109,556
Additions	8,758	10,746	12,105	32,822	23	-	38,357	102,811	1,583
Reclassifications	3,003	(432)	57	17,237	253	16,316	(49,239)	(12,805)	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	-	13,094	-	-	-	(413)	-	12,681	6,955
Revaluation Increases/(Decreases) recognised in the Surplus on the Provision of Services	(2,597)	(4,278)	-	-	-	(13,391)	-	(20,266)	-
De-recognition - Disposals	(2,097)	(34,888)	(7,108)	-	(1)	(382)	(194)	(44,670)	-
De-recognition - Other	-	(1,849)	-	-	-	-	-	(1,849)	-
Correction of Opening Balance	-	(16,356)	-	-	-	-	(1,634)	(17,990)	-
Assets reclassified (to)/from Held for Sale	-	(695)	-	-	-	(1,097)	-	(1,792)	-
At 31 March 2019	334,512	481,611	157,950	589,485	10,074	17,881	41,157	1,632,670	118,094
Accumulated Depreciation and Impairment:									
At 1 April 2018	-	31,937	62,881	142,052	1,676	-	-	238,546	31,311
Depreciation/Impairment charge	9,272	14,201	10,314	15,686	122	-	-	49,595	4,977
Reclassifications	-	(1,767)	-	-	-	1,767	-	-	-
Depreciation written out to the Revaluation Reserve	-	(4,268)	-	-	-	(212)	-	(4,480)	(3,180)
Depreciation written out to the Surplus on the Provision of Services	(9,272)	(2,186)	-	-	-	(1,555)	-	(13,013)	-
De-recognition - Disposals	-	(1,769)	(6,565)	-	-	-	-	(8,334)	-
De-recognition - Other	-	(196)	-	-	-	-	-	(196)	-
At 31 March 2019	-	35,952	66,630	157,738	1,798	-	-	262,118	33,108
Net Book Value:									
At 31 March 2019	334,512	445,659	91,320	431,747	8,276	17,881	41,157	1,370,552	84,986
At 31 March 2018	327,445	484,332	90,015	397,374	8,123	16,848	53,867	1,378,004	78,245

2. Investment Property

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

2018-19 £000		2019-20 £000
282,331	Balance at 1 April	295,448
2,986	Additions	2,332
12,300	Reclassifications	458
-	Assets Reclassified (to)/from Held for Sale	378
(3,931)	Disposals	(3,678)
(8,187)	Net (losses)/gains from fair value adjustments	(34,035)
9,949	Other movements in cost/valuation - correction of opening balance	-
295,448	Balance at 31 March	260,903

Fair Value Hierarchy

All of the Council's investment property portfolio has been assessed as Level 2 for valuation purposes. Within the Advance Group investment properties, £255.32 million have been valued at level 2 and the remainder of those properties subject to a revaluation during 2019-20 were valued at level 1.

Valuation Techniques used to determine Level 2 Fair Values for Investment Properties

The fair value of investment property has been determined having regard to comparable evidence, applying a Rent and Yield or Capital Value Rate where appropriate.

Highest and Best use of Investment Properties

In estimating the fair value of the Advance Group's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuers

The investment property portfolio has been valued at 31 March 2020 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by BNP Paribas Real Estate UK and Aspin and Co., the Advance Group's valuing agents for financial year 2019-20.

3.Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment and Investment Properties	The balance of Property, Plant and Equipment and Investment Properties held by the Group at 31 March 2020 was £1,699,976 million. The Group's valuers estimate these values. Following the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, the valuation assessment is reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation Global Standards (Red Book Global). Consequently, less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case.	If markets respond differently to the assumptions made the carrying amount of the asset will change.

4.Group Cash Flow Statement – Operating Activities

2018-19 £000		2019-20 £000
(9,933)	Interest received	(9,508)
35,413	Interest paid	33,192
-	Dividend	(786)

5.Group Unusable Reserves

Unusable reserves reflect the Group balances.

As Restated 2018-19 £000		2019-20 £000
(5,505)	Accumulated Absences Adjustment Account	(4,855)
712,721	Capital Adjustment Account	676,750
155	Collection Fund Adjustment Account	3,174
(7,056)	Financial Instruments Adjustment Account	(8,426)
13,231	Financial Instruments Revaluation Reserve	8,741
(713,940)	Pensions Reserve	(804,210)
212,121	Revaluation Reserve	236,681
211,727	Total	107,855

6.Group Short Term Creditors

2018-19 £000		2019-20 £000
(15,802)	Central Government Bodies	(17,910)
(1,654)	Other Local Authorities	(3,423)
(2,166)	NHS Bodies	(1,052)
(885)	Public Corporations and Trading Funds	(33)
(52,560)	Other Entities and Individuals	(62,621)
(73,067)	Total	(85,039)

7. Group Capital Adjustment Account

The balance on the Group Capital Adjustment Account represents the timing difference between the amount of historical cost of non current assets that have been consumed and the amount that has been financed in accordance with statutory requirements.

As Restated 2018-19 £000		2019-20 £000
712,148	Balance at 1 April	712,721
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(49,369)	Charges for depreciation and impairment of non current assets	(53,050)
(87)	Deficit on Available-for-Sale financial assets	107
(7,253)	Revaluation losses on Property, Plant and Equipment	6,764
(674)	Amortisation of intangible assets	(806)
(12,750)	Revenue expenditure funded from capital under statute	(3,960)
(70,808)	Amounts of non current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(64,382)
8,824	Adjusting amounts written out of the Revaluation Reserve	6,655
-	Modification adjustments (charged) / credited to Comprehensive Income and Expenditure Statement in respect of capital financial assets	(77)
-	Expected Credit Loss allowances (charged) / credited to Comprehensive Income and Expenditure Statement in respect of capital financial assets	(150)
	Capital financing applied in the year:	
8,917	Use of the Capital Receipts Reserve to finance new capital expenditure	4,929
9,528	Use of the Major Repairs Reserve to finance new capital expenditure	8,598
50,686	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	43,670
5,736	Application of grants to capital financing from the Capital Grants Unapplied Account	5,421
17,746	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	16,467
6,910	Voluntary set aside for the financing of capital investment charged against the General Fund and HRA balance	6,752
31,508	Voluntary set aside of capital receipts	17,838
1,607	Capital expenditure charged against the General Fund and HRA balance	1,345
52	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(32,092)
712,721	Balance at 31 March	676,750

8.Revaluation Reserve

The balance on this reserve represents the accumulated gains on the re-valued fixed assets held by the Group since 1 April 2007, less that part of the depreciation charge that has been incurred only because the assets have been re-valued. Whilst these gains increase the net worth of the Group they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated. On disposal the Revaluation Reserve value for an asset is written off to the Capital Adjustment Account.

2018-19 £000		2019-20 £000
140,224	Balance at 1 April	148,561
57,281	Amounts held in Subsidiaries	63,560
197,505	Balance at 1 April	212,121
20,029	Upward revaluation of assets	54,999
3,411	(Downward)/upward revaluation of assets and impairment losses not charged to the Surplus or (Deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement	(23,785)
(7,332)	Difference between fair value depreciation and historical cost depreciation	(3,803)
(1,488)	Accumulated gains on assets sold or scrapped	(2,622)
(4)	Amount written off to the Capital Adjustment Account	(229)
212,121	Balance at 31 March	236,681

9.Group Valuation of Fixed Assets

Valuation of Fixed Assets Carried at Current Value

The following statement shows the progress of the Group's rolling five year programme for the revaluation of fixed assets. The valuations for Northumberland County Council and Advance Northumberland are carried out by BNP Parabis Real Estate UK and Aspin and Co.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, plant, furniture and equipment £000	Infrastructure Assets £000	Community Assets* £000	Surplus Assets £000	Assets under construction £000	Group Total £000
Valued at Historical Cost	-	17,443	51,094	439,527	8,292	-	80,030	596,386
Valued at Current Value in:								
2019-20 materiality adjustment	-	28,137	-	-	-	-	-	28,137
2019-20	335,529	177,299	30,700	-	-	21,424	-	564,952
2018-19	-	81,838	-	-	-	-	-	81,838
2017-18	-	50,422	-	-	-	-	-	50,422
2016-17	-	97,329	-	-	-	-	-	97,329
2015-16	-	20,009	-	-	-	-	-	20,009
Total	335,529	472,477	81,794	439,527	8,292	21,424	80,030	1,439,073

*Due to the re-categorisation of assets, an approximation to historical cost has been made in some cases.

10. Pension Schemes Accounted for as Defined Contribution Schemes

Advance Northumberland (Housing) Limited operates a group personal pension, with defined contributions that meet the requirements of auto enrolment. The assets of the scheme are in a fund independent from those of the company.

11. The Nature and Extent of Significant Restrictions within the Group

Dividends will only be paid from the Advance Northumberland Limited subsidiaries to Advance Northumberland Limited. During 2019-20 £0.55 million was paid to Advance Northumberland Limited from Advance Northumberland (Housing) Limited.

12. Group Financing and Investment Income and Expenditure

2018-19 £000		2019-20 £000
38,598	Interest payable and similar charges	31,314
17,840	Pensions interest cost and expected return on pensions assets	16,600
(14,030)	Interest receivable and similar income	(10,360)
8,182	Income and expenditure in relation to investment properties and changes in fair value	34,029
50,590	Total Financing and Investment Income and Expenditure	71,583

13. Group Work in Progress

The following statement shows the value of developments for sale outside of the Advance Group. The correction to the opening balance is required to reflect an impairment adjustment within the Advance Group in 2018-19. The adjustment was actioned after the date of consolidation of the Advance Group figures into the Council's 2018-19 Statement of Accounts, and therefore the opening balance in 2019-20 requires adjustment.

2018-19 £000		2019-20 £000
24,652	Balance at 1 April	30,834
6,767	Correction of opening Balance	(843)
87	Additions	22,388
(672)	Disposals	(17,655)
30,834	Balance at 31 March	34,724

14. Significant Commitments under Capital Contracts

The following significant capital contracts have been entered into by the Group at 31 March 2020;

	Total Cost £000	Future Payments £000
County Hall Refurbishment	17,000	12,270
Darras Hall Primary School New Build	7,800	1,207
Hexham New Build Schools	40,810	36,976
Morpeth First School New Build	6,700	161
Ponteland Secondary School, Leisure Centre and Fire Station	48,200	13,336
Northumberland Energy Park Phase 1	24,043	7,200

Firefighters' Pension Fund

Firefighters' Pension Fund

Details of the Firefighters' Pension Fund is shown in the table below:

2018-19 £000	Fund Account	2019-20 £000
	Contributions:	
950	From employer - normal	1,787
778	From members	794
1,728		2,581
	Transfers in:	
-	Individual transfers from other schemes	6
1,728		2,587
	Benefits:	
(5,330)	Pensions	(5,540)
(1,625)	Commutations and lump sum retirement benefits	(1,472)
(6,955)		(7,012)
	Payments to and on account of leavers:	
(5)	Individual transfers to other schemes	-
5,232	Net amount payable before top-up grant	4,425
(5,232)	Top-up grant payable by central Government	(4,425)
-	Net Amount Payable for the year	-

31 March 2019 £000	Net Assets Statement	31 March 2020 £000
	Current assets:	
1,448	Top-up grant receivable from central Government	1,173
	Current liabilities:	
(1,448)	Amount payable to the General Fund	(1,173)
-		-

1. Basis of Preparation

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

The financial statements summarise the transactions of the Firefighters' Pension Schemes and the net assets. They do not take account of obligations to pay pensions and benefits which fall due after the Balance Sheet date.

Note 31 to the Council's Financial Statements shows the liability to pay pensions and benefits which fall due after the Balance Sheet date, in accordance with IAS 19 *Retirement benefits*.

2. Accounting Policies

The principal accounting policies are as follows:

Contributions

Contributions represent the total amounts receivable from the Council and the pensionable employees. The employer's contributions are made at rates determined by the Government Actuary's Department, at a nationally applied rate of 37.3% (of pensionable pay) for the 1992 Firefighters' Pension Scheme, 27.4% for the 2006 Firefighters' Pension Scheme and 28.8% for the 2015 Firefighters' Pension Scheme. Also, the Council is required to make payments into the pension fund in respect of ill-health retirements, when they are granted.

No provision is made in the accounts for employees' and employer's contributions relating to sums due on pay awards not yet settled.

Benefits and Refunds

Benefits and refunds are accounted for in the year in which they become due for payment.

No provision is made in the accounts for the liability to pay pensions and other benefits after the net assets statement date.

Transfer Values

Transfer values are those sums paid to or received from other pension schemes and the Firefighters' Pension Scheme outside England for individuals and relate to periods of previous pensionable employment.

Transfer values received and transfer values paid are accounted for on a receipts and payments basis.

3. Fund's Operations

New financial arrangements came into effect from 1 April 2006 for both the 1992 and the 2006 Firefighters' Pension Schemes under the Firefighters' Pension Scheme (Amendment) (England) Order 2006. The financial arrangements have no impact on the terms and conditions of each scheme.

The Firefighters' schemes are statutory unfunded pension schemes, administered by the Council. The benefits for both schemes are defined and guaranteed in law. Benefits provided include a tax-free lump sum and a guaranteed pension based on final salary upon retirement.

Employee contributions, employer contributions and transfer values received are paid into the pension fund from which pension payments and other benefits are paid. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments. Any surplus in the fund is recouped by Government. Therefore the fund is balanced to nil each year by receipt of pension top-up grant or by paying the surplus back to the Government.

The Schemes are unfunded and therefore the fund has no investment assets.

4. Pension Administration

The pension administration for the Firefighters' Pension Scheme was transferred to a shared service with West Yorkshire Pension Fund on 1 March 2018

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Pension Fund Accounts

Introduction

The purpose of this report is to account for the income, expenditure and net assets of the Northumberland County Council Pension Fund (“the Fund”) for the financial year to 31 March 2020. Northumberland County Council is an administering authority for the Local Government Pension Scheme (LGPS), required by the LGPS Regulations to maintain a pension fund for the Scheme.

Information about the economic resources controlled by the Fund is provided by the Net Assets Statement, which summarises the net assets of the Fund, on the basis of current market values.

Information about the additions to, withdrawals from, and changes in value of the Fund during the year to 31 March 2020 is shown in the Fund Account.

In the year to 31 March 2020 the total market value of the Fund, net of liabilities, has decreased from £1,400.36 million to £1,297.15 million as the payments made from the Fund have exceeded the annual return on the Fund (comprising investment income and realised/unrealised gains/losses on investments) together with other receipts to the Fund.

The Fund Account shows a net surplus from dealings with members of £0.75 million in 2019-20 (£29.94 million withdrawal in 2018-19) as contributions from members exceed payments to pensioners and leavers. The net negative return on investments experienced during 2019-20 of £95.50 million reflects the negative returns

experienced by funds generally over that period and follows the positive returns experienced during 2018-19.

The overall annual return on the Fund was -7.5% for the year (6.9% in 2018-19), which compares unfavourably with the Fund specific benchmark annual return of -6.7%.

The long term growth of the Pension Fund is seen as the most reliable indicator of performance, as short term fluctuations are evened out. In this context, the overall annualised return on the Fund for the ten years to 31 March 2020 was 6.7% per annum, which compares with the benchmark annualised return of 6.6%. Fund returns for the ten year period were higher than the growth in average earnings and inflation increases.

The significant changes made to Fund investments in 2019-20 were the changes to asset allocations within Legal and General funds, with 50% of index-linked gilts moved into corporate bonds and the reduction in target allocation to passive UK equities in favour of passive equities in other geographies.

Northumberland County Council made a commitment to join Border to Coast Pensions Partnership (BCPP) pooling arrangement in June 2017. BCPP Ltd commenced operation in July 2018.

None of Northumberland County Council’s Pension Fund assets are currently managed by BCPP Ltd. The Fund currently has a long term investment of £0.83 million as one of the twelve shareholders in BCPP Ltd.

A fully integrated shared pensions administration service provided by South Tyneside Council operated throughout 2019-20.

Northumberland County Council Pension Fund merged into Tyne and Wear Pension Fund on 1 April 2020. The Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020 (UK Statutory Instrument 2020 No 502) came into force on 3 June 2020 giving this merger retrospective effect. All assets and liabilities of Northumberland County Council Pension Fund became the assets and liabilities of Tyne and Wear Pension Fund on 1 April 2020, and therefore Northumberland County Council Pension Fund’s final day as a reporting entity was 31 March 2020.

Pension Fund Account

Membership of the Fund at 31 March 2020 is summarised below:

31 March 2019		31 March 2020
9,248	Active members	9,326
8,806	Pensioner members	9,198
8,682	Deferred members	8,483
26,736		27,007

The County Council also publishes a separate Annual Report for the Northumberland County Council Pension Fund giving more detailed information on the Fund and its accounts for the year to 31 March 2020.

This Statement shows the Fund Account for the year ended 31 March 2020:

2018-19 £000		Note	2019-20 £000
	Dealings with members, employees and others directly involved with the Fund		
49,990	Contributions	5	50,738
1,972	Transfers in from other pension funds	6	11,025
51,962			61,763
(54,549)	Benefits	7	(56,170)
(27,348)	Payments to and on account of leavers	8	(4,845)
(81,897)			(61,015)
(29,935)	Net additions/(withdrawals) from dealings with members		748
(6,885)	Management expenses	9	(8,457)
(36,820)	Net withdrawals after Fund management expenses		(7,709)
	Returns on investments		
6,927	Investment income	10	7,307
85,992	Profit and losses on disposal of investments and changes in the market value of investments	11	(102,810)
92,919	Net returns on investments		(95,503)
56,099	Net increase/(decrease) in net assets available for benefits during the year		(103,212)
1,344,263	Net assets of the Fund at 1 April		1,400,362
1,400,362	At 31 March		1,297,150

Fund Account

Net Assets Statement as at 31 March 2020:

31 March 2019 £000		Note	31 March 2020 £000
833	Long Term Investments	11	833
Investment Assets			
UK Investments			
Pooled Investment Vehicles:			
54,480	- Property		52,287
348,697	- Equity		168,334
263,642	- Index Linked		216,962
Overseas Investments			
Pooled Investment Vehicles:			
525,553	- Equity		648,971
106,414	- Other Fixed Interest		102,117
119,808	Ventures and Partnerships		113,308
1,419,427		11	1,302,812
464	Other Investment Balances	11	142
1,419,891		11	1,302,954
5,774	Cash Deposits		14,124
4,922	Current Assets	12	4,844
(30,225)	Current Liabilities	13	(24,772)
1,400,362	Net Assets of the Fund at 31 March	14	1,297,150

The Fund Account and Net Assets Statement do not take account of obligations to pay pensions and benefits which fall due after 31 March 2020. The actuarial position of the Fund is shown in the “Statement of the Actuary” and Note 25 Pension Fund disclosures under IAS 26. The Financial Statements should be read in conjunction with both.

1. Basis of preparation

The accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019-20, which is based on International Financial Reporting Standards as amended for the UK public sector, and incorporate the provisions of Financial Reports of Pension Schemes: A Statement of Recommended Practice (2015).

The accounts summarise the Fund's transactions for the year to 31 March 2020 and the net assets available to pay LGPS pension benefits at 31 March 2020. They do not take account of obligations to pay pensions and benefits which fall due after 31 March 2020. The Actuary completed a valuation during 2019-20, the results of which determined the contribution rates effective from 1 April 2020 to 31 March 2023. Details of the latest valuation are included in Note 25.

As described in Note 24, Northumberland County Council Pension Fund merged into Tyne and Wear Pension Fund on 1 April 2020. This resulted in the transfer of the Fund's assets and liabilities to Tyne and Wear Pension Fund and Northumberland County Council is longer required to administer a LGPS Fund or prepare accounts from 1 April 2020. The accounts have been prepared on a going concern basis as the proposed merger is a "machinery of government change" meaning a transfer of functions from one part of the public sector to another as a going concern.

2. Accounting policies

The accounts have been prepared on an accruals basis, except for transfers of benefits to and from other schemes which are accounted for on a receipts and payments basis, and except that the Net Assets Statement does not include liabilities to pay pensions after the end of the Fund year.

The principal accounting policies are as follows:

Investments

Valuation of investments

Investments in BCCP Ltd have been valued at cost as proxy for fair value. All other investments are shown at their fair value which has been determined as follows:

- (1) Quoted securities are valued at the bid price quotations at close of business on 31 March 2020;
- (2) Pooled investment vehicles are stated at the bid prices quoted by their respective managers on 31 March 2020;
- (3) Other unlisted securities, including partnerships, are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers or those controlling the partnerships; and,
- (4) Overseas securities and cash are translated into sterling at the rate ruling at the Net Assets Statement date.

Investment income

Dividends and interest on stocks are credited to the Fund in the year in which they become ex-dividend. Interest receivable on loans and deposits

is accounted for on an accruals basis. Foreign income has been translated into sterling at the date of the transactions, when received during the year, or at the exchange rates applicable at 31 March 2020 where amounts were still outstanding at the year end.

Investment gains and losses

Realised and unrealised gains and losses on investments arising in the year to 31 March 2020 are debited or credited to the Fund.

Investment transactions

Investment transactions arising up to 31 March 2020 but not settled until later are accrued in the accounts.

Cash and cash equivalents

Cash comprises cash at bank and amounts held by the Fund's custodian. Cash equivalents are short term, highly liquid investments that are readily convertible to cash and subject to minimal risk of changes in value.

Contributions

Contributions represent the total amounts receivable from the employers participating in the Fund in respect of their own contributions and those of their pensionable employees. The employers' contributions are made at rates determined by the Fund's actuary which include deficit funding contributions for some employers.

Employers' contributions for strain on the Fund following early retirements are accounted for in the period in which the liability arises.

Contributions due at 31 March 2020 are accrued in the accounts but no provision is made for

employees' and employers' contributions relating to sums due on pay awards not yet settled.

Amounts due in year but unpaid are classed as a current financial asset.

Benefits and refunds

Benefits and refunds are accounted for in the year in which they become due for payment. Amounts due in year but unpaid are classed as a current financial liability.

Transfer values

Transfer values are those sums paid to or received from other pension schemes for individuals and relate to periods of previous pensionable employment.

Transfer values received and transfer values paid are accounted for on a receipts and payments basis. Asset transfers due as a result of a Direction Order are accounted for on an accruals basis.

Administrative expenses

Direct and indirect staff costs for the pension team, together with apportioned costs for the use of Northumberland County Council's premises, systems and services are charged to the Fund. A share of the cost of the shared administration service with South Tyneside Council is charged to the Fund.

Investment management expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses (2016)". Investment management expenses are

accounted for in the year in which they become due for payment. Amounts due in year but unpaid are classed as a current financial liability.

Events after the reporting period

Events that occurred after 31 March 2020 which provide evidence of conditions that existed at 31 March 2020 are included in the accounts. Events that are indicative of conditions that arose after 31 March 2020 are not included, except for events with material effect which are disclosed in the notes to the accounts.

Financial instruments

All of the Fund's assets and liabilities, as shown in the Net Assets Statement, are classified as financial instruments, and the principal accounting policies applied in accounting for them are described elsewhere in this note.

Outstanding commitments

The Fund has made commitments to investments which are not included in the accounts of the Fund until the monies have been drawn down by the relevant manager. These are shown in the Outstanding commitments note.

Obligations to pay promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and other relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement. (Note 25).

3. Critical judgements in applying accounting policies

The most significant judgements in applying accounting policies are as follows:

- Actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits, as disclosed in note 25, is prepared by the Fund actuary adopting "Option B" of IAS 26. Option B requires actuarial valuation of the liabilities on an IAS 19 basis to be prepared annually, the most recent being at 31 March 2019.

The liability disclosed in note 25 is subject to significant variances depending on the assumptions adopted.

4. Assumptions made about the future and other major sources of estimation uncertainty

The items in the Net Assets Statement at 31 March 2020 and note 25 involving assumptions about the future and major sources of estimation uncertainty for which there is a significant risk of material adjustment to the value disclosed within the next financial year are as follows:

	Uncertainties	Effect if actual results differ from assumptions
Unquoted private equity and infrastructure investments	There are no publicly listed prices for the Fund's investments in private equity and infrastructure and therefore there is a degree of estimation and judgement involved in the valuations used. The impact of Covid-19 has been to significantly reduce the number of transactions in the market and therefore the relevant observable data.	Total private equity and infrastructure investments disclosed in the accounts amount to £113 million. The Fund's performance measurement service provider, Portfolio Evaluation, estimates potential volatility consistent with one standard deviation movement in the change in value of private equity as an asset class over the latest three years of 6.9%. This equates to a tolerance of +/- £8 million.
Actuarial present value of promised retirement benefits	Estimation of Fund deficit depends on a number of complex judgements relating to the discount rate used, and factors such as projected salary growth and inflation, commutation rates and mortality rates. The Fund actuary provides advice about the assumptions used in calculating the deficit. The effects of changes in individual assumptions can be measured.	An increase of 0.1% in the discount rate assumption would decrease the pension liability by approximately £36.1 million. An increase of 0.1% in assumed salary inflation would increase the pension liability by approximately £3.6 million. A one year increase in assumed life expectancy would increase the pension liability by approximately £74.4 million.

5. Contributions

2018-19 £000		2019-20 £000
	Employers' contributions	
28,130	Normal contributions	28,622
11,962	Deficit funding	11,368
619	Strain on the Fund following early retirements	1,140
40,711	Total employers' contributions	41,130
9,279	Members normal contributions	9,608
49,990		50,738

This can be further analysed as follows:

2018-19 £000		2019-20 £000
39,079	Administering authority	40,694
7,609	Scheduled bodies	7,203
3,302	Admitted bodies	2,841
49,990		50,738

6. Transfers in from other pension funds

2018-19 £000		2019-20 £000
1,972	Individual transfers in from other schemes	11,025
1,972		11,025

7. Benefits

2018-19 £000		2019-20 £000
44,840	Pensions	46,218
8,567	Commutation of pensions and lump sum retirement benefits	8,987
1,142	Lump sum death benefits	965
54,549		56,170

This can be further analysed as follows:

2018-19 £000		2019-20 £000
49,897	Administering authority	51,083
2,292	Scheduled bodies	2,595
2,360	Admitted bodies	2,492
54,549		56,170

8. Payments to and on account of leavers

2018-19 £000		2019-20 £000
1,211	Individual transfers to other schemes	7,856
25,980	Group transfers	(3,127)
157	Refunds to members leaving service	116
27,348		4,845

The exit of Northumberland College from the Fund on 22 March 2019 led to an asset transfer estimated at £25.98 million in 2018-19. This has not been transferred during 2019-20 with the estimate now amounting to £22.85 million.

9. Management expenses

2018-19		2019-20
£000		£000
860	Administrative costs	1,339
5,397	Investment management expenses	6,751
359	Oversight and governance costs	367
269	BCPP Ltd build expenses	-
6,885		8,457

Investment management expenses can be further analysed as follows:

2018-19		2019-20
£000		£000
5,359	Management fees	6,718
38	Custody fees	33
5,397		6,751

Indirect management fees charged within pooled investment vehicles and partnerships have been included in investment management expenses, and management expenses analysed in accordance with CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

External audit fees of £25,000 (£17,250 in 2018-19) are included in oversight and governance costs.

10. Investment income

2018-19		2019-20
£000		£000
3,160	Income from pooled investment vehicles	3,527
3,779	Income from ventures and partnerships	3,739
(12)	Net interest on cash deposits	41
6,927		7,307

11. Investments

31 March 2019		31 March 2020
£000		£000
833	Long term investments	833
	Actively managed investments	
54,480	Unit trusts (property)	52,287
	Other managed funds	
106,414	Other fixed interest	102,117
119,808	Ventures and partnerships	113,308
281,535		268,545
	Passively managed investments	
1,137,892	Unitised insurance policies (equity and index linked)	1,034,267
1,419,427		1,302,812
464	Other investment balances	142
1,419,891		1,302,954

The Long term investment £0.83 million, is the equity held by the Fund in BCPP Ltd.

Fund investments at 31 March 2020 (and at 31 March 2019) were all externally managed in pooled investment vehicles which can be analysed as follows:

	Value at 1 April 2019 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31 March 2020 £000
Actively managed investments	281,535	6,348	(20,043)	705	268,545
Passively managed investments	1,137,892	412,932	(412,932)	(103,625)	1,034,267
	1,419,427	419,280	(432,975)	(102,920)	1,302,812
Other investment balances	464			110	142
Total	1,419,891			(102,810)	1,302,954

	Value at 1 April 2018 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31 March 2019 £000
Actively managed investments	258,263	21,054	(19,665)	21,883	281,535
Passively managed investments	1,081,962	59,635	(67,636)	63,931	1,137,892
	1,340,225	80,689	(87,301)	85,814	1,419,427
Other investment balances	893			178	464
Total	1,341,118			85,992	1,419,891

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and indirect costs incurred through the bid-offer spread on investments within pooled investment vehicles. Transaction costs incurred in the year amounted to £0.15 million (£0.04 million in 2018-19).

Other investment balances

31 March 2019		31 March 2020
£000		£000
428	Cash deposits	106
36	Outstanding dividends, tax and other investment income	36
464		142

12.Current assets

31 March 2019		31 March 2020
£000		£000
	Contributions due from employers in respect of	
328	Employers	270
77	Members	74
4,516	Retirement grants prepaid	4,500
1	Other	-
4,922		4,844

These can be further analysed as follows:

31 March 2019		31 March 2020
£000		£000
312	Bodies external to general government	17
244	Central government bodies	287
42	NHS bodies	40
4,324	Other local authorities	4,500
4,922		4,844

13.Current Liabilities

31 March 2019		31 March 2020
£000		£000
(3,658)	Due to Northumberland County Council	(1,542)
(335)	Retirement/death grants due	(53)
(100)	Investment management and custodial fees due	(107)
(25,980)	Asset transfer	(22,853)
(152)	Other	(217)
(30,225)		(24,772)

These can be further analysed as follows:

31 March 2019		31 March 2020
£000		£000
(78)	Central government bodies	(8)
(29,638)	Other local authorities	(24,549)
(509)	Bodies external to general government	(215)
(30,225)		(24,772)

The exit of Northumberland College from the Fund on 22 March 2019 led to the liability in the 2018-19 accounts for an asset transfer estimated at £25.98 million to South Tyneside Council following the College's merger with Sunderland College and a Direction Order from MHCLG substituting South Tyneside Council as the administering authority for Northumberland College. The Actuaries acting for the Funds have not yet agreed a transfer value and therefore the asset transfer did not occur during 2019-20 and remains as a liability, now estimated at £22.85 million.

14. Analysis of Investments

The total market value of the Fund at 31 March 2020 was £1,297.15 million (£1,400.36 million at 31 March 2019), which can be analysed as follows:

31 March 2019			31 March 2020	
£m	%		£m	%
874.25	62.4	UK and overseas equities	817.30	63.0
0.83	0.1	UK equalities unquoted	0.83	0.1
370.06	26.4	Fixed interest and index linked	319.08	24.6
54.48	3.9	Property unit trusts	52.29	4.0
119.81	8.6	Ventures and partnerships	113.31	8.7
0.46	0.0	Other investment balances	0.14	0.0
(19.53)	(1.4)	Cash deposits and net current (liabilities)/assets	(5.80)	(0.4)
1,400.36	100.0		1,297.15	100.0

The majority of the Fund's value is held in equities. Analysis by geographical area is as follows:

31 March 2019			31 March 2020	
£m	%		£m	%
348.70	39.9	United Kingdom	168.33	20.6
102.53	11.7	Europe	126.47	15.4
103.54	11.8	North America	133.92	16.4
49.65	5.7	Japan	101.20	12.4
50.92	5.8	Pacific	91.47	11.2
218.91	25.1	Other	195.91	24.0
874.25	100.00		817.30	100.0

The geographical analysis above does not include the long term investment in BCPP Ltd.

Fund Value and Proportions

The values and proportions of the Fund's assets managed externally are as follows:

31 March 2019			31 March 2020	
£m	%		£m	%
1,137.89	80.2	Legal & General Investment Management	1,034.27	79.4
106.41	7.5	Wellington Management International	102.12	7.8
17.44	1.2	Morgan Stanley (private equity)	13.68	1.1
21.73	1.5	NB Alternatives (private equity)	20.72	1.6
9.85	0.7	Pantheon (private equity)	14.55	1.1
28.04	2.0	Schroder Investment Management	27.07	2.1
26.54	1.9	BlackRock Investment Management (UK)	25.32	1.9
23.10	1.6	Antin (infrastructure)	19.06	1.5
38.88	2.7	GIP (infrastructure)	33.71	2.6
9.18	0.7	Pantheon (infrastructure)	11.62	0.9
1,419.06	100.0		1,302.12	100.0

Net current liabilities of £5.80 million (net current liabilities of £19.53 million in 2018-19) are not externally managed and therefore not shown in the analysis above. Also not shown in the analysis above is the long term investment by Northumberland County Council Pension Fund in the equity of BCPP Ltd of £0.83 million.

All fund managers operating the pooled investment vehicles are registered in the United Kingdom.

15. Significant Holdings

At 31 March 2020, the Fund had holdings in certain pooled investment vehicles which individually represented more than 5% of the total value of Fund net assets. These holdings were:

31 March 2019			31 March 2020	
£m	%		£m	%
348.70	24.6	LGIM UK Equity Index Fund	168.33	12.9
-	-	LGIM Investment Grade Corporate Bonds	110.45	8.5
263.64	18.6	LGIM Over Five Year Index Linked Gilts	106.51	8.2
116.27	8.2	LGIM RAFI 3000 Overseas Equity	103.52	7.9
49.65	3.5	LGIM Japan Equity Index	101.20	7.8
102.64	7.2	LGIM World Emerging Markets Equity	92.39	7.1
50.92	3.6	LGIM Asia Pacific ex Japan Equity	91.47	7.0
51.32	3.6	LGIM North America Equity - Currency Hedged	69.79	5.3
70.23	5.0	Wellington Multi Sector Credit	65.20	5.0

16. Additional voluntary contributions (AVCs)

Scheme members may make AVCs that are invested with the Fund's nominated AVC provider. A wide range of investment types is offered to members and benefits obtained are on a money purchase basis. These contributions are not included in these accounts in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which prohibits administering authorities from crediting AVCs to the Pension Fund.

During 2019-20 members were able to invest in an AVC plan with Prudential. Prudential was engaged as AVC provider to the Fund in February 2001 to replace Equitable Life, and all new AVCs taken out after that date were with Prudential. Equitable Life replaced Phoenix Life Limited and some members have continued to contribute to existing AVC investments with both Equitable Life and Phoenix Life Limited. During 2019-20, Utmost replaced Equitable Life.

Aggregate contributions paid by members during 2019-20 to AVC investments were £303,980 (£301,067 in 2018-19) to Prudential, and

£1,494 (£1,573 in 2018-19) to Phoenix Life Limited. There were no contributions made to Utmost (previously Equitable Life) during the last two years.

As at 31 March 2020, the aggregate value of the AVC investments with Prudential was £1,963,346 (£2,023,157 as at 31 March 2019), with Utmost was £69,594 (£47,577 as at 31 March 2019), and with Phoenix Life Limited was £12,040 (£13,339 as at 31 March 2019).

17. Related party transactions

Northumberland County Council administers the Pension Fund. During 2019-20 the Pension Fund had an average balance of £6.56 million loaned to the Council for which it received interest of £41,491 (and an average balance of £2.46 million it borrowed from the Council during 2018-19 for which it paid interest of £15,567). The costs incurred by the Council in administering the Fund, excluding audit fees, are recharged to the Fund on an annual basis. In 2019-20 these costs amounted to £0.37 million (£0.35 million in 2018-19). £1.54 million was due to the Council at 31 March 2020 (£3.66 million at 31 March 2019). Contributions received by the Fund in the year amounted to £40.69 million (£39.08 million in 2019-20).

Part of the recharge to the Fund relates to the Council's Section 151 Officer, who comprises the key management personnel of the Fund. Remuneration recharged is as follows:

2018-19		2019-20
£		£
(4,929)	Short term benefits	(12,344)
(1,300)	Post-employment benefits	(3,256)
(6,229)		(15,600)

Employer contributions for Pension Fund Panel members and senior management who are members of the Scheme are paid in accordance with the rates set by the actuary in the Rates and Adjustments Certificate, and active member contributions are paid in accordance with rates set in the Local Government Pension Scheme Regulations. The terms and conditions which apply to Panel members and senior managers are the same as

those which apply to all other Scheme members. Four voting Panel members were members of the Scheme at 31 March 2020 (four at 31 March 2019).

18. Fund's operations, funding and membership

Northumberland County Council Pension Fund is part of the Local Government Pension Scheme (LGPS), which is a statutory, funded pension scheme. The benefits of the Scheme are defined and guaranteed in law.

The LGPS was contracted out of the State Second Pension until 6 April 2016. Benefits provided can include a tax-free lump sum, with the option to commute pension for lump sum.

Local authority employees other than those aged over 75, teachers and fire-fighters, are automatically admitted to the LGPS, unless they opt out. Automatic enrolment legislation also applies to all eligible workers. The list of all participating employers in the Northumberland County Council Pension Fund at 31 March 2020 is shown in note 26.

The LGPS changed with effect from 1 April 2014 to a career average scheme for service accrued on and after 1 April 2014; service accrued prior to 31 March 2014 remains linked to final salary.

Northumberland County Council Pension Fund collects contributions from active members of the LGPS and their employers. It pays pensions and related expenses, and reimburses Northumberland County Council and South Tyneside Council for the costs incurred in administering the LGPS. Surplus funds, not needed for the day-to-day expenses, are invested with external fund managers for long term growth.

As a funded scheme, contributions received from employers and employees and transfer values received are invested in the Fund to meet the benefits when they fall due. Future returns on investments and future benefits payable are not known in advance, therefore the employer contributions payable are regularly reviewed (every three years) by the Fund actuary to ensure their adequacy for the Fund's long term solvency. The last statutory actuarial valuation of the Fund was carried out at 31

March 2019. Investment, inflation and longevity risks are carried by the employers and not by the individual Scheme members.

Northumberland County Council is the administering authority for Northumberland County Council Pension Fund under the LGPS Regulations, and has delegated its responsibility for determining investment policy and monitoring performance to the Pension Fund Panel.

The Pension Fund Panel comprises six County Council representatives, one non-voting employer representative, one non-voting Scheme member representative and two non-voting Trade Union representatives.

External fund managers have been appointed to make the day-to-day investment decisions.

At 31 March 2020 there were four external investment managers, namely Legal and General Investment Management, Wellington Management International, BlackRock Investment Management (UK), and Schroder Investment Management.

At 31 March 2020 the Fund also had private equity investments with Morgan Stanley, NB Alternatives and Pantheon, and infrastructure investments with Global Infrastructure Partners, Antin Infrastructure Partners and Pantheon.

The Northern Trust Company provides custodial services for the Fund.

19. Investment Strategy Statement (ISS)

The Northumberland County Council Pension Fund's ISS is maintained as a separate document. This document is also available on the Council's website at the following link:

[Northumberland County Council Investment Strategy Statement](#)

20. Outstanding commitments

At 31 March 2020 the Fund had outstanding commitments to nine investments.

	Year of commitment	Initial commitment m	Capital payments made m	Outstanding commitment as at 31 March 2020	
				m	£m
Antin Infrastructure Partners II	2013	€24.00	€20.74	€3.26	2.89
Global Infrastructure Partners II-C	2011	\$43.00	\$39.05	\$3.95	3.19
Morgan Stanley GDO Fund	2006	\$10.00	\$9.79	\$0.21	0.17
Morgan Stanley Private Markets III	2005	\$50.00	\$48.27	\$1.73	1.39
Morgan Stanley Private Markets IV	2007	\$30.00	\$29.86	\$0.14	0.11
NB Crossroads Fund XVIII	2007	\$27.00	\$22.41	\$4.59	3.70
NB Crossroads Fund XX	2014	\$26.00	\$18.46	\$7.54	6.08
Pantheon Global Infrastructure	2018	\$54.00	\$15.34	\$38.66	31.18
Pantheon Global Select	2017	\$65.23	\$20.35	\$44.88	36.19
Total outstanding commitments					84.90

Outstanding capital commitments totalled £84.90 million at 31 March 2020 (£89.41 million at 31 March 2019). Capital is payable by the Fund to these private equity and infrastructure investments when called. Amounts called are irregular in value and timing, and are typically spread over a period of ten years.

21. Financial instruments

The value of financial instruments, classified into one of three levels according to the quality and reliability of information used to determine values, is as follows:

31 March 2019					31 March 2020			
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
£000	£000	£000	£000		£000	£000	£000	£000
-	1,298,786	120,641	1,419,427	Financial assets at fair value through profit and loss	-	1,188,671	114,141	1,302,812
11,160	-	-	11,160	Financial assets at amortised cost	19,110	-	-	19,110
(30,225)	-	-	(30,225)	Financial liabilities at amortised cost	(24,772)	-	-	(24,772)
(19,065)	1,298,786	120,641	1,400,362	Net financial assets	(5,662)	1,188,671	114,141	1,297,150

Level 1 means financial instruments valued using unadjusted quoted prices in active markets for identical assets or liabilities; level 2 means financial instruments valued using mainly observable market data but publicly quoted market prices are not available and level 3 means financial instruments valued using unobservable inputs. Level 3 instruments include unquoted investments which are valued using various techniques requiring significant judgement in

determining appropriate assumptions. The Fund's level 3 investments comprise infrastructure and private equity partnerships which are valued in the Net Assets Statement based on unaudited valuations at either 31 December 2019 or 31 March 2020 provided by the managers controlling the partnerships.

The Fund has no investment assets classified as level 1. No financial instruments have been reclassified during the year.

The basis of valuations of each class of investment asset is as follows:

Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation
Pooled investment vehicles including unitised insurance policies, unit trusts and other managed funds (fixed interest)	Level 2	NAV based prices published at each dealing point	Price of recent transactions for an identical instrument	N/A
Ventures and partnerships (infrastructure and private equity)	Level 3	Valuations prepared by the managers of those controlling the partnerships (i.e. the general partners) in accordance with International Private Equity and Venture Capital Guidelines and the valuation principles of IFRS and US GAAP	The general partners' assessments of cash flow, growth and profitability expectations and other appropriate financial information	Material events affecting the valuations may occur between the date of the financial information provided by the general partners and the Fund's reporting date
Unquoted equities in Border to Coast Pensions Partnership Limited.	Level 3	Valued at cost, i.e. transaction price, as an appropriate estimate of fair value	Transaction cost	N/A

A reconciliation of fair value measurements within level 3 is as follows:

	Value at 1 April 2019 £000	Purchases at Cost £000	Sales Proceeds £000	Change in market value £000	Value at 31 March 2020 £000
Level 3 Investments	120,641	6,301	(20,151)	7,349	114,140

Net gains and losses on financial instruments can be analysed as follows:

2018-19		2019-20
£000		£000
85,814	Financial assets at fair value through profit and loss	(102,920)
178	Financial assets at amortised costs	110
85,992	Total net gains on financial instruments	(102,810)

In consultation with the Fund’s investment advisor, an analysis of historical volatility and current movements in expected investment returns has been undertaken. It has been determined that the asset values are likely to be accurate within the following ranges and the Fund has set out the consequent potential impact on the closing values of investments held at 31 March 2020.

Sensitivities of Assets Valued at Level 3 can be analysed as follows:

	At 31 March 2020	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
Ventures and partnerships	113,307	8.33	122,746	103,868
Border to Coast Pensions Partnership	833	0.00	833	833
Total	114,140		123,579	104,701

22. Nature and extent of risk arising from financial instruments

Overall Fund risk

All Fund assets and liabilities, as disclosed in the Net Assets Statement, are classified as financial instruments. However, as stated at the foot of the Net Assets Statement, it excludes the most significant Fund liability, namely the obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the Fund, which values such pension obligations, is dealt with in the Statement of the Actuary and the Whole of Pension Fund Disclosures under IAS 26 shown at note 25.

The sole purpose of holding Fund assets is to invest contributions received from employees and employers, together with transfer values received and investment income, so that there are sufficient funds available to pay pensions when the active and deferred members become pensioner members.

The primary risk for the Fund is the risk that Fund assets do not match the liabilities over the long term. It is the gap between the assets and liabilities, known as the funding deficit (or surplus), which is most relevant to the Fund's participating employers, who are responsible for meeting the funding deficit. Focussing on the risks surrounding the assets alone therefore gives only a partial picture. For example, should UK gilt yields increase this would reduce the value of the Fund's holdings in UK gilts, but it may also reduce the actuarial value placed on the liabilities to pay pensions and therefore change the funding deficit.

Overall Fund risk and the actions taken to manage that risk are described in the Fund's Investment Strategy Statement and in the Funding Strategy Statement, both maintained as separate documents which can be obtained from the Service Director - Finance.

The key controls are:

- the actuarial valuation of the Fund which is carried out every three years and resets the employer contribution rates;

- the asset liability modelling study which is carried out every three years or more frequently if necessary, to consider alternative asset allocations for the Fund and the long term impact on employer contribution rates; and,
- quarterly monitoring by the Pension Fund Panel of the Fund investments and of the updated estimated funding position.

The remainder of this note only considers risk in relation to the financial instruments disclosed on the Net Assets Statement.

Credit risk

Credit risk is the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The Fund is exposed to credit risk on its externally managed investment portfolio, on cash deposits managed in-house, and on the contributions receivable from the Fund's participating employers.

The market values of investments usually reflect an assessment of credit risk in their pricing and as a result the risk of loss is implicitly provided for in the fair value of the Fund's investments. Credit risk is also managed through the selection and monitoring of the Fund's custodian and investment managers, and via their contracts with the Fund. All investment managers and the custodian are required to provide the Fund with an up to date ISAE 3402 report, or equivalent, annually. The Fund's active bond manager, Wellington Management International, considers credit risk as part of its portfolio construction.

Credit risk on cash deposits managed in-house is managed by Northumberland County Council's Treasury Management Team, following the Council's Treasury Management Policy. This policy is described in detail in Northumberland County Council's Treasury Management Annual Report.

Credit risk on contributions receivable from employers is minimised by regular monitoring of the monthly receipt of payments from employers. There is no provision for doubtful debts against the amounts due from employers at 31 March 2020. The LGPS Regulations require that a risk assessment of any new employer admitted under paragraph 1(d) of Part 3, Schedule 2 of the 2013 LGPS Regulations (formerly known as a transferee admitted body) is

carried out, and that a bond or guarantee is obtained where necessary. The Pension Fund Panel must approve the admission of any other new admission body. Bonds or guarantees have been obtained for the Fund's admitted employers, where possible. The Fund is potentially exposed to credit risk from certain scheduled employers that have neither tax-raising powers nor a guarantee from central government.

None of the Fund's financial assets are past due or impaired.

Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due.

The Fund holds in-house cash resources to meet day-to-day needs and to pay pensions. If there is insufficient cash available to meet immediate needs, units in the Fund's holdings with Legal and General Investment Management, which totalled £1,034.27 million at 31 March 2020, can be realised at short notice and at minimal cost. In seven out of the last ten years the Fund has experienced net withdrawals from dealings with members, with the maximum withdrawal in a single year being £10.30 million prior to the exceptional item in 2018-19 from the group transfer of Northumberland College leading to a net withdrawal from members of £29.94 million in 2018-19.

With the exception of investments in private equity and infrastructure, there are no commitments to contribute further capital to any of the existing Fund investments. When private equity/infrastructure capital calls are received, payment is made out of in-house cash surpluses, or, if there are insufficient funds available, units held with Legal and General are realised. Note 20 to the accounts shows further information about outstanding commitments to private equity and infrastructure investments.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements, and the asset mix.

Market risk is inherent in the investments that the Fund holds. To mitigate market risk, the Fund invests in a diversified portfolio to include a variety of asset classes, geographical regions and industrial sectors. The Fund is also managed by eight separate investment managers, each with different investment styles and strategies, and different benchmarks and performance targets. The Fund has a regular rebalancing policy to maintain the asset split close to the agreed asset allocation target. Full details of asset allocation and management structure are described in the Fund's Investment Strategy Statement maintained as a separate document which can be obtained from the Service Director - Finance.

The purpose of diversifying the portfolio of assets in the Fund is to reduce the impact of price movements, because it is unlikely that all asset classes will move in the same direction at the same time.

To manage market risk, the Pension Fund Panel and its adviser regularly review the Fund's asset allocation and management structure, and monitor investment managers' performance on a quarterly basis.

Market risk can be divided into three elements, namely other price risk, interest rate risk and currency risk. In consultation with the Fund's investment advisor, an analysis of historical volatility and current movements in expected investment returns has been undertaken. It has been determined that the asset values are likely to be accurate within the following ranges and the Fund has set out the consequent potential impact on the closing values of investments held at 31 March 2020. These are considered further below.

Market risk - other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Fund is exposed to other price risk on all of its investment assets. This risk is mitigated by asset and manager diversification. Price risk can be quantified as follows:

31 March 2019	Percentage change	Value on increase	Value on decrease		31 March 2020	Percentage change	Value on increase	Value on decrease
£000	%	£000	£000		£000	%	£000	£000
349,530	9.3	381,897	317,164	UK equities	169,167	14.1	192,952	145,382
525,553	11.4	585,634	465,473	Overseas equities	648,971	12.0	726,648	571,295
263,642	12.4	296,281	231,003	Index linked	216,962	10.5	239,722	194,203
106,414	8.6	115,586	97,240	Other fixed interest	102,117	8.5	110,756	93,478
54,480	2.3	55,706	53,254	Property	52,287	2.3	53,495	51,079
119,808	8.6	130,131	109,486	Ventures and partnerships	113,307	6.9	121,103	105,511
464	0.0	464	464	Other investment balances	143	0.0	143	143
1,419,891	6.9	1,517,153	1,322,628	Total investment assets	1,302,954	8.4	1,412,794	1,193,115

The percentage change for total investment assets at 31 March 2020 and at 31 March 2019 includes the impact of correlation across asset classes, so the value on increase/decrease amounts do not sum to the total investment assets shown above.

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. The analysis shown above assumes all other potential variables remain the same. The price risk shown above includes interest rate risk and currency risk as they cannot be separated out of market price movements.

Market risk - interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of interest rate changes. The Fund is exposed to interest rate risk on its fixed interest investment assets. This risk is mitigated by asset and manager diversification. Interest rate risk can be quantified as follows:

31 March 2019	Value following 1% decrease in interest rates	Value following 1% increase in interest rates		31 March 2020	Value following 1% decrease in interest rates	Value following 1% increase in interest rates
£000	£000	£000		£000	£000	£000
263,642	328,498	198,786	Index linked	216,962	250,907	183,018
106,414	110,800	102,026	Other fixed interest	102,117	106,949	97,285
370,056	439,298	300,812	Total fixed interest investments	319,079	357,856	280,303

Bond instruments tend to fall in value when interest rates rise; and, rise in value when interest rates fall. The analysis above shows the likely effect of a 1% increase or decrease in interest rates on the value of the bond instruments held by the Fund. It assumes all other potential variables remain the same, and ignores the effect a change in interest rates might have on the value of other investments held.

Market risk - currency risk

Currency risk is the risk of the value of a financial instrument changing as a result of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that were purchased in any currency other than sterling. This risk is mitigated by asset and manager diversification and some currency hedging. Currency risk can be quantified as follows:

31 March 2019	Percentage change	Value on increase	Value on decrease		31 March 2020	Percentage change	Value on increase	Value on decrease
£000	%	£000	£000		£000	%	£000	£000
Equities								
102,531	9.5	112,282	92,780	Europe	126,476	8.2	136,847	116,105
103,535	10.3	114,209	92,860	North America	133,918	10.1	147,444	120,392
49,655	16.5	57,863	41,447	Japan	101,200	12.4	113,749	88,651
50,919	12.0	57,009	44,829	Pacific	91,472	11.6	102,082	80,861
218,913	12.6	246,386	191,439	Other	195,906	12.6	220,590	171,222
106,414	11.0	118,140	94,687	Other fixed interest	102,117	12.6	114,964	89,250
119,808	10.2	131,976	107,641	Ventures and partnerships	113,307	9.8	124,389	102,225
751,775	11.0	834,620	668,929	Total overseas investments	864,396	11.1	960,084	768,707

The percentage change for total overseas investments at 31 March 2020 and at 31 March 2019 includes the impact of correlation across currencies, so the value on increase/decrease amounts do not sum to the total overseas investments shown above.

Potential value changes are determined based on the observed historical volatility of currency movements relative to sterling. The potential volatilities are consistent with a one standard deviation movement in currencies relative to sterling over the latest three years. The analysis shown above assumes all other potential variables remain the same.

Approximately half of the investment in Legal and General North American passive equities is in currency hedged units amounting to £69.79 million. Approximately half of the investment in Legal and General Europe (ex UK) passive equities is in currency hedged units amounting to £64.46 million. The investment in currency hedged units reduces the funds exposure to currency risk in these markets.

23. Material items of income and expenditure

The merger of Northumberland College with Sunderland College took place on 22 March 2019 and will lead to a material transfer of assets from the Fund which has been treated as an amount payable at 31 March 2020 in these financial statements. MHCLG issued a Direction Order substituting South Tyneside Council for Northumberland County Council as the administering authority for Northumberland College, leading to that employer exiting the Fund on 22 March 2019. The Fund's Actuary has estimated that the value of the asset transfer due at 31 March 2020 is £22.85 million and this amount has been included in the financial statements as a group transfer amount payable. The final amount payable will be agreed between the Fund's and South Tyneside Council's actuaries at a future date.

The change in Fund liabilities arising from the exit of Northumberland College was included in the 31 March 2019 Actuarial Valuation.

24. Events after the Reporting Period

Pension Fund Merger

Northumberland County Council Pension Fund merged into Tyne and Wear Pension Fund on 1 April 2020. The Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020 (UK Statutory Instrument 2020 No 502) came into force on 3 June 2020 giving this merger retrospective effect. All assets and liabilities of Northumberland County Council Pension Fund became the assets and liabilities of Tyne and Wear Pension Fund on 1 April 2020, and therefore Northumberland County Council Pension Fund's final day as a reporting entity was 31 March 2020.

The Merger Regulations removed Northumberland County Council from the LGPS Regulations as a body required to maintain a LGPS fund or prepare accounts from 1 April 2020.

25. Pension Fund disclosures under IAS 26

Under IAS 26, the Fund is required to disclose the actuarial present value of the promised retirement benefits, which were last valued at 31 March 2019 by the Actuary at £1,882.50 million.

This figure was calculated using the following information supplied by the Actuary.

Information Supplied by the Actuary

The information set out below relates to the actuarial present value of the promised retirement benefits in the Fund which is part of the Local Government Pension Scheme.

Value as at 31 March 2016 £m		Value as at 31 March 2019 £m
(1,055.30)	Fair value of net assets	(1,400.40)
1,421.40	Actuarial present value of the defined benefit obligation	1,882.50
366.10	Deficit in the Fund as measured for IAS 26 purposes	482.10

The actuarial present value of the defined benefit obligation at 31 March 2019 includes an estimated liability in relation to the McCloud/Sargeant judgement of £11.30 million.

The actuarial present value of the defined benefit obligation at 31 March 2019 includes an estimated liability in the region of 0.1% to 0.3% in relation to the equalisation and indexation of Guaranteed Minimum Pensions.

Principal assumptions used by the Actuary were:

31 March 2016 % p.a.		31 March 2019 % p.a.
3.4	Discount rate	2.4
1.8	CPI Inflation (pension increases)*	2.2
3.3	Rate of general increase in salaries**	3.7

*In excess of Guaranteed Minimum Pension increase in payment for members whose State Pension Age is on or before 5 April 2016 where appropriate.

**In addition, allowance has been made for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at the appropriate date.

Principal demographic assumptions:

	31 March 2016	31 March 2019
Males		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2019)	22.7	22.1
Future lifetime from age 65 (pensioners aged 45 at 31 March 2019)	24.9	23.1
Females		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2019)	24.8	24.5
Future lifetime from age 65 (pensioners aged 45 at 31 March 2019)	27.1	25.9

26. Fund membership at 31 March 2020

	Active members	Pensioner members	Deferred members
Northumberland County Council			
Employees	6,813	8,363	7,489
Councillors	-	22	20
Local Government Pension Scheme Employers (known as "Scheduled Bodies")			
Ashington Town Council	4	1	-
Berwick Academy	48	16	15
Choppington Parish Council	4	-	-
Corbridge Parish Council	2	-	1
Cramlington Learning Village Academy	116	14	47
Cramlington Village Primary School (free school)	14	1	6
Emmanuel Schools Foundation	158	22	58
Hadrian Learning Trust	180	6	16
Hexham Priory Special School (Eden Trust)	68	1	9
Hexham Town Council	6	5	1
Meadowdale Academy	32	6	18
Morpeth Town Council	6	4	2
North East Learning Trust Academies	97	11	18
Northern Education Trust (Blyth Academy)	55	19	52
Northumberland Church of England Academy	308	79	144
Northumberland Inshore Fisheries and Conservation Authority	15	7	7
Northumberland National Park Authority	75	42	91
Northumbria Magistrates Courts Committee	-	97	42
Pax Christi Catholic Partnership	64	16	19
Pele Trust	236	1	11

	Active members	Pensioner members	Deferred members
Ponteland Academy Trust	16	3	9
Ponteland Town Council	3	1	-
Seaton Valley Council	-	-	1
St. Thomas More Partnership	16	2	8
Three Rivers Learning Trust Academy	250	36	99
Tyne Community Learning Trust	248	-	5
West Bedlington Town Council	1	1	-
Wise Group Academies	214	34	101
Admitted Bodies			
Action for Children	4	4	15
Active Northumberland	113	76	56
Barnardo's Services Ltd	4	3	14
Bernicia Group	80	86	25
Bullough Cleaning Services Ltd	2	4	2
Compass Chartwells	3	1	-
Feversham School	-	27	9
Karbon Homes Ltd	12	63	20
Northumberland Aged Mineworkers Homes Association	8	8	1
Northumbria Healthcare NHS Foundation Trust	37	91	41
Orian Solutions Ltd	2	-	-
Queens Hall Arts	2	3	2
The Disabilities Trust	-	5	2
Woodhorn Charitable Trust	10	11	7
Other bodies pre 1974	-	6	-
	9,326	9,198	8,483

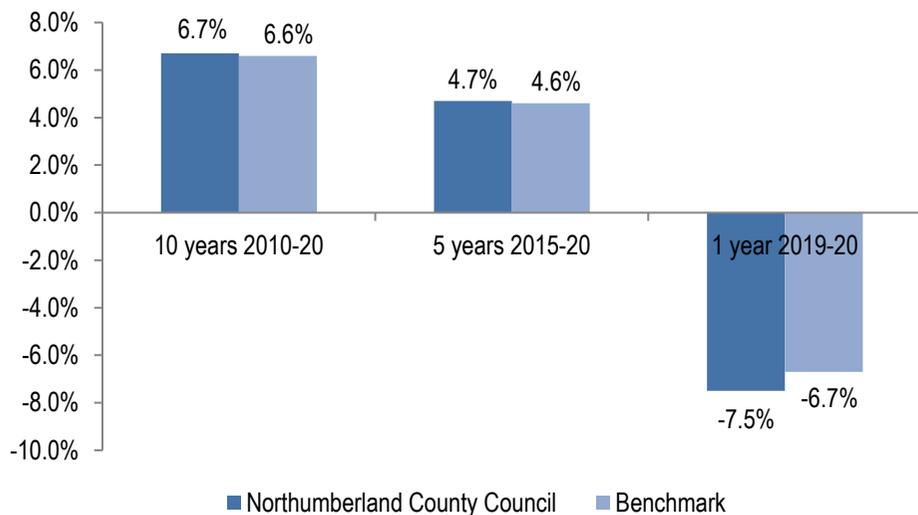
Annual returns

Over the year to 31 March 2020, the Northumberland County Council Pension Fund's return was -7.5%, underperforming its benchmark of -6.7%.

Year ending 31 March	2016	2017	2018	2019	2020
	%	%	%	%	%
Fund performance	-0.7	24.2	3.4	6.9	-7.5
Benchmark	-1.2	24.1	3.3	6.2	-6.7

Annualised returns

The following shows the Northumberland County Council Pension Fund's longer-term returns compared with the Fund specific benchmark.



Analysis of returns

Returns for the year ending 31 March 2020, net of fees, are shown in the table below.

Investment category	Fund %	Benchmark %
Antin (infrastructure)	17.1	8.0
BlackRock (Property)	(0.8)	-
G.I.P (infrastructure)	(2.1)	8.0
Legal and General (Index tracker)	(9.6)	(10.0)
Morgan Stanley (private equity)	(5.4)	(6.0)
NB Alternatives (private equity)	5.9	(6.0)
Pantheon (infrastructure)	8.8	8.0
Pantheon (private equity)	14.1	(6.0)
Schroder (Property)	(0.5)	-
Wellington (Bonds)	(4.1)	3.0
Combined Fund	(7.5)	(6.7)

Market Commentary

2019-20 was a year of negative investment returns for local authority pension funds with the average being -4.71% (from the PE Ltd LGPS Information Service).

Over the year all primary equity markets had negative returns; the highest return was achieved by the US equity market, with UK equities achieving the lowest return. Fixed income was the only primary asset class to achieve positive returns as property also underperformed.

Over the last few years the Fund has benefitted from rising equity markets and positive asset class returns. Unfortunately, the end of February 2020 saw a 'black swan' event due to the global spread of coronavirus from China to the rest of the world resulting in turmoil in investment markets towards the end of February and much of March. Global equities had their fastest decline ever and the cash market for riskier bonds became illiquid. The oil price reached record lows. It was only after both governments and central banks launched monetary and budgetary programs to protect companies and employees that some calm return to the markets and markets recovered a significant part of the negative returns. However, lockdowns are impacting local economies hard as factory output and consumer demand falls due to concerns over jobs and the 'marketplace' not being open. Looking forwards market commentators are cautious as we are dependent on central banks and government policies and the implications and timings of monetary policy, budgetary policy, lockdown relaxation policies and their support of health systems.

The UK equity market appears particularly hard hit but this is partly due to sterling weakness increasing non UK equity returns. The energy sector was the worst performer, due to the persistent drop in the oil price. Financials, plus commodity and property stocks were also bad performers. On the other hand, the healthcare sector and consumer staples, two key industries in this crisis, outperformed. Technology also did well; this sector is cash-rich and may benefit from structural trends enhanced by the current crisis.

The Fund's returns

The Northumberland County Council Pension Fund produced a return of -7.5% in 2019-20. The main results of the Fund are as follows;

- Over the year the Fund and its benchmark have both generated negative returns. The Fund underperformed its benchmark by generating a -0.8% negative excess;
- Over the year equities have been the worst performer, followed by fixed income and then property. The asset classes generating positive returns were infrastructure and private equity;
- The Fund return was -0.8% below its benchmark in 2019-20, with the underperformance driven by fixed interest assets and their performance relative to their own benchmark;
- Equity and fixed income index funds, which represent 75% of the Fund's assets, have performed in line with their benchmarks;
- Whilst infrastructure was the highest returning asset class it underperformed its benchmark marginally. Private equity assets strongly outperformed their benchmark whilst property underperformed its benchmark;
- The Fund continues to have the majority of its assets invested in equities (60%) of which 10.2% now have currency hedges in place. All equity assets are invested in index funds;
- The Fund has approximately 15% of its assets invested in alternative asset classes (property, infrastructure and private equity). The remaining 25% of assets are invested in fixed income portfolios; and,
- The total risk and active risk are consistent with a typical multi asset class fund that uses both passive and active strategies.

Over three-years the Fund returned 0.6% p.a. which was 0.2% p.a. below the benchmark return of 0.8% p.a.

Over five years the Fund returned 4.7% p.a. which was 0.1% p.a. above the benchmark return of 4.8% p.a. The return has been above returns from cash, salary and retail inflation.

Over ten years the Fund achieved a return of 6.7% p.a. The return has been significantly above returns from cash, salary and retail inflation.

Portfolio Evaluation Ltd **July 2020**

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Northumberland County Council Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £1,400.4 million) covering 99% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:
 - 20.6% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date, (the primary rate);

Plus

- an allowance of 0.9% of pay for McCloud and cost management – see paragraph 9 below;
3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 27 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£ million)
2020	21.2	1.576
2021	21.2	1.617
2022	21.2	1.7

4. The funding plan adopted in assessing the contributions for each employer was in accordance with the Fund's Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution increases and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows:

Discount rate for periods in service	
Scheduled Bodies	4.1% per annum
Ongoing Orphan employers	4.1% per annum
Discount rate for periods after leaving service	
Scheduled Bodies*	4.1% per annum
Ongoing Orphan employers	1.6% per annum
Rate of inflationary pay increases (additional allowance made for promotional increases)	3.6% per annum
Rate of increase to pension accounts	2.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.1% per annum

* The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.

* In addition the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and the employer has exited the Fund) was 1.3% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation are set out in the actuarial valuation report.

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Projections Model (CMI2018), with sk of 7.5 and parameter A of 0.0 assuming a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.1	24.5
Current active members aged 45 at the valuation date	23.1	25.9

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date, although we comment on changes in market conditions to 31 March 2020 in paragraph 10 below.
8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 27 March 2020. Following the merger of the Fund with the Tyne and Wear Pension Fund with effect from 1 April 2020, these contributions will be payable to the Tyne and Wear Pension Fund. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Tyne and Wear Pension Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

- Increases to GMPs:

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. However, the Government is still exploring various options, including conversion of GMPs to Scheme benefits, in order to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case.

The results of the 2019 valuation do not allow for the impact of potentially extending this interim solution indefinitely, providing full pension increases on GMPs for members reaching State Pension Age after 5 April 2021 nor for conversion of GMPs to Scheme benefits. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

- Cost Management Process and McCloud judgement:

Initial results from the Scheme Advisory Board cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS is expected in June 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 0.9% of pay in relation to the potential additional costs following the McCloud judgement / cost management

process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the LGPS changes have been agreed depending upon the precise nature of the new final salary underpin, the members in scope, and how this affects the cost management process.

10. Since the valuation date, Fund asset returns have fallen short of the assumed return of 4.1% over the year to 31 March 2020, on its own leading to a reduction in the funding level. In addition, reduced expectations of future asset returns and falls in gilt yields have led to a decrease in the discount rates, further reducing funding levels and increasing the primary rate. The Actuary, in conjunction with the Administering Authority of the Tyne and Wear Pension Fund, will monitor the position on a regular basis and the Administering Authority of the Tyne and Wear Pension Fund will take action if it believes necessary.
11. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, Northumberland County Council, the Administering Authority of the Fund, in respect of this Statement.

12. The report on the actuarial valuation as at 31 March 2019 is available from Northumberland County Council. Requests should be addressed to andrew.lister@northumberland.gov.uk

Aon Hewitt Limited – **June 2020**

Independent Auditor's Report to the Members of Northumberland County Council

Opinion

Report on the financial statements

We have audited the financial statements of Northumberland County Council Pension Fund ('the Pension Fund') for the year ended 31 March 2020, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of Northumberland County Council Pension Fund during the year ended 31 March 2020, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Finance use of the going concern basis of accounting in the preparation of the Council's and the Pension Fund's financial statements is not appropriate; or
- the Executive Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's or the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of Matter – Merger of Northumberland Pension Fund with Tyne and Wear Pension Fund

We draw attention to Note 1 of the Pension Fund financial statements which explains that Northumberland County Council Pension Fund merged into Tyne and Wear Pension Fund on 1 April 2020. This resulted in the transfer of the Fund's assets and liabilities to Tyne and Wear Pension Fund and Northumberland County Council is no longer required to administer an LGPS Fund or prepare Pension Fund accounts from 1 April 2020. In accordance with section 3.8.2.14 of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 the financial statements have been prepared on a going concern basis as described in Note 1. Our opinion is not modified in respect of this matter.

Other information

The Executive Director of Finance is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other

information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Executive Director of Finance for the financial statements

As explained more fully in the statement of the Executive Director of Finance's Responsibilities, the Executive Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Executive Director of Finance is also responsible for such internal control as the Executive Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Executive Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council and the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material
Northumberland County Council 2019-20 Statement of Accounts

misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Northumberland County Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Northumberland County Council Pension Fund in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Cameron Waddell
For and on behalf of Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS
28 July 2021

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Annual Governance Statement

For year ended 31 March 2020

Foreword

“Our Vision focuses on making Northumberland a county which you regard as a great place to live, and in which you can access the things you enjoy, whilst having the opportunity to learn and thrive.”

This is the Council’s stated purpose as contained in the Corporate Plan for 2018-21. The Plan sets out what we will do to achieve this, continuing to look for ways to improve services and, as far as possible, prioritising frontline services against a background of uncertain public sector finances while at the same time, planning for a sustainable future.

Effective corporate governance is essential to support the Council in meeting these challenges.

All of our residents and service users, together with our suppliers and partners, must be able to have confidence in our governance arrangements - that our ways of working enable us to provide the right services effectively and efficiently and on a consistent basis, and that we take informed, transparent and lawful decisions. They must also be assured that we properly account for the money we receive and spend.

While our corporate governance arrangements have been effective in supporting the Council to achieve its objectives in recent years, we will ensure that this continues to be the case in 2020-21 and into the future.

As always, there are some opportunities for improvement which have been identified as a result of our monitoring and review arrangements. We will ensure that the necessary action is taken to address these.

What is Corporate Governance?

Good Governance in the public sector means: **'achieving intended outcomes while acting in the public interest at all times'**.

Corporate Governance refers to the processes by which organisations are directed, controlled, led and held to account. It is also about culture and values.



The Council's Corporate Governance arrangements aim to ensure that it:

- Operates in a lawful, open, inclusive and honest manner;
- Safeguards public money and assets from inappropriate use, loss or fraud, and ensures that they are properly accounted for and uses its resources economically, efficiently and effectively;
- Has effective arrangements for risk management;
- Secures continuous improvements in the way it operates;
- Properly maintains records and information; and
- Ensures that its values and ethical standards are met.

What this Statement tells you

This Statement describes the extent to which the Council has, for the year ended 31 March 2020, complied with its Local Code of Corporate Governance and the requirements of the Accounts and Audit Regulations 2015.

It also describes how the effectiveness of the governance arrangements has been monitored and evaluated during the year and sets out any changes planned for the 2020-21 period.

The Statement has been prepared in accordance with guidance produced in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'. (CIPFA)



How this Statement is prepared

In preparing the Annual Governance Statement the Council has:

- Reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance;
- Updated the Council's Local Code of Corporate Governance to reflect this guidance which includes the seven principles of good governance and the actions and behaviours taken by the Council that demonstrate good governance; and
- Assessed the effectiveness of the Council's governance arrangements against the revised Local Code of Corporate Governance.

The annual assessment of the effectiveness of the processes contained within the Local Code of Corporate Governance includes assessments such as:

- Service level review of Governance arrangements
- Review of the Corporate Risk Register
- Review of the Constitution
- Review of the opinion of the Head of Internal Audit
- Review of External Audit Annual ISA 260 Report
- Review of reports from External Inspectorates
- Review of the 2018-19 Improvement Plan
- Review of Governance arrangements of subsidiary companies.

1 The Council's Governance responsibilities

The Council is responsible for ensuring it conducts its business in accordance with the law and to proper standards, and that public money is properly accounted for and is used economically, efficiently and effectively. It also has a duty to continuously improve the way that it functions, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation.

To meet these responsibilities, the Council acknowledges that it has a duty to have in place sound and proper arrangements for the governance of its affairs, including a reliable system of internal control, and for reviewing the effectiveness of those arrangements. This also applies to the Council's only wholly owned subsidiary, Advance Northumberland, an arm's length company which is the Council's primary regeneration delivery vehicle.

The Council's Local Code of Corporate Governance was produced in accordance with the new governance guidance produced by CIPFA and SOLACE, states the importance to the Council of good corporate governance and sets out its commitment to the principles involved.

The Code is reviewed annually and is available on our website: www.northumberland.gov.uk

Northumberland County Council Governance Code Principles of Corporate Governance

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risk and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.



2 The Governance Framework

The Governance Framework consists of the systems and processes by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It also includes our values and culture.

It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost effective services.

As the Council improves the way it provides services, it is important that the Governance arrangements remain robust but also flexible and proportionate.

In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit Committee, Scrutiny Committees, Executive Board or Council as appropriate.

Some of the key elements of the Governance Framework are highlighted on the next pages.

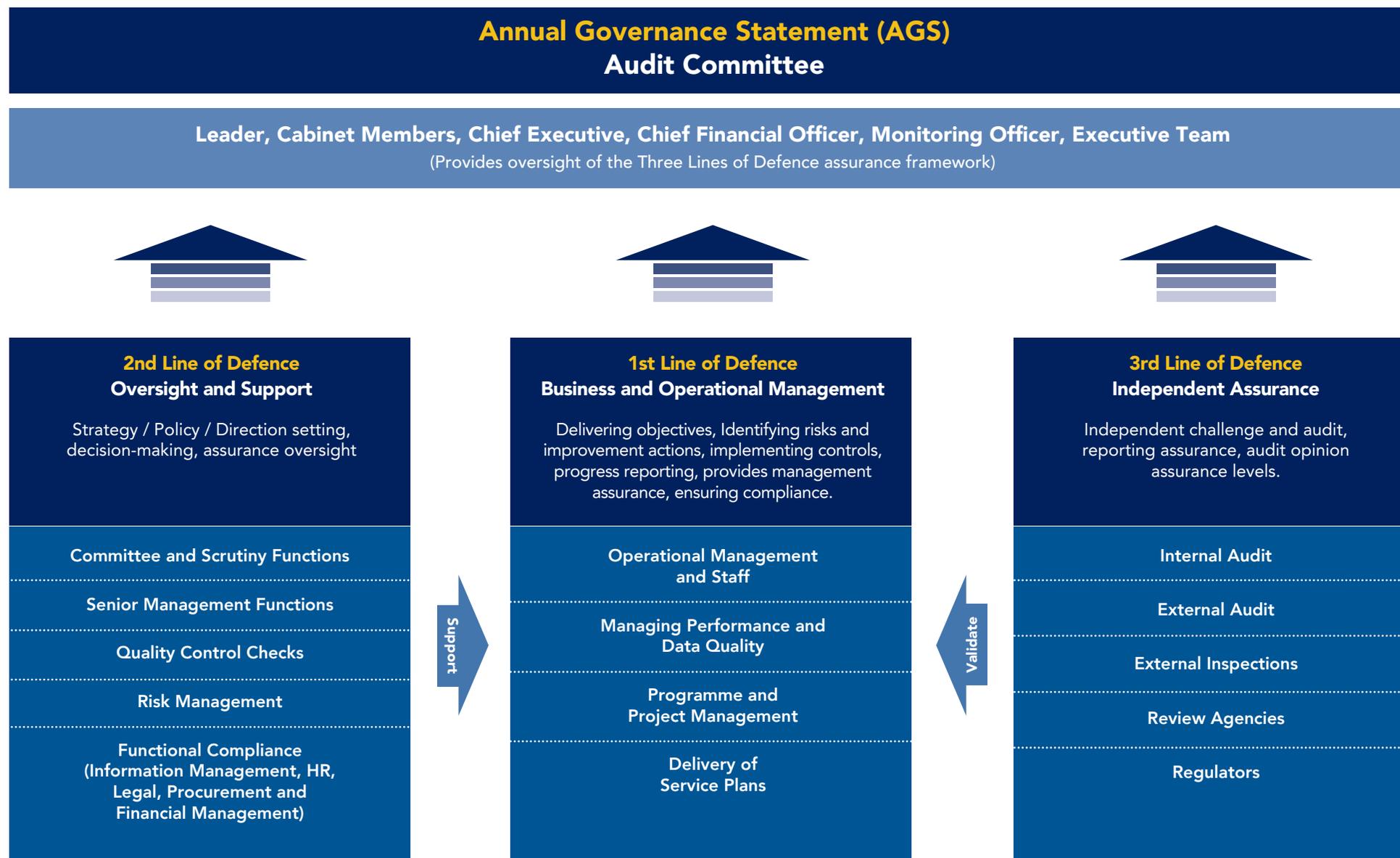
The Governance Framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The Three Lines of Defence in effective Risk Management and Control

Assurance can come from many sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance.

By defining these sources into three categories i.e. the First Line (functions that own and manage risks e.g. management and supervisory controls), the Second Line (functions that oversee risks e.g. Governance structures and processes such as Audit Committee, Scrutiny, Boards) and the Third Line (functions that provide independent assurance on the management of risks e.g. OFSTED, Internal/External Audit), helps the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported.

The diagram below summarises the Council’s Governance Assurance Framework, which is based on the Three Lines of Defence mode:



The Council Plan

The Council's Corporate Plan was adopted in February 2018 alongside the Medium Term Financial Plan for 2018-22. The Plan covers the period up until 2021 and identifies priority areas around:

	■ We want to be efficient, open and work for everyone	[How]	
	■ We want you to feel safe, healthy and cared for	[Living]	
	■ We want you to love where you live	[Enjoying]	
	■ We want you to have access to the things you need	[Connecting]	
	■ We want you to achieve and realise your potential	[Learning]	
	■ We want to attract more and better jobs	[Thriving]	

These priorities are framed by the Council's vision, values and operating principles.

 Northumberland County Council	Our people. The heart of Northumberland 
Our values: Residents first • Excellence and quality • Respect • Keeping our communities safe and well	

Each service prepares a Service Statement annually setting out its priorities in delivering the Council's Corporate Plan together with a performance framework identifying key measures of performance, current performance levels and targeted performance levels.

Measures of performance are captured in the Council's web-enabled performance management system which is regularly updated with current performance so that the information

is readily accessible to members, managers, staff, the public, partners and other stakeholders.

The Council's Local Plan sets out the long term spatial vision and strategic planning policies of the Council. It identifies the scale and distribution of new development which is required to deliver the Council's economic growth ambitions. It also provides the strategic planning principles that will be used to inform Neighbourhood Development Plans across Northumberland.

The Northumberland Local Plan was submitted to the Government in May 2019, and an Inspector was appointed to undertake the independent examination of the plan.

The Inspector's role is to determine whether or not the Core Strategy in the Local Plan is sound and complies with all relevant legal requirements. hearing sessions and consultation on the plan will continue during 2020 / 21.

Evaluating Performance

The Council's Performance Management Framework is published on the website and performance information is updated regularly. Publicly available reports map the information to services, Corporate Plan priorities, Cabinet Member portfolios and Scrutiny Committees.

The Council benchmarks its services against a number of national and regional comparators and each service includes details of its benchmarking in its annual service statement.

Finance officers meet regularly with budget holders across the Council and prepare a monthly financial monitoring statement which is shared with the Executive and reported to the Cabinet.

The Workforce Committee continues to provide regular

scrutiny, challenge and accountability for all workforce related improvement initiatives. Monthly publication of workforce intelligence data and performance reports is used to monitor and steer improvement actions.

At a service level there has continued to be regular regulatory inspections of Adult and Children's Services by Ofsted and CQC and reports are provided to the Audit Committee to inform members of the findings of inspections and to provide assurance of how the actions resulting from inspections are implemented and monitored.

The Ofsted inspection of Children's Social Care in January 2020 was recognised as 'Good' across all areas.

Her Majesty's Inspectorate of Constabulary and Fire and Rescue

Service (HMICFRS) conducted an assessment of Northumberland Fire and Rescue Service during 2018-19 focusing on:

Effectiveness - Including prevention, protection, resilience, and response;

Efficiency - How well it provides value for money, allocates resources to match risk, and collaborates with the police and ambulance services; and

How well does it look after people - How well it promotes its values and culture, trains its staff and ensures they have the necessary skills, ensures fairness and diversity for the workforce and develops leadership and service capability.

The final report by HMICFRS was received in June 2019 and was rated as 'Requires Improvement' in all three areas.

An improvement plan has been developed and this is being monitored by the Fire and Rescue Senior Leadership Team on a monthly basis with a summary report being sent to the Chief Executive and portfolio member.

Managing Risk

The management of risk is key to achieving what is set out in the Council Plan and to ensuring that we meet all of our responsibilities.

Our Risk Management Policy is fundamental to the system of internal control and forms part of a sound business operating model. It involves an ongoing process to identify risks and to prioritise them according to likelihood and impact.

The Council has a process to manage risks and assist the achievement of its objectives, alongside national and local performance targets. The process is reviewed and updated on a regular basis with reference to available good practice and to ensure it reflects the rapidly changing environment in local government.

Substantive improvements to the process to

enhance management of risk were rolled out in 2018-19 and, following interim review, further enhancements have been made in 2019-20.

The Senior Leadership Team retains corporate oversight of the risk management process. Corporate risks are formally reviewed and updated twice a year by senior managers and elected members of the Council to inform financial planning and service planning processes.

The updated approach has been cascaded to service strategic level with regular review and reporting to executive directors and directorate management teams.

The process includes a hierarchy of corporate, service strategic and operational risk registers and allows for the dynamic escalation and

de-escalation of risks, so that risks sit where they are best able to be managed. Project risks may impact and be owned and managed at any level.

Against these arrangements, there is also cross-cutting risk management work addressing specific areas of risk across the Council on a short term basis (e.g. Brexit and COVID-19 response) or through corporate standing groups (e.g. health and safety and information governance).

The Corporate Risk Register plays an integral role in supporting achievement of priorities as set out in the Corporate Plan.

Key risks currently identified and being managed at a corporate level are highlighted below:

Corporate Level Risks 2019-20		
1 Financial Assumptions	6 OD/Workforce	11 Contract Management
2 Alternative Service Delivery Models	7 Civil Contingency and Business Continuity	12 Response to climate change
3 Engagement of communities	8 Corporate Compliance	13 Corporate Companies Group
4 Northumberland Local Plan	9 Information Governance	14 Regeneration
5 Economic Inclusion	10 Multiple and concurrent high profile large scale capital projects	15 Covid-19 Response

COVID-19

On 12 January 2020 it was announced that a novel coronavirus (COVID-19) had been identified. The Prime Minister addressed the nation on 23 March 2020 and announced a national lockdown. Coronavirus has remained a live, national risk since this time, and there remains no vaccine or cure. Therefore, the Council is continuing to respond to the ongoing profound challenges arising from the virus.

COVID-19 has required a strategic and operational co-ordinated crisis response by the Council, significantly shifting the focus of activities to support our most vulnerable residents. This has been done by the Council using its own resources, working with wider agencies, voluntary and community sector colleagues and also as part of the wider Northumbria Local Resilience Forum (LRF) public service response to the emergency.

Many resources, functions, plans, programmes and work have had to be reorganised and reprioritised on a regular basis in order to ensure that Northumberland has had a safe response, and that the Council has been able to respond to a wide range of guidance and legislation.

An overview of the Council's work to date on its COVID-19 response was presented at the Cabinet meeting on 23 June 2020, and will be subject to post-scrutiny.

This Annual Governance Statement assesses the Governance that was in place during 2019/20.

Therefore, as much of the financial year was unaffected by coronavirus, the annual governance review and conclusions made reflect normal Council operations.

However, COVID-19 did impact upon the governance of the Council during March 2020 and at the time of publication of the AGS the pandemic undoubtedly has had a greater impact.

This has had a range of impacts upon Council activities including:

- Delivery of services and business continuity
- Additional COVID-19 response activities
- Conduct of meetings
- Decision making arrangements
- Funding challenges
- Health and safety and risk management
- Human resource management
- Procurement and supply chain management

The Council's Governance Improvement Plan includes an action to conduct a review of its response to the COVID-19 crisis, to identify any lessons learned and any areas of improvement required in its contingency planning and governance arrangements.

While there is a possibility that there may be secondary outbreaks and pandemic peaks, recovering from COVID-19 will set the context for future community and Council planning and decision-making in the county.

'Brexit'

The UK formally left the EU on 31 January 2020. While the UK agreed the terms of its EU departure, both sides are yet to agree a future relationship on trade and other issues.

Currently, the UK and EU are in a transition period (or implementation period) which is due to end on 31st December 2020. At the time of writing, we have passed the point at which a formal extension to the transition period could be requested and granted.

During this period, the UK continues to follow all EU rules, whilst negotiations on a potential, future trade deal are ongoing.

The ongoing UK-EU negotiations could have potentially significant implications for Northumberland's economy and communities as well as the organisation itself and the Council will continue to keep track of the negotiations and assess likely impacts on the county.

Decision Making and Responsibilities

The Council consists of 67 elected Members, with a Cabinet of Lead Members who are supported and held to account by Scrutiny Committees.

The Council has also established five Local Area Councils which cover: North Northumberland; Tynedale; Castle Morpeth; Cramlington, Bedlington and Seaton Valley; and Ashington and Blyth. Their overall aim is to empower citizens, strengthen communities and improve services

The key document supporting the Council's governance arrangements is the Constitution, which sets out how the Council operates, how decisions are made and the rules and procedures that must be followed to ensure that work is efficient and transparent and that the Council is accountable to local people. The Council as a whole is responsible for agreeing the Constitution, and any amendments require the agreement of the full Council.

In order to maintain relevance of the Constitution, the Council has established a Constitution Working Group. This is a politically-balanced private members working group. The work of the Group is determined by the areas of review proposed by Members;

there is an open invitation to all members to add to the Constitution Working Group's work plan. The reports and recommendations of the Constitution Working Group are reported to full Council for review and agreement.

The Constitution sets out the functions of key governance officers, including the statutory posts of 'Head of Paid Service' (Chief Executive), 'Monitoring Officer' and 'Section 151 Officer' (Executive Director of Finance) and explains the role of these officers in ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

Decisions are made by the Cabinet, working within the agreed budget and policy framework. The Cabinet is held to account by the Council's Overview and Scrutiny Committees. To enable a more streamlined process, responsibility for certain decisions is delegated to chief and senior officers, in line with powers set out in the Constitution.

The key roles of those responsible for the Governance Framework in Northumberland are outlined in the diagram below:

<p>The Council</p>	<p>Approves the Council Strategy. Approves the Constitution (including Standing Orders and Financial Regulations). Approves key policies and budgetary framework.</p>	<p>Monitoring Officer</p>	<p>To report on contraventions or likely contraventions of any enactment or rule of law. To report on any maladministration or injustice where the Local Government Ombudsman has carried out an investigation.</p>
<p>Cabinet</p>	<p>The main decision-making body of the Council. Comprises eight Cabinet Members (including the Leader) who have responsibility for particular portfolios.</p>		<p>To establish and maintain registers of member interests and gifts and hospitality. To advise Members on the interpretation of the Code of Conduct for Members and Co-opted Members.</p>
<p>Audit Committee</p>	<p>Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment. Promotes high standards of member conduct. Approves the Annual Statement of Accounts and Annual Governance Statement.</p>		<p>Overall responsibility for the maintenance and operation of the Confidential Reporting Procedure for Employees. (Whistleblowing) and contributes to the effective Corporate Management and Governance of the Council.</p>
<p>Scrutiny Committees</p>	<p>There are four overview and scrutiny committees who support the work of the Cabinet and the Council as a whole. They allow citizens to have a greater say in Council matters by holding inquiries into matters of local concern. They hold Cabinet and Officers to account and scrutinise performance.</p>	<p>Internal Audit</p>	<p>Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's Governance, risk management and control framework. Delivers an annual programme of risk based audit activity, including counter fraud and investigation activity. Makes recommendations for improvements in the management of risk.</p>
<p>Executive Team</p>	<p>Implements the policy and budgetary framework set by the Council and provides advice to Cabinet and the Council on the development of future policy and budgetary issues. Oversees the implementation of Council Policy.</p>	<p>External Audit</p>	<p>Audit / review and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).</p>
<p>Chief Financial Officer (s151)</p>	<p>Accountability for developing and maintaining the Council's Governance, risk and control framework. Contribute to the effective corporate management and Governance of the Council.</p>	<p>Managers</p>	<p>Responsible for developing, maintaining and implementing the Council's Governance, risk and control framework. Contribute to the effective corporate management and Governance of the Council.</p>

Open Policy and Decision-making



Meetings are generally held in the public domain, although of necessity a small number of items may be considered in private where exempt or confidential matters are being discussed. All reports considered and the minutes of decisions taken are, unless confidential, made available on the Council's website. Reports are provided to a standard template.

The Council's Forward Work Programme is published on the website and contains information about all matters that are likely to be the subject of a decision taken by the Council during the forthcoming four month period.

Equality

We aim to be an accessible and inclusive organisation and we welcome and respect the diversity of all people visiting, living and working in the county. As part of our duty under the Equality Act 2010, the Council publishes equality objectives every four years. These set out our equality priorities regarding employment practices and the way we provide services.

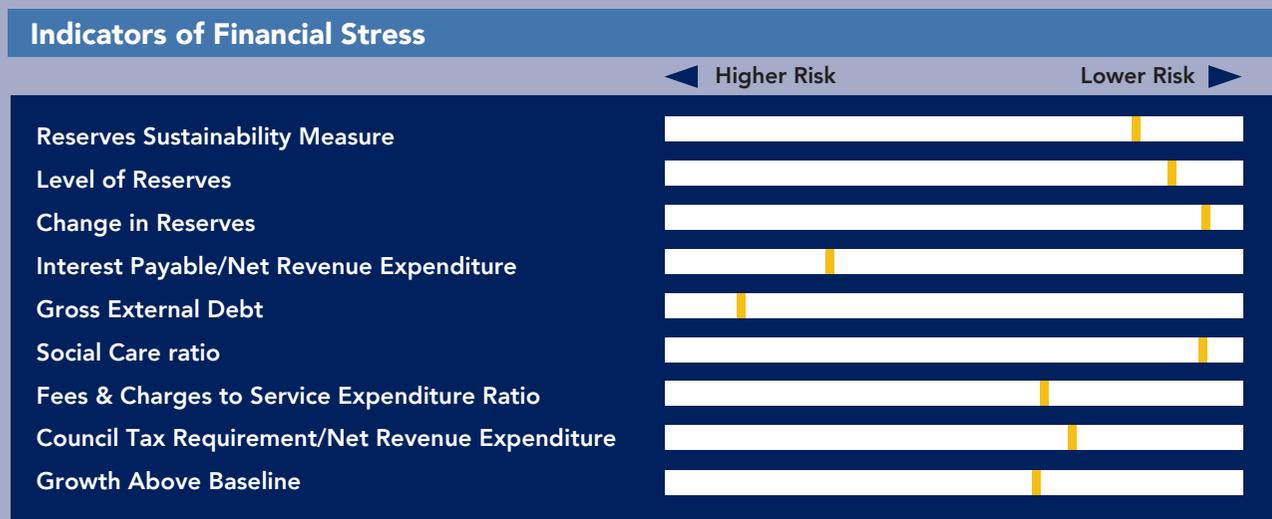
Any new Council policy, proposal or service, or any change to these that affects people must be the subject of an Equality Impact Assessment to ensure that equality issues have been consciously considered throughout the decision making processes.

Financial Management, Procurement and Value For Money

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

The Council's Corporate Plan, "A Council that works for everyone", was approved in February 2018 and is the Council's main strategic planning document, providing a framework for the delivery of all services. It is a clear statement of the Council's vision, strategic aims and policies for the period to 2021 and informs the Medium Term Financial Plan.

The Medium Term Financial Plan for 2021-2022 supports the objectives contained within the Corporate Plan whilst implementing budget efficiency measures of £21.8m over the same period. For the 2019/20 financial year the Council set a balanced budget and has delivered an outturn underspend of £1.5m against this budget, and delivered £11.3m of savings.



In December 2019 CIPFA published a Financial Resilience Index for all English local authorities, measuring performance across nine financial ratios. The Financial Resilience Index for the Council shows lower levels of risk for seven of the nine primary indicators (left).

The Executive Director of Finance is responsible for the proper administration of the Council’s financial affairs, as required by Section 151 of the Local Government Act 1972, and our financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy’s ‘Statement on the Role of the Chief Financial Officer in Local Government’ (2016).

There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Finance and Contract Rules. These include established budget planning procedures, which are subject to risk assessment, and budget monitoring reports to Cabinet. Our Treasury Management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review.

The Council has established an Innovation and Improvement Team during 2019/20, to support eight workstreams of continuous review and improvement. The eight workstreams are: Digital; Service Reviews; Place Based Shaping; Workforce; Quality and Complaints; Cultural and Engagement, Business Development and Income Generation; and Climate Change. The work of the Innovation Team will support the Council to deliver efficient, sustainable and value for money services for its residents.

Procurement as a function is uniquely placed to provide an important contribution to the development of new service delivery models, control costs, achieve savings and deliver value for money solutions.

Through the Council’s Procurement Shared Service with the NHS, and procurement strategy 2017-2021, the Council provides a sustainable cost effective procurement service for both

stakeholders. The shared objectives for the procurement service are:

- To deliver a value adding sustainable professional procurement service.
- To maximise collaborative spend and savings opportunities.
- To increase economic benefits for Northumberland.

The Shared Procurement Service leverages its combined procurement expertise and purchasing power to secure value for money for taxpayers.

Operational procedures for tendering, contract letting, contract management and the use of consultants are included in the Council’s Finance and Contract Rules.

Managing Information

Information is an asset at the heart of all Council decision-making processes, and it is therefore vital we manage it throughout its lifecycle. Information governance is the framework of law and best practice that regulates the way information and data is managed, obtained, handled, used and disclosed.

The Council is a registered Data Controller with the Information Commissioner's Office (ICO) and we have a robust Information Governance Framework. Our framework sets out the roles, responsibilities, policies and procedures, along with best practice and standards adopted to manage our information and data assets. It also describes the approach to assurance and risk management.

As a Council we recognise our responsibilities to ensure information is available to the right person, in the right format at the right time to achieve accurate, reliable decisions that inspire confidence and transparency in our decision-making processes.

The Council's website provides details on information governance including the Council's policies covering data protection, freedom of information, environmental information regulations and records management. The publication scheme advises the public about how to get the information they seek from the Council and the transparency pages on the website meet the requirements of the Local Government Transparency Code 2015.

Audit and Audit Assurances

The Council's Internal Audit Service plays a key role in the assessment of the control environment, and will make suggestions for improvement where necessary.

The Council has established a shared arrangement with North Tyneside Council for Internal Audit and Risk Management Services. The Shared Service Management Board which includes the Chief Executive of Northumberland County Council and Head of Resources of North Tyneside Council oversees the arrangements across the two councils.

The Service operates in accordance with the Accounts and Audit (England) Regulations 2015, the Public Sector Internal Audit Standards (revised April 2017) and the related Local Government Application Note published jointly by the Chartered Institute of Public Finance and Accountancy and Institute of Internal Auditors (revised February 2019). Following wide consultation with stakeholders and assessment of risk, a Strategic Audit Plan is presented annually to the Audit Committee to consider and review the planned work and proposed coverage of Internal Audit. Internal Audit report to the Audit Committee on the key

outcomes of Internal Audits completed on a bi-annual basis with a summary of audits undertaken, opinion levels, good practice identified, issues identified and actions taken since the audit was completed. In addition to this they also provide the Audit Committee with details of evidence checking undertaken by them to ensure that recommendations stated by management as implemented have actually been undertaken. Internal Audit also has responsibility for investigating possible irregularities. The aim is to give assurance to management and members that certain processes operate in an efficient and effective manner and ensure the integrity of transactions.

The Head of Internal Audit's annual opinion on the adequacy and effectiveness of the framework of governance, risk management and control for 2019/20 was that:

"Overall, Internal Audit's work performed during 2019/20 found that the County Council's internal systems of governance, risk management and control are satisfactory overall. This is a positive assessment of the Council's control environment and reflects favourably on the organisation's governance arrangements."

The opinion notes, however, show that there is an ongoing need across the Authority to ensure awareness of and compliance with corporate policies and procedures, to ensure that governance processes are effective. In addition, as public services, including Northumberland County Council, continue to embrace channel shift which is likely to see an increasing reliance on computerised systems and 'self-service' by stakeholders, it is also essential that all ICT systems are fit for purpose. This will be a continued area of focus within the Authority.

The Advance Northumberland Group of Companies was established in 2018. In 2017/18, Internal Audit was asked to provide a full internal audit service to its predecessor organisation, the Arch Group of Companies, for the first time. The opinion of the CIA was qualified at that time. The Advance Group of Companies, which replaced the Arch Group, has similarly received a qualified opinion in 2018/19 and 2019/20. It will be necessary for governance arrangements in the Group to fully embed in order for those

responsible for governance to have sufficient confidence in the control environment in operation.

Our Audit Committee is a key component of Northumberland County Council's corporate governance arrangements. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The purpose of our Audit Committee is to provide independent assurance to those charged with governance of the

adequacy of the risk management framework and the internal control environment.

It provides independent review of Northumberland County Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees Internal Audit and External Audit, helping to ensure efficient and effective assurance arrangements are in place.

The Audit Committee's responsibilities with regards to Governance, Risk and Control are:

- To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk-related issues reported to the Committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- To monitor the counter-fraud strategy, actions and resources.

Conduct

Our Codes of Conduct for Members and for Employees set out the standards of conduct and behaviour that are required. They are regularly reviewed and updated as necessary and both groups are regularly reminded of the requirements.

The Monitoring Officer has maintained the Councillors' register of interests established following the elections in May 2017, as required under the Localism Act 2011, which is available online for public inspection. The register includes the declaration of gifts and hospitality received by members in connection with their official duties.

Advice has been given throughout the year to Members with regard to the need to make appropriate declarations of interests under both the 2011 Act and the local members' code of conduct. As of the end of February 2020 nine member code of conduct complaints were received under the arrangements adopted by the Council under the 2011 Act. The number of complaints received represented a decrease of over 57% on the number of complaints received in the previous year.

Whistleblowing

People who work for, or with the Council are often the first to realise that there may be something wrong within the Council. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation.

The Council operates a whistleblowing policy, and has a robust complaints process, designed to ensure that all issues are properly investigated.

The Council also has Safecall which provides an independent, confidential service where employees can report any concerns. The hotline does not replace internal reporting procedures, but is used alongside them to provide an alternative for employees who, for a number of reasons, may not wish to use the internal options.

Counter Fraud

We recognise that as well as causing financial loss, fraud and corruption also detrimentally impact service provision and morale, and undermine confidence in the Council's governance and that of public bodies generally.

We're committed to a zero-tolerance approach on all aspects of fraud. This is why we have a dedicated Corporate Fraud Team, who investigate fraud and irregularity allegations. A dedicated resource is available within

the Corporate Fraud Team to lead investigations into breaches of policy and suspected irregularities, with an element of the role being dedicated to pro-active work, and developing an anti-fraud culture. The Audit Committee receives regular updates on all fraud investigations.

Our website tells you how you can report suspected fraud against the Council.

3 Improving Governance

The progress made during 2019-20 on the improvement areas identified in our 2018-19 Annual Governance Statement is shown below:

1. Local Plan Submit the Local Plan to the Government in May 2019 for independent examination with a view to the Plan being adopted in March 2020.	Partially Complete - The Northumberland Local Plan was submitted by Northumberland County Council to the Secretary of State for Housing, Communities and Local Government on 29 May 2019. In June 2019 the Inspector was appointed to undertake the independent examination of the Local Plan. A number of actions for the Council have resulted from the Hearing Sessions, which will be progressed during 2020/21 .
2. Consultation Establish a framework for the consistent publication of all Council consultation (carried forward from 2018-19).	Partially Complete - The Council is currently in the process of commissioning a supplier to provide an electronic system that will facilitate a process of digital consultation, and assist in widening participation and engagement going forward.
3. Active Northumberland Ensure an Operating Agreement is in place for 2019-20 for Active Northumberland with appropriate monitoring arrangements in place. Ensure a formal process is in place for measuring customer satisfaction with an annual report to the Council.	Complete - An Operating Agreement between Active Northumberland and the Council was put in place for 2019/20. The Leisure Client function is now well established with the appointment of a dedicated 'Contracts Officer'. Progress has also been made during 2019-20 towards the development of a comprehensive outcomes framework.
4. Advance Northumberland Ensure an Operating Agreement is in place for 2019-20 for Advance Northumberland with appropriate monitoring arrangements in place.	Complete - An Operating Agreement between Advance Northumberland and the Council was put in place for 2019/20. Monthly monitoring takes place at both an officer and shareholder level.
5. Operational Delivery Establish a framework for strategic and operational performance which demonstrates delivery and assurance of key operational and strategic indicators, and which gives assurance on delivery of the Corporate Plan and in delivery of physical processes.	Complete - Creation of a Steering Group chaired by the Executive Director of Regeneration, Commercial & Economy to monitor the delivery of regeneration projects. Process of Project Initiation Documents (PIDs) put in place in collaboration to manage the commissioning of services. A new Policy Service was established during the year, to work with all services, partners and stakeholders and to support Members to develop policies based on sound evidence.
6. Programme of Service Reviews Establish a series of service reviews to challenge current service delivery arrangements and provide assurance that value for money is being achieved.	Complete - Following recruitment and establishment of an Innovation and Improvement Team during 2019/20, a programme of eight work streams has been established that will be carried out during 2020/21 and beyond, as a cycle of continuous review and improvement.
7. Partnership with NHS bodies Establish a series of service reviews to challenge current service delivery arrangements and provide assurance that value for money is being achieved.	Complete - The decision was taken that a review of the current partnership arrangements with NHS partners should be carried out. A draft terms of reference for the partnership review has been agreed and the membership of the review group proposed. Potential options and opportunities are currently being considered, with the formal review process expected to commence in June 2020.

The table below summarises the areas of improvement identified during the 2019/20 annual governance review and outlines the planned actions to be completed in order to enhance the Council's Governance arrangements.

1. Local Plan	Following the submission of the Local Plan for inspection during 2019/20, a number of actions for the Council resulted from the subsequent Hearing Sessions. These actions will be completed during 2020/21. Further hearing sessions will be necessary for Phase 2 of the Local Plan
2. Consultation and Stakeholder Engagement	Establish an online consultation tool for the Council for use across service areas to support consultation and local decision making, strengthen understanding and shape national and regional policy.
3. Adult Social Care Partnership with the NHS	Completion of a full review of the partnership arrangement with Northumbria Healthcare NHS Foundation Trust.
4. Member Representation on Outside Bodies	A detailed review of appointments to all outside bodies will be undertaken, and consideration given to the development of a protocol for Members that represent the Council on outside bodies.
5. Overview and Scrutiny	External training will be provided for all members on Overview and Scrutiny Committees.
6. Virtual Meetings	Options for holding virtual meetings for bodies with no decision making powers should be explored.
7. Planning Service Restructure	The Planning service has commenced a Section 188 consultation with the trade unions in regards to a proposed restructure of the service, to support embedding the improvements in the systems of control within the department.
8. Planning Decision Investigation	A formal Investigation will be carried out into an historic planning decision case, in order to identify any issues of concern regarding probity or quality.

<p>9. Formation of Northumberland Enterprise Holdings Ltd (NEHL)</p>	<p>Establish a robust legal and governance structure in the establishment of the subsidiaries and holding company.</p>
<p>10. Northumberland Fire & Rescue Service</p>	<p>To implement the Northumberland Fire & Rescue Improvement Plan, to address the three 'requires improvement' areas (Effectiveness, Efficiency and People) identified in the HMICFRS report.</p>
<p>11. Audit Committee Review</p>	<p>Consideration will be given to undertaking self-assessment evaluation of the effectiveness review on an annual basis, and to provide an annual report to Cabinet.</p>
<p>12. Group Audit Committee</p>	<p>In order to strengthen the Council's arrangements for audit and oversight of its subsidiaries, consideration will also be given to the County Council Audit Committee taking on a 'Group' audit committee role.</p>
<p>13. Advance Northumberland</p>	<p>Follow-up reviews of fundamental financial systems will be undertaken by Internal Audit during 2020/21 to assess the effectiveness of the new controls put in place by Advance.</p>
<p>14. Contracts Management</p>	<p>Following assessment of contracts with a cumulative spend over 4 years of £50k, the contract managers will be identified and new governance arrangements and training will be introduced to provide further assurance on arrangements for contract management.</p>
<p>15. Post COVID-19 Lessons Learned Review</p>	<p>At the time of publication of the AGS, COVID-19 remains a live, national risk, and therefore the Council is responding to a live ongoing issue which remains significant at this time. The Council will conduct a review of its response to the COVID-19 crisis, to identify any lessons learned and any areas of improvement required in its contingency planning and governance arrangements.</p>

These areas of improvement will be monitored during 2020-21 and reported to the Audit Committee as part of the Council's Governance review arrangements.

Post 2019/20 Events

Since the end of the 2019/20 year covered by this AGS the County Council has continued to monitor and manage risk in accordance with the agreed risk hierarchy.

As part of this process, specific governance risks have been identified in relation to group entities within the County Council's accounting group boundary, specifically the Advance Northumberland group. These risks have been reported to Cabinet and to Audit Committee and added to the Corporate Risk Register during the 2020/21 year. The issues are being actively managed by the County Council's Executive Management Team in association with the Cabinet and further information will be included in the next AGS.

In addition, a number of extraordinary governance matters occurred after the date of preparation of the 2019/20 AGS relating to specific staffing, whistleblowing and elected member Code of Conduct issues. These issues have been managed and continue to be managed under the appropriate Council policies and relevant laws, and a specific

Governance Accountability Framework which was established in year and reported to Audit Committee in September 2020. These extraordinary governance matters have again been added to the Corporate Risk Register with suitable exception reporting made to the County Council's Audit Committee in year as required.

During 2020/21 as part of the County Council's management of the extraordinary governance matters referenced above, it became apparent that the Council's Constitution had not been updated to reflect amendments made in 2015 to the Local Authorities (Standing Orders) (England) Regulations 2001 which require adoption of the standing orders in Schedule 3 to the 2001 Regulations, or like provisions, in respect of disciplinary action against a statutory officer.

In addition, the Constitution in its Officer Employment Rules wrongly provided that a specific statutory officer post, that of the Head of Paid Service, "may be suspended by the Leader following consultation with the

Monitoring Officer". This contravened Section 9D of the Local Government Act 2000, and specific Regulations made under that Act and the Local Government Act 1972, which provide that the power to suspend an officer cannot be exercised by the Council's Executive (Cabinet / Leader).

At the meeting of full Council on 4 November 2020 the Constitution was amended to ensure that these issues were corrected. Experienced external support was engaged to review this and other aspects of the Constitution and as a result, the Constitution was significantly strengthened during 2020/21. Going forward, the intention is that the Constitution will be reviewed and updated annually."

4 Assurance

Any system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, and, that significant risks impacting on the achievement of the Council's objectives have been mitigated.

The outcome of the review of the governance arrangements in place at the Council provided the necessary assurance that these remain fit for purpose, and that the Council has the appropriate systems and processes in place to ensure that good governance is maintained.

Good progress has been made against the governance improvement plan identified during the 2018/19 governance review, and where actions have not yet been fully completed

they will continue to be progressed. These are not considered to have materially affected the adequacy of the governance arrangements in place during the last year.

Whilst a number of opportunities to further enhance the Council's governance arrangements were identified during the 2019/20 governance review process, no significant assurance issues were found. Where areas of improvement were identified, actions have been agreed in each service area that will address these issues and further enhance the Council's overall governance arrangements.

As a result of reviewing the evidence the Executive has taken the view that, as a whole, the governance arrangements in operation during 2019/20 within the Council were adequate. The Chief Internal Auditor's Annual Report provides further assurance.



Signed: (Chief Executive)

13.07.21

Date: (Chief Executive)



Signed: (Leader)

13.07.21

Date: (Leader)

Glossary of Terms

Glossary and Contacts

Glossary of Terms

Accrual

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Actuary

An expert on pension scheme assets and liabilities. The Local Government Pension Scheme Actuary determines the rate of employer contributions due to the Pension Fund every three years.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses. They arise because events have not coincided with actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

Amortised

Written off over an appropriate period of time.

Annual Governance Statement

A document published with or as part of the Statement of Accounts that sets out the governance framework in place during the year and sources of assurance about the governance framework.

Appropriations

Amounts transferred between the service and revenue or capital reserves.

Arm's Length Company

An Arm's Length Company or Arm's Length Management Organisation is a not for profit

company that provides services on behalf of a local authority.

Available-for-sale Financial Asset

A category of financial instrument which includes investments traded in an active market and equity instruments other than those for which a reliable value cannot be determined.

Audit of Accounts

An independent examination of the Council's Statement of Accounts.

Balance Sheet

A summary of an Authority's financial position at the year end. It shows the balances and reserves at an Authority's disposal and its long term indebtedness, and the long term and current assets employed in its operations, together with summarised information on fixed assets held.

Budget

A statement of the Council's expected level of income and expenditure over a set period, usually one year.

Business Rates

See National Non-Domestic rates (NNDR).

Capital Adjustment Account

A reserve set aside from revenue resources or capital receipts to fund capital expenditure or the repayment of external loans and certain other capital financing transactions.

Capital Asset

An item bought to improve, build, prepare or replace plant, machinery, buildings, land and other structures.

Capital Expenditure

Expenditure on the acquisition of a fixed asset; or, expenditure which adds to the life or value of an existing fixed asset.

Capital Receipt

The income obtained from selling a capital asset. This is either set aside to the Capital Financing Account for the repayment of loans or used to finance new capital expenditure.

Cash Flow Statement

Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes. It provides a link between the Balance Sheet at the beginning of the year, the Comprehensive Income and Expenditure Statement for the year and the Balance Sheet at the end of the year.

CIPFA

The Chartered Institute of Public Finance and Accountancy is the accountancy body which recommends accounting practice for the preparation of local authority accounts. CIPFA publishes the code.

Collection Fund

The fund administered by an authority collecting council tax and business rates.

Comprehensive Income and Expenditure Statement

A statement which details the total income received and expenditure incurred by the Council during the year in line with IFRS reporting as required by the Code.

Glossary and Contacts

Glossary of Terms

Constitution

The fundamental principles by which the Council operates and is governed.

Contingencies

Sums set aside to meet either the potential costs of activities expected to occur during the year, over and above those costs included in the services budgets (pay and price), or items which are difficult to predict in terms of financial impact or timing (uncertain items).

Contingent Asset

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability

A contingent liability is either:

- A possible obligation arising from past events whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Council's control; or,
- A present obligation arising from past events where it is not probable that there will be an associated cost, or the amount of the obligation cannot be measured accurately.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those that would be

incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Corporate Governance

The authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability.

Council Tax

The means of raising money locally to pay for local authority services. This is a property based tax where the amount levied depends upon the valuation of each dwelling.

Creditors

Amounts owed by the Council for goods or services that it has received but for which payment has not been made by the year end.

Current Assets and Liabilities

Current assets are items that are, or can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term. By convention these items are ordered by reference to the ease that the asset can be converted into cash, and the timescale in which the liability falls due.

Debtors

Amounts owed to the Council at the year end where services have been delivered but payment has not been received.

Deferred Capital Receipts

Deferred Capital Income comprises amounts derived from sales of assets which will be received

in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main part of mortgages under loans for purchase and improvement of property.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Defined Contribution Scheme

A pension or other retirement benefit scheme into which the employer pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Delegated Budgets

Budgets for which schools and other services have complete autonomy in spending decisions.

Depreciated Replacement Cost

A method of assessing market value where there is no comparable evidence available and equating to the current cost of reproducing or replacing an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

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Depreciation

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Earmarked Reserves

These reserves represent monies set aside that can only be used for a specific usage or purpose.

Estimation Uncertainty

Potential error included in the accounts as a result of estimates used to generate particular balances.

Finance Leases

A lease that transfers most of the risks and rewards of ownership of an asset to the lessee.

Financial Instruments

Contracts that give rise to a financial asset in one entity and a financial liability or equity holding in another entity.

General Fund

The Council's main revenue fund to which all revenue transactions are credited and from which revenue liabilities are discharged.

Government Grants

Revenue grants and contributions are credited to the appropriate service revenue account. Capital grants and contributions are credited to the Government Grants and Contributions Deferred Account.

Heritage Assets

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account (HRA)

This account reflects the statutory obligation to "ring-fence" and show separately the financial transactions relating to the provision of housing. Included within the section on the HRA is the Statement of Movement on the HRA which discloses how the HRA Income & Expenditure Account surplus or deficit for the year reconciles to the movement on the HRA balance for the year.

Impairment

The deterioration of an asset, through damage, dilapidation etc., which affects the value of that asset.

Income

Money which the Council receives, or expects to receive, from any source, including fees, charges, sales and grants.

Infrastructure

Fixed assets belonging to the Council which do not necessarily have a resale value, and for which a useful life span cannot be readily assessed.

Intangible Assets

Non-financial fixed assets that do not have physical substance, but, are identifiable and are controlled by the organisation through custody or legal rights.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during a period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventory

The amount of unused or unconsumed materials held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Investments

Short term investments comprise of temporary surplus funds with banks or similar institutions.

Lender Option Borrower Option (LOBO)

A LOBO is a loan from a financial institution where the interest rate is agreed at the outset of the arrangement. The lender then has the option to increase the rate at specific agreed periodic intervals through the term of the loan. If at one of these points the lender exercises the option to increase the interest rate on the loan the borrower has the option to repay the loan and end the agreement.

Long Term Borrowing

The main element of long term borrowing is comprised of loans that have been raised to finance capital investment projects.

Market Value

The monetary value of an asset as determined by current market conditions.

Minimum Revenue Provision (MRP)

The statutory minimum amount that must be charged to the Comprehensive Income and Expenditure Statement in each financial year to repay external debt.

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Monitoring Officer

The Monitoring Officer has responsibility for ensuring that the Council acts within its legal powers at all times and has a duty to report formally on any adverse matters, a requirement which is set out in the Constitution.

Movement in Reserves Statement

This financial statement presents the movement in useable and unusable reserves (the Council's total reserves balances).

National Non-Domestic Rates (NNDR)

National Non-Domestic Rates, also known as Business Rates, is a tax on non-domestic properties based on property valuations and multipliers set by government.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Operating Leases

This is a method of financing assets which allows the Council to use, but not own the asset and therefore is not capital expenditure. A third party purchases the asset on behalf of the Council, who then pays the lessor an annual rental charge for the use of the asset.

Past Service Cost

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of

the introduction of, or improvement to, retirement benefits.

Pension Liabilities

See scheme liabilities.

Precept

The amount of money levied on the County Council's collection fund by other public bodies to finance services.

Prepayments

Amounts paid by the Council in the year of account that related to goods and services not received until subsequent years.

Prior Period Adjustments

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative

Long term contracts with the private sector to procure the design, build and running of assets for the delivery of public services.

Property, Plant and Equipment

Non-current assets that yield benefits to the Council and the services they provide for a period of more than one year.

Provisions

Provisions represent sums set aside for any liabilities of uncertain amount or timing that have been incurred.

Receipts in Advance

Amounts received by the Council during the year of account relating to services delivered in subsequent years.

Remuneration

All sums paid to or receivable by an employee, and includes sums due by way of expenses allowances (so far as those sums are chargeable to United Kingdom income tax), and the estimated monetary value of any other benefits received by an employee otherwise than in cash.

Reserves

An amount set aside for a specific purpose in one year and carried forward to meet future obligations.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- (i) an employer's decision to terminate an employee's employment before the normal retirement date; or,
- (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange in services rendered by employees.

Revaluation Reserve

The accumulated gains in value on fixed assets held by the Council since 1 April 2007 less the part

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of depreciation charges that have been incurred because the assets have been valued.

Revenue Expenditure

Revenue expenditure is spending on day to day running costs of the Council. It includes expenditure on employees, premises, transport and supplies & services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of fixed assets.

Revenue Support Grant

A general grant paid by Central Government to local authorities, to support local authority revenue expenditure.

Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

Section 151 Officer

The Officer designated to assume overall responsibility for the administration of the financial affairs of the County Council and for the preparation of the Council's Statement of Accounts.

Soft Loan

Loans, normally to voluntary sector organisations, below the market rate of interest.

Contact Information

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Contact Information

This document is also available on the Council's website at the following link

<http://www.northumberland.gov.uk/About/Finance/Statement-of-accounts.aspx#statementofaccounts>

Contact for further information on the statement of accounts:

Jan Willis

Interim Executive Director of Finance and Section 151 Officer

Northumberland County Council

County Hall

Morpeth

NE61 2EF

Alison Elsdon

Service Director Finance and Deputy Section 151 Officer

Northumberland County Council

County Hall

Morpeth

NE61 2EF

Telephone: 0345 600 6400

