Statement of Accounts 2010/11

Economic Regeneration

Families, Adults and Children

Innovation, Efficiency, Delivery

Shaped to deliver

28th September 2011

South Tyneside Council

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Section 1 – Explanatory Foreword by the Head of Finance

1. Introduction

The Statement of Accounts presents the overall financial performance of the Council and position for the year ended 31st March 2011. The statement has been prepared in accordance with the "Code of Practice on Local Authority Accounting in the United Kingdom", published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code of Practice constitutes proper accounting practice under the terms of the Accounts and Audit Regulations 2011 and the Local Government and Housing Act 1989.

These accounts set out the results of the Council's financial activities for the year ended 31st March 2011 and outline our financial position at that date. The foreword provides:

- A review of the Council's financial results and financial standing for 2010/11.
- Information about the activities and significant matters that took place during 2010/11 that had an impact on Council finances.
- The principal financial statements.
- An assessment of the future financial prospects of the Council.

South Tyneside Council seeks to make the best possible use of resources available with regard to economy, efficiency and effectiveness. Our Medium Term Financial Plan sets out how we will do this over a five-year horizon. This Statement of Accounts looks back at our results over the past financial year.

Making the best use of our resources is a responsibility shared by Members and officers of the Council. The Council's Chief Financial Officer, the Corporate Director of Business and Area Management, has a specific role in ensuring the adequacy of resources and proper financial administration.

2. The Financial Statements

All local authorities must prepare accounts from 2010/11 onwards in accordance with International Financial Reporting Standards (IFRS). Previously, the accounts were prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP). This is a significant change in both the presentation and substance of the annual accounts, which is applying across the public sector with the express intention of providing greater consistency and comparability with private sector accounts. Consequently, the previous year's comparative figures have also been revised to allow proper comparison and accounting policies have been revised to reflect the change in accounting standards (note 48).

The Accounts are set out on pages 17 to 190. They consist of the following financial statements that are required to be prepared under the Code of Practice, including a new statement introduced under IFRS, the Movement in Reserves Statement:

- **Statement of Responsibilities for the Accounts** (page 17) that explains both the Council's and Corporate Director of Business and Area Management's responsibilities in respect of the Statement of Accounts.

- **Independent Auditors' Report** (page 18) sets out the opinion of our external auditors PricewaterhouseCoopers LLP following their audit of these financial statements.

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The **Core Financial Statements** in Section 4 are:

- **Movement in Reserves Statement** (page 22) reconciles items included in the Comprehensive Income and Expenditure Statement, which by statute are not charged to the Council Tax payer.

- **Comprehensive Income and Expenditure Statement** (page 23). This statement reports the income and expenditure relating to all services provided by the Council and how the net costs of these services have been financed from general government grants and income from local taxpayers. The Comprehensive Income and Expenditure Statement is presented using the service expenditure analysis set out in the Best Value Accounting Code of Practice (BVACOP).

- **Balance Sheet** (page 24) shows what assets the Council owns and its level of indebtedness. This statement also details the level of reserves that the Council can call upon to meet future expenditure.

- **Cash Flow Statement** (page 25) summarising the activities during the year in terms of cash inflows and outflows reconciling to the cash and cash equivalent balances held on the Balance Sheet.

The **Supplementary Financial Statements** in Section 5 are:

- **Housing Revenue Account Income and Expenditure Statement** (pages 122 to 132) dealing with the provision and maintenance of Council Housing. There is a statutory requirement to keep this account separately and also consolidate the figures within the Comprehensive Income and Expenditure Statement.

- **Collection Fund Statement** (pages 133 to 135) showing the income the Council receives from Council Tax and National Non-Domestic Rates and how this income has been distributed to precepting authorities (Northumbria Police Authority and Tyne and Wear Fire and Civil Defence Authority).

Group Financial Statements in Section 6

- The Council conducts some of its activities through partnerships and separate undertakings. The Code of Practice requires the production of **Group Financial Statements** (pages 136 to 155) to take account of these relationships in order to provide a full picture of the financial position.

Tyne and Wear Pension Fund Statements in Section 7

- As lead Authority for the Tyne and Wear Pension Fund the Council is required to publish the accounts for the Fund (pages 156 to 181) as part of its financial statements for the year.

3. The Annual Governance Statement

To accompany the Statement of Accounts the Leadership of the Council has prepared an Annual Governance Statement that sets out the principal arrangements that operate to ensure proper governance of the Council's affairs and the stewardship of resources at its disposal.

It also outlines the principal arrangements that are in place to ensure that a sound system of internal control is maintained.

4. Revenue Financial Summary 2010/11

Revenue expenditure relates to the day-to-day running costs of providing Council services, including pay costs, property running costs and supplies and services. These costs are largely funded by a combination of grants from Government and local taxation (Council Tax).

The table over the page summarises our in-year revenue spending position including schools expenditure. The Council achieved an underspend of £2.811m in 2010/11 after taking into account the expected transfers from reserves. Of this total, £2.722m has been allocated back to earmarked reserves to prudently provide for potential risks in future years, leaving a small balance of £0.089m to transfer to the General Fund. This transfer to earmarked reserves is shown within the Business and Area Management Group expenditure, which explains the overspending position shown for this Group.

The overall use of reserves shown in the table can be seen in more detail in note 7 to the Statement of Accounts. The £1.779m overall net use of reserves includes the increase in school reserves during the year of £0.886m and £2.665m used to meet the costs of Council expenditure. The main element of expenditure funded by earmarked reserves was the one-off costs of the major redundancy programme the Council undertook in 2010/11.

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2010/11 Revenue Financial Summary	Original Budget £m	Revised Budget £m *Note 3*	Actual Outturn £m	Variance £m	
Revenue Spending					
Children, Adults and Families Group	100.809	95.543	95.397	(0.146)	
Business and Area Management Group	39.614	39.654	41.191	1.537	*Note 1*
Economic Regeneration Group	23.275	27.355	26.059	(1.296)	
Chief Executive's Office	0.660	0.686	0.560	(0.126)	
Precepts of other public bodies	10.030	10.030	10.048	0.018	*Note 1*
Net Cost of Services and Operating Expenditure	**174.388**	**173.268**	**173.255**	**(0.013)**	
Funding Sources					
General Government Grants	(37.900)	(35.001)	(35.077)	(0.076)	*Note 4*
National Non-Domestic Rates	(78.838)	(78.838)	(78.838)	-	
Contribution from Collection Fund	(0.200)	(0.200)	(0.200)	-	
Council Tax Payers	(57.450)	(57.450)	(57.450)	-	
Total Revenue Funding	**(174.388)**	**(171.489)**	**(171.565)**	**(0.076)**	
(Increase) / Decrease in general fund balance before movement in reserves	**-**	**1.779**	**1.690**	**(0.089)**	
Net transfer to / (from) earmarked reserves	-	(1.779)	(1.779)	-	*Note 2*
(Increase) / Decrease in general fund balance for the year	**-**	**-**	**(0.089)**	**(0.089)**	

Changes required in the restatement of Management Accounts to Financial Accounts

Note 1: Expenditure on precepts and levies have been removed from Business and Area Management Group spending and allocated to Precepts of other public bodies. Business and Area Management shows an overspend as redundancy costs and additional contributions to earmarked reserves are shown against this service line.

Note 2 : Use of Reserves is estimated as part of our Strategic Planning process, although we did not include a budget for the use of reserves in our overall Medium Term Financial Plan budget of £174.388m. The £1.779m net use of reserves is within our planned levels and relates to specific projects for which we had set aside reserves. The use of reserves is not to meet in year spending pressures.

Note 3 : The changes from Group Original Budget to Revised Budget are due to budget transfers during the year for the transfer of activities or staff between Groups and the allocation of centrally held grant funding to Groups.

Note 4: The overall budget decreased during the year due to two main factors : an in-year reduction in the area based grant the Council receive from Central Government of £3.191m and the increase in budget due to £1.779m of expenditure being met from the release of earmarked reserves.

Children, Adults and Families Group

The major services provided by the Children, Adults and Families Group include social care for elderly and vulnerable adults, ensuring the protection of children at risk from abuse or neglect, as well as a range of educational and support services for young people from nursery age, school age through to youth provision and further learning.

The revenue spending highlights during the year were as follows:

- The cost of looked after children through foster placements, social work staffing levels and out of borough placements continue to be a significant pressure for the Council. The number of looked after children increased by a further 8% during the year following a significant rise in the previous 12 months. Consequently, safeguarding children budgets have incurred costs of £2.5m above the sum budgeted in 2010/11. Additional funding has been built into our Medium Term Financial Plan 2011-16 and there are plans to reduce dependency upon more expensive external care provision in future years.

- The Adult Social Care service incurred costs of £1.2m above budget as demand remained at a high level. Increases in the number of clients in residential care provision were less than in prior years due to improved assessment, greater customer choice and targeted investment to prevent deterioration in the well-being of clients. Additional costs have been built into our Medium Term Financial Plan 2011-16 to take account of ongoing demographic pressures.

- An underspend of £1.7m was achieved on savings from vacant posts and supplies and services in the provision of information and advice to young people and early years services.

- The Group faced significant cost pressures to fund teacher redundancies in 2010/11 due to surplus places within schools. The Council received approval from Government to allow some of the £1.4m additional cost to be funded through borrowing. This helped the change management service to deliver an underspend from the revenue budget set aside for this purpose.

Economic Regeneration Group

The major services provided by the Economic Regeneration Group include encouraging the creation of new jobs through supporting new and existing business and enhancing the skills of local people, provision of a range of leisure and cultural services and management of the Council's land and buildings.

The revenue spending highlights during the year were as follows:

- An underspend of £0.8m was achieved in relation to activity budgets to support economic growth.

- An overspend of £0.6m was incurred in relation to expenditure on repairs and maintenance and shortfall in income from commercial rents.

- Housing Strategy and Regulatory Services achieved an underspend of £0.8m due to savings from vacant posts and the application of external funding.

Business and Area Management Group

The major services provided by the Business and Area Management Group include waste collection and disposal, street cleaning and maintenance of open spaces, neighbourhood management, and a range of support services to ensure the proper functioning of the Council.

The revenue spending highlights during the year were as follows:

- The Council embarked on a major reorganisation programme during 2010/11 to re-shape the organisation to meet new priorities and operate within significantly reduced Government funding. As part of this reorganisation, 497 staff accepted voluntary redundancy. The total costs of £10.0m have been reflected in the Statement of Accounts. In addition, a provision of £1.2m has been made for further potential redundancy costs. These costs were met through a combination of £2.6m revenue resources, £3.1m use of earmarked reserves and £5.5m of borrowing after Government approval was obtained. All cost associated with severance payments are reflected in the Business and Area Management Group. See note 41 for further information.

- Slippage in the capital investment programme resulted in improved cash flow and lower debt charges. This resulted in a saving of £0.9m compared to budget.

- A saving of £0.7m was achieved in relation to legal and Members' support services due to the non-filling of vacant posts.

- Savings of £0.9m in the cost of waste management contracts were offset by additional costs of gritting due to the exceptional bad weather in December and extra work on statutory road safety schemes.

5. Capital Investment Financial Summary 2010/11

The following table summarises capital investment of £135.7m during 2010/11 and the capital funding the Council has used to finance this spending. The revised budget reflects the full impact of known contractual commitments and funding approvals.

2010/11 Capital Investment Summary	Revised Budget £m	Actual Outturn £m	Carry Forward £m	Spend Variance £m
Children, Adults and Families Group	57.404	49.049	8.553	0.198
Business and Area Management Group	23.297	26.092	1.249	4.044
Economic Regeneration Group	31.325	16.421	14.635	(0.269)
Housing	49.312	44.165	5.265	0.118
Total Capital Investment	**161.338**	**135.727**	**29.702**	**4.091**

2010/11 Capital Funding Summary	Actual Funding £m
Borrowing Approvals from Government	(27.406)
Unsupported Borrowing	(41.590)
Capital Receipts	(2.197)
Funding from the Housing Revenue Account	(1.441)
Funding from the HRA Major Repairs Reserve	(7.336)
Funding from General Fund revenue	(0.697)
Government Grants	(55.060)
Total Capital Funding	**(135.727)**

The capital investment highlights during the year were as follows:

Children, Adults and Families Group

- £29.9m was invested through the Building Schools for the Future (BSF) programme on Harton Technology College, St Wilfrid's RC College, St Joseph's RC Comprehensive School and Hebburn Comprehensive School. A new Sixth Form Block at Harton Technology College was completed during the year and officially opened in January 2011. £4.4m has been carried forward into 2011/12 for the BSF programme due to funding received in advance of expenditure and a delay in the start date of some schemes due to asbestos removal.

- This expenditure excludes improvements to the secondary school estate that are being financed through a Private Finance Initiative (PFI) scheme. The final PFI school development, South Shields Community School, is due for completion in September 2011.

- £11.2m has been spent on the primary school estate, including £5.4m on a new Harton Primary School, which opened during 2010/11. £5.8m was spent during 2010/11 on improving Stanhope School and constructing a new school, Forest View, which is due to open in September 2011.

Economic Regeneration Group

- Construction work is ongoing for a new office facility at Harton Staithes. When complete, the building will house British Telecom's (BT) expanding Local Government operations. The building will be leased to BT, who will pay the Council as landlord a commercial rent for occupation of the building. No payment will be made by the Council for the building until construction is completed. However, under accounting rules, the value of the asset under construction at 31st March 2011 has been recognised in the accounts. This valuation is £6.4m.

- £5.4m was invested in a variety of regeneration schemes throughout the Borough. These included strategic land and property acquisitions to facilitate development on the riverside and complement the new office facility at Harton Staithes. In addition preparatory fees were incurred on the construction of Green Incubator business premises in South Shields, which will promote South Tyneside as a centre for low carbon technology and industry. There was also continued investment in the infrastructure at South Shields sea front for visitors.

- Work has commenced on the new 21st Century Leisure Facilities in South Shields, with £1.1m being spent in the year and a further £6.8m carried forward to 2011/12 due to delays to the planned start of the project.

Business and Area Management Group

- Investment of £4.7m was made in a variety of infrastructure schemes ranging from road safety measures, resurfacing of highways, and improved footpaths throughout the Borough.

- £5.5m was spent on funding of severance costs following Government approval for such costs to be funded by borrowing. These severance costs resulted from a major reorganisation and redundancy programme to shape the Council for the future and meet the challenges of the 2011/12 Budget.

- £5.4m was incurred in providing for actual and anticipated liabilities in relation to equal pay claims. This included expenditure in the year of £2.4m and a contribution to the provision of £3.0m.

- The Council entered into an agreement with Balfour Beatty Power in 2005/06 to replace and maintain the Borough's street lighting. The contract included major investment in the initial years to upgrade street lighting in the Borough. In 2010/11, a further £6.3m of investment in street lighting has been recognised on the Council's Balance Sheet.

- The Council entered into a lease with the Primary Care Trust for a shared community and health facility at Cleadon Park. The new library and community facilities have been treated as a finance lease and an asset of £2.2m recognised on the Council's Balance Sheet.

Housing

- Expenditure on council housing related schemes carried forward £5.3m of funding to future years. Of the £44.2m spent during the year, £32.6m was incurred by improving nearly 5,000 dwellings up to the full decent homes standard. A major factor in the carry forward of the programme was the winter conditions, which resulted in £3.2m of planned spend slipping to 2011/12. £3.3m was spent on the construction of new Council housing on sites at Brancepeth, Hedgeley and Sheridan Roads. The balance of the expenditure was spent on adaptations to properties for tenants with special needs and estate improvements.

6. Significant Matters

Government Funding

In June 2010, the Government announced a reduction in the in-year funding support provided to local authorities. This unprecedented move was in response to the large national budget deficit that existed. This resulted in a reduction in Government funding support of £3.2m. A further £1.1m of prospective funding was withdrawn after the Government announced it would not be paying the second instalment of grant due to the Council and its partners for achieving agreed performance targets.

The financial settlement for Local Government announced in December 2010 set out the Government funding for the Council over the following two years. Grant support reduced by 20% in 2011/12 from the previous year. In 2012/13 the Council's funding from Government will reduce by a further 10%.

Based upon national figures published during the October spending review, Government funding for local authorities will continue to fall over the next two years. The Council is continuing to revise its organisational structure to ensure that it is shaped to deliver for the future and as part of this plan, embarked upon a major reorganisation and voluntary redundancy programme during 2010/11. A total of 497 Council staff accepted voluntary redundancy during the year at a cost of £9.9m, of which 249 had left the Council at 31st March 2011. The Council were successful in seeking to capitalise £5.5m of these one-off costs and able to fund £3.1m using reserves which had been earmarked for such risks. A further provision of £1.2m has been set-aside in the 2010/11 accounts to meet the cost of additional redundancies required to achieve the 2011/12 staffing savings.

International Financial Reporting Standards and Changes in Accounting Policies

The revised accounting policies under IFRS are disclosed in note 48. The key changes under IFRS are as follows:

Assets held for sale	Under IFRS, assets which are being actively marketed for sale and expected to be sold within 12 months are now disclosed as Assets held for sale. Assets held for sale are disclosed as current assets and no depreciation is charged on these assets.

Investment Properties	Under IFRS, only assets which are held solely for rental income or capital appreciation can be classified as investment properties. In addition these assets must now be subject to an annual valuation.
Employee Benefits	Council employees all receive holiday entitlement and other employment benefits. Under IFRS, the value of the employment benefits which have not been taken at the 31st March are now reflected in the Statement of Accounts. The liability would only be incurred if the employees all left at 31st March 2011, however, it gives a snapshot of the benefits owed to employees at the Balance Sheet date. Under statute, this entry can be offset by a transfer from the Employee Benefits Adjustment Account so there is no impact for Council Tax payers.
Leases	The accounting treatment of a lease is now based upon assessing substance over form, rather than just risk and rewards. This extends to lease type arrangements which are not subject to a formal agreement.
Government Grants and Contributions	All grants are now recognised when conditions for the grant have been met. This means that Capital grants are now recognised in the Comprehensive Income and Expenditure Statement when conditions have been met rather than as the asset is consumed.
Cash and cash equivalents	The scope of cash has been extended to include cash equivalents. These are investments which can be readily converted to cash within 3 months and with minimal risk of change in value.
Provisions	The provisions disclosed within the Council's Statement of Accounts are now identified as either short term or long term, depending on whether the liability will crystallise within 12 months.

Further information can be found on the financial impact of the changes under IFRS in note 1 to the statement of accounts.

Component Accounting

The Code places greater emphasis on the need to apply component accounting to non-current assets. Component accounting involves the recognition that individual assets can consist of several components each with significantly different lives and value.

Component accounting has not been applied to all non-current assets owned by the Council as the Code allows local authorities to apply the changes prospectively rather than retrospectively. Where components have been recognised they are depreciated over their component lives, rather than the life of the whole building. For example, the equipment within the crematorium has a much shorter life than the building and has a high value compared to the overall value of the building. This specialist asset will now be depreciated over 20 years whilst the building continues to be depreciated over 40 years to better reflect the usage of these assets.

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Job Evaluation

The Council completed the Job Evaluation Appeals process during 2010/11. This resulted in additional costs of £0.9m for the period 1st January 2007 to 31st March 2011 against a provision of £0.5m that was included in the 2009/10 accounts.

Claims under the Equal Pay Act 1970

The Council has continued to receive claims under the Equal Pay Act 1970 during the year. We have a policy of seeking to capitalise such payments as they arise. Capitalisation is subject to approval by the Department of Communities and Local Government and only applies to backdated pay settlements.

Payments and provisions totalling £5.4m were capitalised in 2010/11 (£13.8m in 2009/10). The full cost of any forward-looking element incurred in 2010/11 (which does not qualify for capitalisation) has been met from the Equal Pay and Job Evaluation revenue provisions. The 2010/11 Statement of Accounts includes payments of £2.4m for both capital backward payments and revenue forward payments. The charges for Equal Pay are disclosed as an exceptional item on the face of the Comprehensive Income and Expenditure Statement.

The Council has continued to negotiate with Union colleagues and those employees pursuing a claim through the employment tribunal in relation to Equal Pay and Equal Value claims to minimise our liability. We have been successful in reaching agreement for areas of the liability and have made provision for our full estimated liability in the accounts.

The Council successfully applied for a further capitalisation approval in 2010/11 to meet the full liability for back pay and resources have been set aside in our Equal Pay and Job Evaluation Reserve to meet the revenue costs which cannot be capitalised.

Pension Liability

As at 31st March 2011 the Council had a pension liability to the Tyne and Wear Pension Fund of £238.3m, (£302.8m at 31st March 2010). If the Council ceased operations, this liability would have to be taken over by the successor body or ultimately funded by Central Government.

The decrease in the liability of £64.5m compared to the previous year is mainly due to a change in Government policy to link pension annual increase to the Consumer Price Index (CPI) instead of the Retail Price Index (RPI). The impact of this change resulted in an overall £75.6m decrease in liability, which has been disclosed as an exceptional item on the face of the Comprehensive Income and Expenditure Statement. At 31st March 2011 the CPI rate was 2.8% compared to a RPI rate of 3.7%.

South Tyneside and Gateshead Building Schools for the Future (STaG BSF)

The Council is part of a public/private partnership, known as InspiredSpaces STaG Limited, to deliver our building schools for the future programme. This partnership consists of the following parties; Carillion (40% shareholding), Royal Bank of Scotland (40% shareholding), Building Schools for the Future Investments (10% shareholding), South Tyneside Council (5% shareholding) and Gateshead Council (5% shareholding).

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InspiredSpaces STaG Limited will deliver the whole BSF build programme and ICT managed service for all education schemes above £0.1m (if the Local Education Partnership (LEP) demonstrates value for money). During 2010/11 work was substantially completed on St. Joseph's RC Comprehensive and St. Wilfrid's RC College which both involved a part re-build and part re-modelling of the existing buildings. Work continues on Harton Technology College and South Shields Community Schools (PFI scheme) and work commenced on the re-modelling of Hebburn Comprehensive School.

The rest of South Tyneside's secondary school refurbishment programme will be delivered through a series of schemes progressed by the LEP in conjunction with each school and the Council. Contributory funding will be received from the BSF Capital Programme Fund administered by Partnerships for Schools.

Transforming Our Primary Schools (TOPS)

The Council is also upgrading its primary schools through a similar arrangement with InspiredSpaces STaG Limited. The rebuilding of Harton Primary School was completed in March 2011. A new building for Stanhope Primary School and the building of a new school for Whiteleas (Forest View) are due for completion in September 2011.

The rest of South Tyneside's primary school refurbishment programme will be delivered through a series of schemes progressed by the LEP in conjunction with each school and the Council, subject to available funding.

Joint Waste Partnership Private Finance Initiative (PFI) Project

The South Tyne and Wear Waste Management Partnership was established to enable the three partner authorities (Gateshead, Sunderland and South Tyneside Councils) to jointly procure a service for the treatment and disposal of residual municipal waste. In April 2011 the partnership, led by Gateshead, signed a £727m PFI funded contract with a consortium led by SITA UK. The contract is focussed on the development of an energy-from-waste facility on Teesside which will treat 190,000 tonnes a year of waste generated by the three councils. The facility is expected to be operational in 2014.

Strategic Partnership

On 1st October 2008, the Council entered into a strategic partnership with British Telecom (BT) to deliver a range of functions such as finance, human resources, ICT and procurement on behalf of the Council. Staff previously employed by the Council in the delivery of these services were transferred over to the newly created company British Telecom South Tyneside Limited (BTSTL). The pension liability for transferring staff remains with the Council as a result of a risk-sharing agreement between the two parties.

Through the partnership, BT has guaranteed the creation of employment opportunities, investment in the Borough and service efficiencies. The contract will run for 10 years with a potential 5-year extension. Details of transactions between the Council and BTSTL for the year can be found in the Related Parties disclosures (note 39).

7. Material Movements in Assets and Liabilities

- The value of dwellings has decreased by £138.8m. The main factor in this reduction was new guidance on the stock valuation of council dwellings issued by the Royal Institute for Chartered Surveyors in December 2010. Included in this guidance was a review of the discount factor used in the determination of the valuation for dwellings in existing use as social housing. The discount factor is obtained by taking the cost of buying a vacant dwelling of a similar type and applying an adjustment factor according to the type of tenancy and regional factors. The discount factor was last reviewed in 2005 and stood at 49% for the Council however the updated guidance has reduced the discount factor to 37%. This has had the effect of impairing our dwellings by £92.7m.

- Other Property, Plant and Equipment has increased by £35.1m. This increase is net of a £7.5m reduction due to the change in discount factor described above. The net increase can be explained by the significant amount of capital investment undertaken by the Council in 2010/11 in relation to Building Schools for the Future and Transforming our Primary Schools respectively. Long Term Borrowing has increased by £24.9m as the primary source of funding for this investment with the balance coming from specific Government Grants and cash flow.

- At 31st March 2011 the Council held £10.0m less in short term investments compared to the previous year. This is due to the Council having less money available to invest due to the reduction in Government funding, the application of earmarked reserves and the cash flow investment in capital projects.

- Creditor balances have reduced by £16.5m for 2010/11. The balance in 2009/10 included £18.3m due to South Tyneside Homes for the Decent Homes programme. This has reduced to £3.8m for 2010/11, accounting for much of the reduction in creditors.

8. Reserves and Balances

Council agreed a risk based reserves strategy alongside the Medium Term Financial Plan for 2011-2016 and reviews all strategic reserves as part of the budget setting process.

As at the 31st March 2011 the Council held earmarked reserves of £27.7m (£29.5m in 2009/10).

Our Strategic Reserve is intended to cover emergency/unforeseen events and is maintained at 2% of the net budget as part of a risk - based assessment. As at the 31st March 2011 the Council held £2.9m in this reserve (£2.9m in 2009/10).

The other key reserves that we hold to deal with our specific risks are:

- Risk Capacity Reserve
- Structural Change Reserve
- Equal Pay and Job Evaluation Reserve.

We have added to the first two reserves in recent years to strengthen the Council's financial position. The overall balance of the Equal Pay and Job Evaluation Reserve has reduced during 2010/11 as liabilities have crystallised.

As at 31st March 2011 the Council held £2.5m (£2.5m in 2009/10) in capital receipts for the purposes of investing in our assets in future years. We are also holding £3.9m in a PFI reserve (£3.9m in 2009/10) to assist in the smoothing out of unitary charge costs over the lifetime of the schemes.

9. Group Results

The Group Accounts fully incorporate the results of South Tyneside Homes Limited, a subsidiary company of the Council. They also reflect the Council's share of the Tyne and Wear Development Company and Beamish Museum which are operated as associates with other local authorities. Further details about these relationships can be found in the Group Introduction on page 136 of these accounts.

The Group results revealed a deficit for the year of £99.1m (deficit of £66.3m in 2009/10) incorporating a net surplus of £11.7m (surplus of £0.1m in 2009/10) from Council subsidiaries and associates. The net assets of the Group stood at £354.9m at 31st March 2011 (£454.2m at 31st March 2010).

10. Housing Revenue Account

The Housing Revenue Account is ringfenced and all expenditure must be met from rents or Government subsidy. After a small budgeted transfer to balances, the Housing Revenue Account achieved an additional surplus of £1.1m (surplus of £5.8m in 2009/10 which included planned contribution of £1m). Revenue balances at 31st March 2011 stood at £10.6m (£9.5m in 2009/10) and this will be used to support future years' expenditure on Housing.

11. Private Finance Initiative Expenditure for the Year

Expenditure on Private Finance Initiative Schemes during the year was £9.3m (£6.8m in 2009/10). Revenue contributions provided funding of £2.8m (£1.6m in 2009/10), or 30% and the remaining 70% or £6.5m (£5.2m in 2009/10) was funded using PFI credits from Government.

12. Borrowing Facilities

Section 3 of the Local Government Act 2003 requires the Council to determine its own affordable borrowing requirement necessary to fund capital expenditure. The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. We have established a set of prudential indicators and have developed a measurement and reporting process that highlights any significant deviations from expectations. There were no significant deviations to report during 2010/11.

During the year, the Council increased its debt having taken out 11 loans totalling £55m (£75.0m in 2009/10) from the Public Works Loans Board (PWLB). No loans were repaid during the year (£4.0m in 2009/10).

13. Medium Term Prospects

Our Medium Term Financial Plan for 2011-2016 was approved by Council and published in February 2011. Our key stakeholders, including our trades union, business sector and voluntary sector partners, members of the public and our own staff helped us to make decisions around ensuring that our limited resources are directed to the top priorities for the residents of the Borough.

Our Medium Term Financial Plan for 2011-2016 identifies what we need to spend to maintain current services, what our priority-led spending plans are and our plans to redirect current spending from lower priority areas. In addition, the plans include our financial strategy on what level of reserves we plan to hold and how these are to be utilised.

Through its corporate planning process, the Council recognised at an early stage that there would be a significant decline in central Government funding over the medium term. Consequently, the Council has implemented an organisational restructure which has involved a significant reduction in staff posts. This process has been managed through continual dialogue with staff and trades unions. Our financial forecasts indicate that further staff reductions and service remodelling will be required in future years to meet the financial challenges.

Our strategic planning is prioritised by a focus on large and high-risk areas of spend. As a result, all significant budgets were reviewed and revised as appropriate. This will ensure that the Council is best placed to manage future pressures and opportunities.

14. Further Information

The Statement of Accounts are available on the Council's Website at www.southtyneside.gov.uk. Hard copies can be requested by writing to:

Head of Finance
Town Hall and Civic Offices
Westoe Road
South Shields
NE33 2RL

If you know someone who would like this information in a different format, please contact the Communications Unit on **0191 424 7385**.

Other sources of useful information regarding the finances of the Council include the Medium Term Financial Plan 2011-2016. This is also available from the address above as well as at www.southtyneside.gov.uk

15. Your Comments

We are committed to improving the information that we provide to you and would be grateful for any suggestions or comments you may wish to make about our published Statement of Accounts. Please let us have your views by contacting us at the above address.

Stuart Reid,
Head of Finance

28th September 2011

Section 2 – Statement of Responsibilities for the Accounts

The Council is required to:

- Make arrangements for the proper administration of both its financial affairs and those of the Tyne and Wear Pension Fund and to ensure that one of its officers has the responsibility for the administration of those affairs. For South Tyneside Council, that officer is the Corporate Director of Business and Area Management.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The responsibilities of the Corporate Director of Business and Area Management

The Corporate Director of Business and Area Management is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'). In preparing this Statement of Accounts, the Corporate Director of Business and Area Management has:

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

The Corporate Director of Business and Area Management has also:

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

Corporate Director of Business and Area Management Certificate

I hereby certify that the Statement of Accounts for the year ended 31st March 2011, set out in the following pages, gives a true and fair view of the financial position of South Tyneside Council and the Tyne and Wear Pension Fund at 31st March 2011, and their income and expenditure for the year ended 31st March 2011.

P. Melia

Signed: Date: 28th September 2011

Patrick Melia, Corporate Director of Business and Area Management

Chair of General Purposes Committee Certificate

I can confirm that these accounts were approved by the General Purposes Committee at its meeting held in September 2011.

Iain Malcolm.

Signed: Date: 28th September 2011

Councillor Iain Malcolm, Chair of General Purposes Committee

Section 3 – Independent Auditors' Report

Independent auditor's report to the Members of South Tyneside Council

We have audited the financial statements of South Tyneside Council and its Group for the year ended 31 March 2011 which comprise the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Movement in Reserves Statement, the Authority and Group Balance Sheet as at the end of the period, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom supported by the Best Value Accounting Code of Practice 2010/11.

Respective responsibilities of the Chief Finance Officer and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 17, the Chief Finance Officer is responsible for the preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for South Tyneside Council's Members as a body in accordance with the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Authority and Group's affairs as at 31 March 2011 and of the Authority and Group income and expenditure and cash flows for the year then ended; and

- have been prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11.

Section 3 – Independent Auditors' Report

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Paul Woolston (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle

24 September 2011

Opinion on the pension fund accounts

We have audited the pension fund accounting statements for the year ended 31 March 2011 which comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Respective responsibilities of the Chief Finance Officer and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 17, the Chief Finance Officer is responsible for the preparation of the pension fund accounting statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for South Tyneside Council's Members as a body in accordance with the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the pension fund accounts

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the pension fund; and the overall presentation of the financial statements.

Section 3 – Independent Auditors’ Report

Opinion on the pension fund accounting statements

In our opinion the pension fund’s accounting statements:

- give a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, of the financial transactions of the Pension Fund during the year ended 31 March 2011, and the amount and disposition of the fund’s assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Paul Woolston (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle

24 September 2011

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

Authority’s responsibilities

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

Auditor’s responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Section 3 – Independent Auditors' Report

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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 Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, South Tyneside Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

We certify that we have completed the audit of the Authority and Group accounts of South Tyneside Council and Tyne and Wear Pension Fund in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Woolston (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle

24 September 2011

(a) The maintenance and integrity of the South Tyneside Council's website is the responsibility of the Authority; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Section 4 – Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net increase/(decrease) before transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Note	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1st April 2009		**(1.168)**	**(31.341)**	**(3.744)**	**(2.540)**	**(8.859)**	**(4.044)**	**(51.696)**	**(492.961)**	**(544.657)**
Movement in reserves during 2009/10										
Deficit or (surplus) on the provision of services		24.090	-	(0.149)	-	-	-	23.941	-	23.941
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	36.197	36.197
Total Comprehensive Income and Expenditure		**24.090**	**-**	**(0.149)**	**-**	**-**	**-**	**23.941**	**36.197**	**60.138**
Adjustments between accounting basis and funding basis under regulations	6	(22.440)	-	(5.631)	0.072	3.534	(0.119)	(24.584)	24.584	-
Net decrease or (increase) before transfers to Earmarked Reserves		**1.650**	**-**	**(5.780)**	**0.072**	**3.534**	**(0.119)**	**(0.643)**	**60.781**	**60.138**
Transfers (from) or to Earmarked Reserves	7	(1.851)	1.851	-	-	-	-	-	-	-
(Increase) or decrease in 2009/10		**(0.201)**	**1.851**	**(5.780)**	**0.072**	**3.534**	**(0.119)**	**(0.643)**	**60.781**	**60.138**
Balance at 31st March 2010 carried forward		**(1.369)**	**(29.490)**	**(9.524)**	**(2.468)**	**(5.325)**	**(4.163)**	**(52.339)**	**(432.180)**	**(484.519)**
Movement in Reserves during 2010/11										
(Surplus) or deficit on the provision of services		(67.241)	-	146.737	-	-	-	79.496	-	79.496
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	31.245	31.245
Total Comprehensive Income and Expenditure		**(67.241)**	**-**	**146.737**	**-**	**-**	**-**	**79.496**	**31.245**	**110.741**
Adjustments between accounting basis and funding basis under regulations	6	68.931	-	(147.801)	(0.027)	3.408	0.869	(74.620)	74.620	-
Net decrease or (increase) before transfers to Earmarked Reserves		**1.690**	**-**	**(1.064)**	**(0.027)**	**3.408**	**0.869**	**4.876**	**105.865**	**110.741**
Transfers (from) or to Earmarked Reserves	7	(1.779)	1.779	-	-	-	-	-	-	-
(Increase) or decrease in 2010/11		**(0.089)**	**1.779**	**(1.064)**	**(0.027)**	**3.408**	**0.869**	**4.876**	**105.865**	**110.741**
Balance at 31st March 2011 carried forward		**(1.458)**	**(27.711)**	**(10.588)**	**(2.495)**	**(1.917)**	**(3.294)**	**(47.463)**	**(326.315)**	**(373.778)**

Section 4 – 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 the Movement in Reserves Statement.

2009/10 Gross Expenditure £m	2009/10 Gross Income £m	2009/10 Net Expenditure £m		Note	2010/11 Gross Expenditure £m	2010/11 Gross Income £m	2010/11 Net Expenditure £m
20.608	(17.989)	2.619	Central Services to the Public		21.470	(19.177)	2.293
64.040	(18.750)	45.290	Cultural, Environmental, Regulatory and Planning Services		65.118	(16.633)	48.485
206.991	(160.532)	46.459	Education and Children's Services		224.725	(165.396)	59.329
12.781	(3.177)	9.604	Highways and Transport Services		13.240	(3.651)	9.589
-	-	-	Local Authority Housing (HRA) - Impact of change in Discount Factor in Impairment of Non Current Assets	8	100.238	-	100.238
53.032	(60.370)	(7.338)	Local Authority Housing (HRA) - Other		94.084	(54.993)	39.091
65.396	(62.412)	2.984	Other Housing Services		68.705	(63.487)	5.218
87.098	(32.002)	55.096	Adult Social Care Services		89.044	(28.108)	60.936
9.712	(3.457)	6.255	Corporate and Democratic Core		12.437	(4.979)	7.458
8.976	(0.093)	8.883	Non Distributed Costs - Equal Pay Settlements	8	2.410	-	2.410
		-	Non Distributed Costs - Impact of change in Inflation Factor in Retirement Benefits	8	(75.630)	-	(75.630)
6.887	(0.175)	6.712	Non Distributed Costs - Other		1.643	(0.295)	1.348
535.521	**(358.957)**	**176.564**	**Cost Of Services**		**617.484**	**(356.719)**	**260.765**
22.640	-	22.640	Other Operating Expenditure	9	12.712	-	12.712
57.356	(26.737)	30.619	Financing and Investment Income and Expenditure	10	32.627	(7.958)	24.669
-	(205.882)	(205.882)	Taxation and Non-Specific Grant Income	11	-	(218.650)	(218.650)
615.517	**(591.576)**	**23.941**	**Deficit on Provision of Services**		**662.823**	**(583.327)**	**79.496**
		(29.775)	(Surplus) or Deficit on revaluation of Property, Plant and Equipment				19.935
		0.382	Deficit on revaluation of available for sale financial assets				-
		65.590	Actuarial losses on pension assets / liabilities				11.310
		36.197	**Other Comprehensive Income and Expenditure**				**31.245**
		60.138	**Total Comprehensive Income and Expenditure**				**110.741**

Section 4 – Balance Sheet

This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The Net Assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category are usable reserves, i.e. those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes those that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and those that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

1st April 2009 £m	31st March 2010 £m		Note	31st March 2011 £m
		Non Current Assets		
		Property, Plant and Equipment		
616.656	664.488	Council Dwellings	12	525.680
390.211	438.461	Other Property, Plant and Equipment	12	473.564
2.900	2.900	Investment Properties	13	2.900
1.887	2.578	Intangible Assets	14	2.406
10.817	5.435	Long Term Investments	15	0.435
1.488	1.594	Long Term Debtors	15	1.201
1,023.959	**1,115.456**	**Total Non Current Assets**		**1,006.186**
		Current Assets		
31.184	29.627	Short Term Investments	15	19.608
0.562	0.582	Inventories	16	0.699
26.928	35.249	Short Term Debtors	17	33.482
27.710	53.802	Cash and Cash Equivalents	18	40.879
0.389	2.795	Assets Held for Sale	19	2.341
86.773	**122.055**	**Total Current Assets**		**97.009**
		Current Liabilities		
(0.800)	(0.740)	Cash and Cash Equivalents - Bank Overdraft	18	(1.474)
(51.795)	(69.330)	Short Term Creditors	20	(52.845)
(5.333)	(5.770)	Short Term Borrowing	15	(31.411)
(0.283)	(0.481)	PFI Liability due in less than 1 Year	22	(1.310)
(14.508)	(14.577)	Capital Grants Receipts In Advance	36	(11.739)
(17.156)	(2.612)	Short Term Provisions	21	(3.882)
(89.875)	**(93.510)**	**Total Current Liabilities**		**(102.661)**
(3.102)	**28.545**	**Total Net Current Assets**		**(5.652)**
		Non Current Liabilities		
(0.170)	(0.175)	Long Term Creditors	15	(0.157)
(2.852)	(16.672)	Long Term Provisions	21	(16.570)
(217.367)	(288.454)	Long Term Borrowing	15	(313.373)
(23.293)	(49.004)	Long Term PFI Liability	22	(53.966)
(231.470)	(302.780)	Liability related to Defined Benefit Pension Scheme	47	(238.290)
(1.048)	(2.397)	Other Long Term Liabilities	15	(4.400)
(476.200)	**(659.482)**	**Total Non Current Liabilities**		**(626.756)**
544.657	**484.519**	**Total Net Assets**		**373.778**
		Usable Reserves		
(51.696)	(52.339)	Usable Reserves	23	(47.463)
(492.961)	(432.180)	Unusable Reserves	24	(326.315)
(544.657)	**(484.519)**	**Total Reserves**		**(373.778)**

Section 4 – Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents 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 that 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 (i.e. borrowing) to the Council.

2009/10 £m		Note	2010/11 £m
23.941	**Net Deficit on the Provision of Services**		**79.496**
(35.395)	Adjustment to surplus or deficit on the provision of services for non-cash movements		**(192.727)**
28.177	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**60.227**
16.723	**Net Cash flow from Operating Activities**		**(53.004)**
34.344	Investing Activities	26	**119.588**
(77.219)	Financing Activities	27	**(52.927)**
(26.152)	**Net (increase)/decrease in cash and cash equivalents**		**13.657**
26.910	**Cash and cash equivalents at the start of the year**		**53.062**
53.062	**Cash and cash equivalents at the end of the year**		**39.405**

Section 4 – Notes to the Core Financial Statements

Note 1. Transition to International Financial Reporting Standards (IFRS)

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following items represent the material changes to the accounts as a result of the adoption of IFRS. The accompanying tables show the balances reported in the 2009/10 Statement of Accounts and the impact of the adjustment as a result of the IFRS restatement.

Assets Held for Sale

Assets held for sale represent non-current assets that are actively being disposed of and where disposal is expected within the next twelve months. Previously such assets were held on the balance sheet as surplus assets. The strict definition around assets held for sale has resulted in the remainder of surplus assets being reclassified back into other land and buildings. The fair value of these assets has been amended so that it reflects value in existing use rather than market value.

These reclassifications and revaluations have resulted in following adjustments to the figures reported in the 2009/10 financial statements:

Opening 1st April 2009 Balance Sheet	**2009/10 Statements £m**	**Adjustments Made £m**
Other Land and Buildings	281.657	5.372
Surplus Assets	32.756	(16.249)
Assets Held for Sale	-	0.389
Capital Adjustment Account	(601.207)	8.783
Revaluation Reserve	(102.003)	1.705

31st March 2010 Balance Sheet	**2009/10 Statements £m**	**Adjustments Made £m**
Other Land and Buildings	316.128	2.984
Surplus Assets	29.206	(14.310)
Assets Held for Sale	-	2.796
Capital Adjustment Account	(558.430)	5.743
Revaluation Reserve	(126.784)	2.787

2009/10 Comprehensive Income and Expenditure Statement Cost of Services (Net):	**2009/10 Statements £m**	**Adjustments Made £m**
Local Authority housing (HRA) - other	(2.646)	(1.591)
Non distributed cost - other	10.816	(4.149)
Surplus or deficit on revaluation of Property, Plant and Equipment	(34.087)	3.782

Section 4 – Notes to the Core Financial Statements

Investment Properties

Under IFRS investment properties is restricted to non-current assets held solely to earn rentals or for capital appreciation or both. These assets must be valued at market value and be subject to an annual revaluation. Any income or expense in relation to investment properties must be shown in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

The reclassification and revaluation of investment properties has resulted in following adjustments to the figures reported in the 2009/10 financial statements:

Opening 1st April 2009 Balance Sheet	**2009/10 Statements £m**	**Adjustments Made £m**
Other Land and Buildings	281.657	0.085
Investment Properties	3.029	(0.129)
Capital Adjustment Account	(601.207)	(1.306)
Revaluation Reserve	(102.003)	1.349

31st March 2010 Balance Sheet	**2009/10 Statements £m**	**Adjustments Made £m**
Other Land and Buildings	316.128	0.085
Investment Properties	3.029	(0.129)
Capital Adjustment Account	(558.430)	(1.306)
Revaluation Reserve	(126.784)	1.350

2009/10 Comprehensive Income and Expenditure Statement Cost of Services (Net):	**2009/10 Statements £m**	**Adjustments Made £m**
Cultural, environmental, regulatory and planning services	44.826	0.220
Investment income and expenditure	-	(0.220)

Accumulating compensated absences and other Employee Benefits

Accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant short term benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31st March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Employee Benefits Adjustment Account until the benefits are used.

Section 4 – Notes to the Core Financial Statements

Accruing for short term and long term accumulating compensated absences and other employee benefits has resulted in the following adjustments to the figures reported in the 2009/10 financial statements:

Opening 1st April 2009 Balance Sheet	**2009/10 Statements £m**	**Adjustments Made £m**
Short term Debtors	26.734	0.190
Short term Creditors	(66.227)	(4.532)
Long term Creditors	-	(0.170)
Employee Benefit Adjustment Account	-	4.512

31st March 2010 Balance Sheet	**2009/10 Statements £m**	**Adjustments Made £m**
Short term Debtors	35.061	0.184
Short term Creditors	(83.610)	(4.826)
Long term Creditors	-	(0.175)
Employee Benefit Adjustment Account	-	4.817

2009/10 Comprehensive Income and Expenditure Statement Cost of Services (Net):	**2009/10 Statements £m**	**Adjustments Made £m**
Cultural, environmental, regulatory and planning services	44.826	0.001
Education and children's services	43.441	0.295
Highways and transport services	9.278	0.003
Adult social care services	54.959	0.001
Corporate and democratic core	5.918	0.005

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Council has four property leases where the accounting treatment has changed following the introduction of the Code.

The Council leases Pier Head Car Park and Charlotte Terrace. These leases were previously classified as a finance lease, but under the Code, the buildings and land element of the lease have been reclassified as an operating lease. The Council also leases Landreth House where only the land element has been transferred from being a finance lease to an operating lease.

As a consequence of classifying the leases as an operating lease, the financial statements have been amended as follows:

- The Council has derecognised the assets and liabilities.

- The operating lease charge within Corporate and Democratic Core and Highways and Transport Services has been increased by the amount that relates to the principal element of the lease payments.

- A depreciation charge has been excluded within the Local Authority Housing (HRA) – other line relating to Charlotte Terrace.

- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account.

- This transfer has been reflected in the Balance Sheets as at 1st April 2009 and 31st March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.

- The interest element of the lease payments has been deducted from the Financing and Investment Income and Expenditure line (formerly interest payable and similar charges in the 2009/10 Statement of Accounts).

The Council are lessor of a building in Viking Industrial Park to the Tyneside Economic Development Company Limited. The lease was previously classified as an operating lease, but under the Code, the buildings element of the lease has been classified as a finance lease.

As a consequence of classifying the buildings element of the lease as a finance lease, the financial statements have been amended as follows:

- The Council has derecognised the building element as an asset and a long term debtor and a capital receipts deferred was created.

- The operating lease income within Cultural, Environmental, Regulatory and Planning Services has been reduced by the amount that relates to the buildings element of the lease payments.

- A depreciation charge has been removed from within Cultural, Environmental, Regulatory and Planning Services.

- The reduction in depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1st April 2009 and 31st March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.

- The interest element of the lease payment in respect of the buildings element is charged to the Financing and Investment Income and Expenditure line (formerly interest payable and similar charges in the 2009/10 Statement of Accounts).

These reclassifications have resulted in following adjustments to the figures reported in the 2009/10 financial statements:

Opening 1st April 2009 Balance Sheet	2009/10 Statements £m	Adjustments Made £m
Other Land and Buildings	281.657	(0.339)
Long Term Debtors	1.433	0.055
Short Term Debtors	26.734	0.004
Short Term Creditors	(66.227)	(0.113)
Other Long Term Liabilities	(0.960)	0.636
Capital Adjustment Account	(601.207)	(0.184)
Deferred Capital Receipts Reserve	(0.061)	(0.059)

31st March 2010 Balance Sheet	2009/10 Statements £m	Adjustments Made £m
Other Land and Buildings	316.128	(0.972)
Long Term Debtors	1.543	0.051
Short Term Debtors	35.061	0.004
Short Term Creditors	(83.610)	0.021
Other Long Term Liabilities	(2.396)	0.615
Capital Adjustment Account	(558.430)	(0.147)
Deferred Capital Receipts Reserve	(0.038)	(0.055)
Revaluation Reserve	(126.784)	0.483

2009/10 Comprehensive Income and Expenditure Statement Cost of Services (Net):	2009/10 Statements £m	Adjustments Made £m
Cultural, environmental, regulatory and planning services	44.826	0.031
Highways and transport services	9.278	0.009
Local Authority housing (HRA) - other	(2.646)	(0.028)
Corporate and democratic core	5.918	0.024
Interest payable and similar charges	16.630	(0.042)

The net changes to the Comprehensive Income and Expenditure Statement consist mainly of the removal of the depreciation charges for the finance leases reclassified to operating leases.

The net change in the Deficit on the Provision of Services is removed by reducing the transfer of the depreciation charge to the Capital Adjustment Account. This transfer is shown in the Movement in Reserves Statement.

Government Grants

Capital grants were previously held in a grants deferred account and recognised as income over the life of the assets that they were used to fund. Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The Government Grants Deferred Account at 31st March 2009 has been transferred to the Capital Adjustment Account in the opening 1st April 2009 Balance Sheet.

Section 4 – Notes to the Core Financial Statements

- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

- Previously capital grants received in 2009/10 but not used were not recognised as income and shown as part of the Creditors balances within the liabilities section of the Balance Sheet. Following the change in accounting policy, where there are no conditions, the grant has been recognised in full and transferred to the Capital Grants Unapplied Account within the reserves section of the Balance Sheet. Where conditions do apply the balances are now shown in the new liabilities line for Capital Grants Received in Advance.

This has resulted in the following adjustments to the figures reported in the 2009/10 financial statements:

Opening 1st April 2009 Balance Sheet	**2009/10 Statements £m**	**Adjustments Made £m**
Government Grants Deferred Account	(42.080)	42.080
Short Term Creditors	(66.227)	18.681
Capital Grants Receipts in Advance	-	(14.508)
Earmarked Reserves	(31.212)	(0.129)
Capital Grant Unapplied	-	(4.044)
Capital Adjustment Account	(601.207)	(42.080)

31st March 2010 Balance Sheet	**2009/10 Statements £m**	**Adjustments Made £m**
Government Grants Deferred Account	(68.044)	68.044
Short Term Creditors	(83.610)	18.625
Capital Grants Receipts in Advance	-	(14.577)
Earmarked Reserves	(29.605)	0.115
Capital Grant Unapplied	-	(4.163)
Capital Adjustment Account	(558.430)	(68.044)

2009/10 Comprehensive Income and Expenditure Statement Cost of Services (Net):	**2009/10 Statements £m**	**Adjustments Made £m**
Cultural, environmental, regulatory and planning services	44.826	0.212
Education and children's services	43.441	2.723
Highways and transport services	9.278	0.314
Local Authority housing (HRA) - other	(2.646)	(0.089)
Adult social care services	54.959	0.136
Corporate and democratic core	5.918	0.067
Non distributed cost - other	10.816	0.045
Financing and investment income and expenditure	-	(29.245)

Section 4 – Notes to the Core Financial Statements

Cash and Cash Equivalents

IFRS introduces cash equivalents representing any monies that can be readily converted into cash without incurring any financial penalty. The Council has assigned any bank account or investment where access or maturity is three months or less as representing cash equivalents.

This has resulted in the following adjustments to the figures reported in the 2009/10 financial statements:

Opening 1st April 2009 Balance Sheet	**2009/10 Statements £m**	**Adjustments Made £m**
Short Term Investments	36.217	(5.033)
Cash and Cash Equivalents	22.677	5.033

31st March 2010 Balance Sheet	**2009/10 Statements £m**	**Adjustments Made £m**
Short Term Investments	57.032	(27.405)
Cash and Cash Equivalents	26.397	27.405

Short Term Provisions

Under IFRS all assets and liabilities are split between short term, less than one year, and long term. In previous accounts all provisions were classed as long term resulting in the following adjustments to the figures reported in the 2009/10 financial statements:

Opening 1st April 2009 Balance Sheet	**2009/10 Statements £m**	**Adjustments Made £m**
Short Term Provisions	-	(17.156)
Long Term Provisions	(20.008)	17.156

31st March 2010 Balance Sheet	**2009/10 Statements £m**	**Adjustments Made £m**
Short Term Provisions	-	(2.612)
Long Term Provisions	(19.284)	2.612

Note 2. Accounting Standards Issued, Not Adopted

Heritage Assets: Impact of the Adoption of the new standard on the Financial Statements

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case, heritage assets.

Section 4 – Notes to the Core Financial Statements

As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these financial statements. The new standard will require that a new class of asset, heritage assets, be disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage Assets are assets that are held by the Council principally for their contribution to knowledge and culture. The collections of assets and artefacts are either exhibited or stored in:

- Tyne and Wear Archives (based at Discovery Museum, established 1974)
- Arbeia Roman Fort and Museum (founded 1953)
- South Shields Museum and Art Gallery (founded 1876)
- South Shields Town Hall (opened 1910).

The heritage assets held by the Council are the collections of assets and artefacts either exhibited or stored in one of the above locations. The five principal collections of heritage assets held in the museum include:

- Art (including fine art, decorative art, contemporary craft and design)
- Archaeology
- Ethnography
- History (including social history, costume, maritime history and engineering, science and industry)
- Natural Sciences (including geology and biology).

The collections are not currently recognised in the financial statements, as no information is available on the cost or the value of the assets. This is due to a number of factors, not all of which will apply consistently to the different collections, but includes: the lack of information on purchase cost; the lack of comparable market values; the diverse nature of the objects; and the volume of objects held. Detailed records for most of the assets are held by the Tyne and Wear Museums Joint Committee who manages the collections on behalf of the Council.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including 2010/11 comparative information). The 2011/12 Code where it relates to heritage assets will permit some relaxations of the normal valuation requirements of heritage assets and this will mean that the Council is able to recognise more of its collections of heritage assets in the Balance Sheet. The Council anticipates that it will be able to recognise its art collection on the Balance Sheet using its detailed insurance valuations (which are based on market values). The Council is unlikely to be able to recognise the majority of the other collections in future financial statements as it is of the view that obtaining any valuations for the vast majority of these collections would involve a disproportionate cost of obtaining the information in comparison to the users of the Council's financial statements - exemption is permitted by the 2011/12 Code.

It is estimated that the total value of heritage assets to be recognised in the Balance Sheet at 1st April 2010 (under the requirements of the 2011/12 Code) will be £1.078m. As these assets have not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve of £1.078m, i.e. a revaluation gain. No depreciation, impairment or revaluation gain in 2010/11 is anticipated so the carrying amount is expected to remain at £1.078m at 31st March 2011.

Section 4 – Notes to the Core Financial Statements

Note 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 48, 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:

- New guidance on the stock valuation of council dwellings was issued by the Royal Institute for Chartered Surveyors (RICS) in December 2010. Included in this guidance was a review of the discount factor used in the determination of the valuation for dwellings in existing use as social housing. The discount factor is obtained by taking the cost of buying a vacant dwelling of a similar type and applying an adjustment factor according to the type of tenancy and regional factors. The discount factor was last reviewed in 2005 and stood at 49% for the Council however the updated guidance has reduced the discount factor to 37%. The Council's valuers have reviewed this new discount factor, comparing it to movements in property prices in the Borough over the same period and concluded that it would be appropriate to reflect the new factor in valuations. This has resulted in an impairment of £100.238m charged to the Comprehensive Income and Expenditure Statement.

- There have been significant reductions in levels of funding for Local Government in 2011/12 and future years. There continues to be some level of uncertainty over the resources that will be available in future. The Council is committed through its strategic planning process to realise efficiencies through new models of delivery rather than service reduction and has therefore not at this stage identified assets which may need to be impaired as a result of a need to close facilities.

- The Council is deemed to control the services provided under the Private Finance Initiative agreements for two secondary schools and the Council's street lighting. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and the following assets, totalling £54.418m, are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

    - Boldon School valued at £15.637m
    - Jarrow School valued at £14.989m
    - Street Lighting valued at £23.792m

  A further school, South Shields Community School is due for completion under a similar PFI arrangement during 2011/12.

- In 2008/09 the Council entered into a Strategic Partnership with BT South Tyneside (BTST) Limited to deliver a range of back office services to the Council. The substance of the arrangement has been reviewed to assess whether this would meet the definition of a service concession or whether there were any lease type arrangements between the parties. The arrangement is not deemed to be a service concession. The provision of accommodation and assets to deliver the services are not classed as a lease type arrangement as occupation is not related to a specific asset.

- The substance of the relationship between the Council and BTST Limited has been reviewed and is not deemed to be an entity controlled by the Council and as such is treated as a long term contract within the Statement of Accounts.

Section 4 – Notes to the Core Financial Statements

- During 2010/11 the Council, in partnership with BTST Limited implemented Oracle Enterprise Resource Planning system for Finance, Human Resources, Payroll and Procurement. The risks and rewards of the project have been reviewed and the capital asset created has been recognised as Property, Plant and Equipment and Intangible Assets on the Council's Balance Sheet, with a value of £5.268m. As the system go live date was 5th April 2011, the asset has been treated as an asset under construction for the 2010/11 Statement of Accounts.

- The Council is one of seven Local Authorities who hold an overall 51% shareholding in Newcastle Airport. The Council acts as Lead Authority for this group and has considered whether a revaluation of the holding is required in 2010/11, taking into account any factors which may impact the valuation of the holding. For example, changes to assumptions used in the 2009/10 valuation, market conditions and evidence of the financial position of company have all been considered. The Council has concluded that no valuation is required for 2010/11 and the Council's holding will continue to be valued at £0.425m. This policy will be reviewed annually.

- South Tyneside Homes Limited, a company wholly owned by the Council, delivers the management and maintenance of the Council's housing stock. The Council has concluded that this is a subsidiary and the results have been consolidated into the Council's Group Accounts.

- The Council is currently constructing a new office facility at Harton Staithes, South Shields. Upon completion, the office will be leased to BTST Limited for an initial lease term of 14 years. The primary purpose of the construction project is to secure new jobs for the Borough and facilitate regeneration of the riverside area. Although the asset will generate rental income and may result in capital appreciation, these were not the primary purposes of the project. For this reason, the Council has accounted for this asset under construction as Property, Plant and Equipment on the Balance Sheet and not an Investment Property.

- The Council owns assets leased to third parties e.g. factory and retail units, with a value of £29.866m. Whilst the Council does receive rental income, the primary purpose of holding these assets is job creation and regeneration of the Borough. The assets have therefore been accounted for as Property, Plant and Equipment on the Balance Sheet.

- The Council has undertaken a major redundancy programme to meet the significant reduction in Government funding in 2011/12. A significant number of employees had either left the Council or had a confirmed leaving date at 31st March 2011 (see note 41). The cost has been recognised in the Statement of Accounts for these employees. The Council had articulated to employees the scales of reductions required to meet the 2012/13 Budget. As the number of additional post reductions and costs could be reasonably estimated, a provision of £1.200m has been included in the Statement of Accounts. This provision relates to the redundancy element only as accounting policies allow the pension costs to be charged to the General Fund in the year the person leaves.

- The Council acts as guarantor for a number of organisations that have been admitted into the Local Government Pension Scheme. These have been classified as contingent liabilities as no liability will crystallise unless such an organisation is wound up.

- The Council entered into a new lease arrangement in 2010/11 for library and community facilities within the Primary Care Trusts health facility at Cleadon Park. The agreement was reviewed for whether the lease should be treated as a finance or operating lease. The length of lease and the proportion of asset value met by discounted rental payments concluded that the arrangement was a finance lease. As a result an asset of £2.275m has been recognised on the Council's Balance Sheet.

- Over recent years the Council has received a significant number of claims under the Equal Pay Act 1970. As the potential liability for the Council continues, a provision has been made within the 2010/11 accounts for £17.520m.

- The Council are involved in a number of legal cases, varying in value and stage at which the actions have progressed. Only one legal case against the Council is currently considered to have a potential liability above £0.1m. As the potential liability and the outcome of the case cannot be reasonably estimated at this stage, no provision or contingent liability has been included in the Statement of Accounts.

Note 4. Assumptions made about the Future and Other Sources of Estimation

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 31st March 2011 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	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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for buildings would increase by £2.980m for every year that useful lives had to be reduced.
Property, Plant and Equipment	In line with the Code component accounting is being applied prospectively rather than retrospectively and so does not apply to all non-current assets. For some Council dwellings components have been recognised for structure and internals, with the internals component depreciated over a shorter useful economic life of 18 years. In initially recognising the internals	The approach will be reviewed each financial year to ensure assumptions are still correct with the improved detail of financial information available. For every 1 year less useful life that is applied to the initial component, the impact on depreciation would be £0.100m.

Item	Uncertainties	Effect if actual results differ from assumptions
	component, assumptions have been made as to the current value of the component and the useful life. The current value has been based on the total expenditure on internals during 2009/10 and 2010/11 (as data has not been held at this more detailed level for previous years). The useful life has been assumed as 18 years. Any existing internals component has been assumed to have no value on the basis that expenditure would only be incurred.	For every £1m of residual value which we have not derecognised, this would reduce depreciation by £0.056m.
Property, Plant and Equipment	A similar approach has been taken with General Fund assets where componentisation has been applied. Again assumptions have been made as to the current value of the internals component and the useful life of 20 years assigned.	For every 1 year less useful life that is applied to the initial component, the impact on depreciation would be £0.070m. For every £1m of residual value which we have not derecognised, this would reduce depreciation by £0.056m.
Provisions	The Council has made a provision of £17.52m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. Assumptions have been made on numbers of potential claimants, as it is not certain that the Council has received all valid claims.	The assumption on average settlement cost has been updated to reflect most recent settlements. An increase over the forthcoming year of 10% in the number of claims would have the effect of adding £1.752m to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £55.810m. However the assumptions interact in complex ways. During 2010/11 the Council's actuaries advised that the

Item	Uncertainties	Effect if actual results differ from assumptions
	The actuaries have undertaken additional analysis for the 2010/11 Statement of Accounts of the impact on net liabilities of the major redundancy programme during the year. This resulted in a £1.610m reduction in the pension liability. No estimates could be made of the impact of future years' redundancy due to the uncertainty of number and costs of future redundancies.	net pension liability had increased by £13.080m as a result of estimates being updated to take account of experience in year and Government Legislation and decreased by £0.750m attributable to the updating of assumptions.
Arrears	At 31st March 2011 the Council had a sundry debtor balance of £18.764m. A review of these debtors suggested that an impairment charge of £2.298m was appropriate. £3.480m balances due from the Primary Care Trust, have also been impaired by £0.998m, based on current discussions regarding this debt. In the current economic climate it is not certain that such an allowance may be sufficient.	If collection rates were to deteriorate then a 10% increase in impairment of doubtful debts would require an additional £0.836m set aside in the provision.

Note 5. Events after the Balance Sheet Date

These accounts were authorised for issue on 28th September 2011 by Councillor Iain Malcolm, Chair of General Purposes Committee. They include any events taking place between this date and the date of the Balance Sheet where these events would affect the reported position at 31st March 2011. There are no such events to report.

Note 6. Adjustments between Accounting Basis/Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11	General Fund balance £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Movement in Unusable Reserves £m
	Usable Reserves					
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	(13.701)	(13.328)	-	-	-	27.029
The excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy	-	3.928	-	(3.928)	-	-
Revaluation losses on Property Plant and Equipment	(28.595)	(139.596)	-	-	-	168.191
Amortisation of intangible assets	(0.667)	(0.075)	-	-	-	0.742
Capital grants and contributions applied	51.451	2.740	-	-	-	(54.191)
Capital Receipts not Linked to Non-current Assets	0.240	0.078	(0.318)	-	-	-
Revenue expenditure funded from capital under statute	(26.848)	(0.936)	-	-	-	27.784
Amounts of current and non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(0.085)	(4.476)	-	-	-	4.561
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	8.182	0.018	-	-	-	(8.200)
Capital expenditure charged against the General Fund and HRA balances	0.761	1.377	-	-	-	(2.138)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	0.869	(0.869)
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	-	2.552	(2.552)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	2.197	-	-	(2.197)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(0.004)	0.004	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(0.651)	-	0.651	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(0.004)	-	(0.009)	-	-	0.013
Adjustment primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	7.336	-	(7.336)
Adjustment 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	0.045	(0.077)	-	-	-	0.032
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	52.525	(0.017)	-	-	-	(52.508)
Employer's pensions contributions and direct payments to pensioners payable in the year	22.125	0.015	-	-	-	(22.140)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(0.105)	-	-	-	-	0.105
Adjustment primarily involving the Equal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	3.021	-	-	-	-	(3.021)
Adjustment primarily involving the Employee Benefits Adjustment Account:						
Employee Benefits Accrued during the Year	1.237	-	-	-	-	(1.237)
Total Adjustments	**68.931**	**(147.801)**	**(0.027)**	**3.408**	**0.869**	**74.620**

The equivalent figures for the previous year are as follows:

2009/10	General Fund balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	Usable Reserves					
	£m	£m	£m	£m	£m	£m
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	(17.477)	(19.921)	-	-	-	37.398
The excess of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy	-	20.145	-	(20.145)	-	-
Revaluation losses on Property Plant and Equipment	(5.134)	(4.767)	-	-	-	9.901
Amortisation of intangible assets	(0.704)	(0.063)	-	-	-	0.767
Capital grants and contributions applied	28.327	0.918	-	-	-	(29.245)
Capital Receipts not Linked to Non-current Assets	0.255	0.108	(0.363)	-	-	-
Revenue expenditure funded from capital under statute	(18.808)	(0.711)	-	-	-	19.519
Amounts of current and non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(9.962)	(3.211)	-	-	-	13.173
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	6.290	0.018	-	-	-	(6.308)
Capital expenditure charged against the General Fund and HRA balances	0.391	-	-	-	-	(0.391)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(0.119)	0.119
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	-	1.946	(1.946)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-		0.884	-	-	(0.884)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(0.027)	0.027	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1.493)	-	1.493	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(0.004)	-	(0.023)	-	-	0.027
Adjustment primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	23.679	-	(23.679)
Adjustment 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	0.035	(0.072)	-	-	-	0.037
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	(29.663)	(0.016)	-	-	-	29.679
Employer's pensions contributions and direct payments to pensioners payable in the year	20.718	0.022	-	-	-	(20.740)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	0.549	-	-	-	-	(0.549)
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	4.545	-	-	-	-	(4.545)
Adjustment primarily involving the Employee Benefits Adjustment Account:						
Employee Benefits Accrued during the Year	(0.305)	-	-	-	-	0.305
Total Adjustments	**(22.440)**	**(5.631)**	**0.072**	**3.534**	**(0.119)**	**24.584**

Section 4 – Notes to the Core Financial Statements

Note 7. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11. Earmarked reserves are held for specific purposes and are not intended to support general Council spending. They include cash balances held on behalf of schools, which are not for use in other Council services.

The following table shows the movement in earmarked reserve balances for the past two years.

	Balance 1st April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance 31st March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance 31st March 2011
	£m	£m	£m	£m	£m	£m	£m
General Fund:							
Strategic Reserve	(2.872)	-	(0.020)	(2.892)	-	(0.057)	(2.949)
School Balances	(6.787)	-	(0.205)	(6.992)	3.240	(4.126)	(7.878)
Structural Change Reserve	(1.674)	1.785	(0.187)	(0.076)	0.076	(1.035)	(1.035)
Maintenance Fund	(1.390)	0.046	-	(1.344)	0.068	-	(1.276)
Insurance Reserve	(3.763)	-	(0.172)	(3.935)	-	-	(3.935)
Risk Capacity Reserve	(2.953)	0.200	-	(2.753)	3.049	(2.796)	(2.500)
Private Finance Initiative	(3.842)	-	(0.061)	(3.903)	-	(0.040)	(3.943)
Partnership Working	(0.224)	0.025	-	(0.199)	0.086	-	(0.113)
Grant Clawback	(0.160)	0.207	(0.196)	(0.149)	0.149	-	-
Retained Income	(0.078)	-	(0.391)	(0.469)	0.469	(0.981)	(0.981)
Other Reserves	(7.598)	0.820	-	(6.778)	4.885	(1.208)	(3.101)
Total Earmarked Reserves	**(31.341)**	**3.083**	**(1.232)**	**(29.490)**	**12.022**	**(10.243)**	**(27.711)**

The key earmarked reserves held at the Balance Sheet date are outlined below:

Strategic Reserve

This reserve covers emergency events such as unforeseen financial liabilities or natural disasters without destabilising the budget in the short term. This reserve is held at 2% of the Council's net revenue budget. This is felt to be an appropriate level as separate earmarked reserves are created for identified risks.

School Balances

This amount represents the cumulative net unspent element of school budget shares, which, in accordance with Government legislation, must be carried forward into the following financial year. The balances include schools capital grant funding (Devolved Formula Capital) awarded but unspent which can be carried forward to future years. Also included within this balance are the unspent balances held by individual schools, unspent contingencies from the Individual School Budget and school related earmarked reserves. Offset against these balances are school debtors and debt in relation to the Building Schools for the Future Programme. The balances are committed to be spent on education. Of the school balances 7 schools (3 in 2009/10) are in deficit totalling £0.155m (£0.078m in 2009/10).

Structural Change Reserve
This reserve is intended to cover the revenue costs of reorganisational change in the Council.

Maintenance Fund
Reserve to cover any revenue liabilities arising from assets transferred to the Council after the Tyne and Wear Urban Development Corporation was wound up. Interest is earned on the reserve and used to support costs during the year. Any deficit is met from a transfer from the reserve.

Insurance Reserve
The insurance reserve balance represents funding to pay for future claims over and above the known claims for which we have made provision. The Council maintains reserves to meet excess payments for claims on liability or fire insurance and to self-fund against losses where this is more economical than procuring from the market. The key self-funded insurance areas are industrial diseases relating to pre 1974 and loss or damage to equipment.

Risk Capacity Reserve
To cover known financial risks, which are both significant and volatile. The reserve has been used to deal with demand led pressures, particularly for areas such as adult social care. The scope of this reserve was extended in 2009/10 to cover the budget risks from the economic downturn as well as from demand led budgets. The reserve is also used to support budget pressures arising from the significant cut in central Government funding.

Private Finance Initiative
Grant credits received in advance by the Council and retained to meet future costs under the Private Finance Initiative.

Partnership Working
Relates to receipts in advance from the other Tyne and Wear authorities where the Council takes the lead in the procurement or delivery of a local initiative.

Grant Clawback
Funds held in reserve to offset the cost of any grants or contributions received that subsequently become repayable. The reserve has been released following the Government's decision to unringfence most grants.

Retained Income
Income or unringfenced funding carried forward by specific services to allow that service to deliver a specific project or to break even over the medium term.

Other Reserves
Amounts set aside for specific expenditure commitments within Groups. Most of these have been applied in year. The major reserve in this list relates to the employment reserve set aside to maintain or generate employment opportunities through the economic downturn.

Note 8. Major Items of Income and Expenditure

Local Authority Housing (HRA) - Impact of change in Discount Factor in Impairment of Non-current Assets
New guidance on the stock valuation of council dwellings was issued by the Royal Institute for Chartered Surveyors in December 2010. Included in this guidance was a review of the

discount factor used in the determination of the valuation for dwellings in existing use as social housing. The discount factor is obtained by taking the cost of buying a vacant dwelling of a similar type and applying an adjustment factor according to the type of tenancy and regional factors. The discount factor was last reviewed in 2005 and stood at 49% for the Council however the updated guidance has reduced the discount factor to 37%. The value of impairment that could not be absorbed by previous gains in the Revaluation Reserve was £92.675m in relation to Council Dwellings and £7.563m in relation to other land and buildings (sheltered units and surplus housing land).

Non Distributed Cost – Equal Pay Settlements

The Council continues to litigate and to reach settlements in relation to its liability to Equal Pay and Equal Value claims. Due to the level of costs involved this has been disclosed within Exceptional Items on the face of the Comprehensive Income and Expenditure Statement rather than be subsumed within the specific service lines. The total amount paid during 2010/11 was £2.410m (£8.883m in 2009/10).

Non Distributed Cost - Impact of change in Inflation Factor in Retirement Benefits

Last year the Government announced that future pension increases would be linked to the Consumer Price Index rather than the Retail Price Index. The former is a lower rate of interest and so this has had the effect of significantly reducing the Council's reported Pension Liability. A gain of £75.630m (after taking into account an estimated normal annual increase in liability of £1.180m) has been taken through the Comprehensive Income and Expenditure Statement in 2010/11.

Note 9. Other Operating Expenditure

Other operating income and expenditure is made up of the following items:

2009/10 £m		2010/11 £m
9.893	Levies	10.048
1.493	Payments to the Government Housing Capital Receipts Pool	0.651
11.254	Loss on the Disposal of Non-Current Assets	2.013
22.640	**Total Other Operating Expenditure**	**12.712**

Note 10. Financing and Investment Income and Expenditure

Financing and Investment income and expenditure is made up of the following items:

2009/10 £m		2010/11 £m
16.597	Interest Payable and Similar Charges	20.007
16.290	Pensions Interest Cost and Expected Return on Pensions Assets	6.240
(2.169)	Interest Receivable and Similar Income	(1.245)
0.361	Deficits on Trading Undertakings and Dividends Receivable	0.127
(0.220)	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	(0.220)
(0.240)	Other Investment Income	(0.240)
30.619	**Total Financing and Investment Income and Expenditure**	**24.669**

Section 4 – Notes to the Core Financial Statements

Note 11. Taxation and Non-specific Grant Income

Taxation and Non Specific Grant income is made up of the following items:

2009/10 £m		2010/11 £m
(55.931)	Council Tax Income	(57.545)
(72.284)	National Non-Domestic Rates	(78.838)
(48.541)	Unringfenced Government Grants	(43.647)
(29.126)	Capital Grants and Contributions	(38.620)
(205.882)	**Total Taxation and Non Specific Grant Income**	**(218.650)**

Note 12. Property, Plant and Equipment

The following table analyses the movement in property, plant and equipment for 2010/11 and identifies the value of assets held under PFI arrangements:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
Cost or valuation	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1st April 2010	737.348	349.000	40.578	92.651	5.839	17.599	9.892	1,252.907	57.512
Additions	33.985	30.186	10.876	12.493	0.387	-	27.388	115.315	6.235
Revaluation to Revaluation Reserve	(72.194)	1.701	-	-	0.200	(1.046)	0.032	(71.307)	-
Revaluation to Income and Expenditure	(131.530)	(35.979)	-	-	-	(0.137)	(0.545)	(168.191)	-
Derecognition - Sales	(0.641)	-	(1.153)	-	-	-	-	(1.794)	-
Derecognition - Other Disposals	(1.545)	(0.001)	(0.353)	-	-	-	-	(1.899)	-
Assets Reclassified to Held for Sale	-	(1.949)	-	-	-	(0.208)	-	(2.157)	-
Other Movements / Other Assets Reclassified	3.914	4.306	0.901	0.326	(0.180)	-	(9.267)	-	-
At 31st March 2011	**569.337**	**347.264**	**50.849**	**105.470**	**6.246**	**16.208**	**27.500**	**1,122.874**	**63.747**
Depreciation and Impairments									
At 1st April 2010	(72.860)	(30.833)	(28.241)	(14.754)	(0.567)	(2.703)	-	(149.958)	(8.341)
Depreciation Charge 2010/11	(11.721)	(7.185)	(4.515)	(2.282)	(0.299)	(0.002)	-	(26.004)	(0.988)
Depreciation to Revaluation Reserve	40.823	7.849	-	-	-	2.700	-	51.372	-
Impairment Charge 2010/11	(0.158)	(0.557)	-	(0.074)	-	-	-	(0.789)	-
Derecognition - Sales	0.083	-	1.068	-	-	-	-	1.151	-
Derecognition - Other Disposals	0.176	-	0.353	-	-	-	-	0.529	-
Assets Reclassified to Held for Sale	-	0.066	-	-	-	0.003	-	0.069	-
Other Movements / Other Assets Reclassified	-	(0.018)	-	-	0.018	-	-	-	-
At 31st March 2011	**(43.657)**	**(30.678)**	**(31.335)**	**(17.110)**	**(0.848)**	**(0.002)**	**-**	**(123.630)**	**(9.329)**
Balance Sheet amount at 31st March 2010	**664.488**	**318.167**	**12.337**	**77.897**	**5.272**	**14.896**	**9.892**	**1,102.949**	**49.171**
Balance Sheet amount at 31st March 2011	**525.680**	**316.586**	**19.514**	**88.360**	**5.398**	**16.206**	**27.500**	**999.244**	**54.418**

The equivalent movements for **2009/10** are as follows:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
Cost or valuation	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1st April 2009	691.895	313.977	33.261	82.427	5.511	18.051	2.857	1,147.979	31.405
Additions	56.240	47.403	8.092	10.198	0.328	0.390	6.491	129.142	26.107
Revaluation to Revaluation Reserve	(2.212)	3.515	0.084	-	-	2.555	0.545	4.487	-
Revaluation to Income and Expenditure	(4.569)	(5.264)	-	0.026	-	(0.094)	-	(9.901)	-
Derecognition - Sales	(1.614)	-	-	-	-	-	-	(1.614)	-
Derecognition - Other Disposals	(1.623)	(10.363)	(0.858)	-	-	-	-	(12.844)	-
Assets Reclassified to Held for Sale	-	(1.039)	-	-	-	(3.300)	-	(4.339)	-
Other Movements / Other Assets Reclassified	(0.769)	0.771	(0.001)	-	-	(0.003)	(0.001)	(0.003)	-
At 31st March 2010	**737.348**	**349.000**	**40.578**	**92.651**	**5.839**	**17.599**	**9.892**	**1,252.907**	**57.512**
Depreciation and Impairments									
At 1st April 2009	(75.239)	(27.425)	(24.298)	(12.330)	(0.276)	(1.544)	-	(141.112)	(2.608)
Depreciation Charge 2009/10	(16.969)	(7.272)	(4.777)	(2.393)	(0.292)	(0.002)	-	(31.705)	(1.060)
Depreciation to Revaluation Reserve	19.136	8.924	-	-	-	(2.772)	-	25.288	-
Impairment Charge 2009/10	(0.309)	(5.355)	-	(0.031)	-	-	-	(5.695)	(4.673)
Derecognition - Sales	0.190	-	-	-	-	-	-	0.190	-
Derecognition - Other Disposals	0.223	0.401	0.858	-	-	-	-	1.482	-
Assets Reclassified to Held for Sale	-	-	-	-	-	1.542	-	1.542	-
Other Movements / Other Assets Reclassified	0.108	(0.106)	(0.024)	-	0.001	0.073	-	0.052	-
At 31st March 2010	**(72.860)**	**(30.833)**	**(28.241)**	**(14.754)**	**(0.567)**	**(2.703)**	**-**	**(149.958)**	**(8.341)**
Balance Sheet amount at 31st March 2009	**616.656**	**286.552**	**8.963**	**70.097**	**5.235**	**16.507**	**2.857**	**1,006.867**	**28.797**
Balance Sheet amount at 31st March 2010	**664.488**	**318.167**	**12.337**	**77.897**	**5.272**	**14.896**	**9.892**	**1,102.949**	**49.171**

Depreciation

Where appropriate, the valuations reflect accumulated depreciation. The following principles have been applied in calculating depreciation:

- Land is not depreciated.
- Dwellings and other buildings – straight-line allocation over the remaining useful life of the property (between 9 and 80 years) as estimated by the valuer.
- Vehicles, plant, furniture and equipment - straight-line allocation over 3 to 7 years being the estimated remaining useful economic life.
- Community Assets – straight-line allocation over 20 years.
- Infrastructure – straight-line allocation over 40 years (100 years for coastal protection).

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the asset and whose useful life is significantly different, the components are depreciated separately. The Code allows local authorities to apply components prospectively rather than retrospectively and so not all non-current assets are subject to this level of depreciation. The Council has recognised the internal services and fixtures as the only major component and this is being depreciated between 18 and 20 years on inception. The useful economic lives have been estimated using building cost data available from the Building Cost Information Service (BCIS). This is a database of nationally gathered building costs by asset type and area.

Section 4 – Notes to the Core Financial Statements

Capital Commitments

As at 31st March 2011 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £121m. Similar commitments at 31st March 2010 were £181m. Details of commitments over £0.5m under capital contracts as at 31st March 2011 are as follows:

Capital Scheme		Net Commitment at 31st March 2011 £m	Period of Commitment Years
Harton 16-19 College	Secondary School refurbishment	6.299	1
St. Josephs School	Secondary School refurbishment	1.325	1
St. Wilfred's School	Secondary School refurbishment	1.139	1
Harton Primary School	Creation of a new combined primary school	0.561	1
Forest View Primary School	Creation of a new combined primary school	2.402	1
Stanhope Primary School	Creation of a new combined primary school	1.902	1
Hebburn Primary School	Creation of a new combined primary school	5.968	1
Foreshore Swimming Pool	Building of new swimming pool	16.900	3
Harton Staithes	Building of new office block	4.276	2
Green Incubator	Building of business centre	4.875	3

Effects of Changes in Estimates and Approaches

In 2010/11, the Council made the following material changes to its accounting estimates for Property, Plant and Equipment:

New guidance on the stock valuation of council dwellings was issued by the Royal Institute for Chartered Surveyors in December 2010. Included in this guidance was a review of the discount factor used in the determination of the valuation for dwellings in existing use as social housing. The discount factor is obtained by taking the cost of buying a vacant dwelling of a similar type and applying an adjustment factor according to the type of tenancy and regional factors. The discount factor was last reviewed in 2005 and stood at 49% for the Council however the updated guidance has reduced the discount factor to 37%. This has had the effect of impairing our dwellings £92.675m and our other land and buildings (sheltered units and surplus housing land) by £7.563m.

Under the Code the Council is allowed to apply component accounting prospectively rather than retrospectively. As a result not all non-current assets are subject to componentisation. Where components are recognised they are now depreciated separately. The prospective requirement means that the Council only recognises components following either a revaluation of the property or significant expenditure on the component. The Council recognises three components in addition to the land values:

- Structure (includes both superstructure and substructure).
- Internals (includes service connections, internal finishes and fixture and fittings).
- Specialist (only to be used for any significant value specialist plant that does not have the same useful economic life of the structure or the internals e.g. the cremators).

The useful economic life (UEL) of the structure is broadly similar to the life assigned to the whole asset in previous accounting periods however the UEL of the internals and the specialist plant are significantly less. In 2010/11 the Council has recognised internal and specialist plant components to the value of £52.663m. This has increased the depreciation charged to the Comprehensive Income and Expenditure Statement by £1.558m.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are undertaken in-house and approved by the former Estates and Valuation Manager, L. Barclay M.R.I.C.S. The valuations have been made in accordance with the Statements of Valuation Practice and Guidance Notes issued by the Asset Valuation Standards Committee of the Royal Institution of Chartered Surveyors so far as these are consistent with the stated and agreed requirements.

Where Property, Plant or Equipment has been revalued the date of the valuation is **1st April 2010** except if significant spending in year has taken place in which case the valuations date is **31st March 2011**. All assets not at historic cost are revalued as part of a five year rolling programme.

In the case of **operational assets of a specialised nature**, that is those properties rarely, if ever, sold on the open market in their existing use, the valuation method applied is the Depreciated Replacement Cost (DRC) of the property. The DRC basis of valuation requires an estimate of the value of the land in its existing use together with the current gross replacement costs of the building and its external works from which appropriate deductions have been made to reflect age and condition.

For **dwellings and other operational assets of a non-specialised nature** the Existing Use Valuation (EUV) method has been adopted. This represents the amount that the Council could be expected to receive from the sale of that asset having regard to the prospect and viability of the continuance of the current occupancy and use.

Surplus assets are valued at EUV based on their last usage before being declared surplus.

Community Assets, Assets under Construction, equipment and infrastructure are valued at historical cost and are not revalued. However plant and machinery that would normally be regarded as an integral part of the building on letting or sale have been included as a component value and are revalued alongside the building.

Revaluations reflect all known impairments. Impairment occurs due to economic, functional and environmental obsolescence and other locational factors that might result in the existing property being worth less than its current net book value.

In recent years, the economic climate has had a material effect on the value of assets held by all Councils. Following a review in 2010/11 the former Estates and Valuation Manager made the following recommendations:

- No further impairment in year, including infrastructure assets.
- No reversal of previous year impairments until the local market shows signs of stabilising.

Section 4 – Notes to the Core Financial Statements

The following table analyses the value of the Property, Plant and Equipment held, broken down into historic cost or by year of valuation.

	Council Dwellings	Other Land and Buildings	Community Assets	Infra-structure	Vehicles Plant and Equipment	Assets Under Construction	Surplus Asset	2010/11 Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Valued at historic cost	-	-	5.398	88.360	19.514	27.500	-	**140.772**
Valued at current value in:								
2010/11	237.080	87.509	-	-	-	-	4.182	**328.771**
2009/10	116.297	64.628	-	-	-	-	3.866	**184.791**
2008/09	0.006	67.135	-	-	-	-	7.976	**75.117**
2007/08	68.852	39.205	-	-	-	-	-	**108.057**
2006/07 or prior	103.445	58.109	-	-	-	-	0.182	**161.736**
Total Cost or Valuation	**525.680**	**316.586**	**5.398**	**88.360**	**19.514**	**27.500**	**16.206**	**999.244**

An analysis of the number of Properties as at 31st March is as follows:

	2010	2011		2010	2011
Council Dwellings	16,964	16,924	Youth and Community Centres	27	27
Sheltered Housing Units	1,238	1,239	Sports Stadia	2	2
Garages	2,727	2,727	Children's Homes	2	3
Town Hall and Civic Offices	13	11	Family Centres	3	3
Homes for the Elderly	4	2	Day/Social Centres	13	13
Leisure Centre/Pools	2	2	Surestart Facilities	5	5
Museums/Galleries	2	2	Child Protection Unit	1	1
Depots	1	1	Special Placement Unit	2	2
Parks	14	14	Market	1	1
Crematorium and Cemeteries	7	7	Industrial Estates	11	11
Libraries	8	8	Managed Workshops	3	3
Schools	49	48	Shops	193	193

The following key movements took place during the year:

- The Council completed construction of 27 new bungalows.
- 53 properties were demolished and 14 properties sold through Right To Buy.
- Murtagh Diamond House was converted into a Children's respite unit.
- 2 Elderly people's homes were closed and are now shown as assets held for sale.
- Harton Juniors and Harton Infant Schools were replaced by the new Harton Primary School in 2010/11.

The Council holds community assets consisting of 14 general parks, 6 cemeteries and a number of art sculptures, which are included above. These assets are valued at depreciated historical cost and those that were gifted to the Council appear at nil value in the accounts.

The Council is also responsible for the management of 3 industrial estates on behalf of the Tyne and Wear Development Company.

Note 13. Investment Properties

The only investment property owned by the Council relates to land that is leased as a terminal for use by the petrochemical industry.

The following income has been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2009/10 Total £m	2010/11 Total £m
Rental income from Investment Property	**(0.220)**	**(0.220)**

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

The following table shows the fair value of investment properties at the year-end:

	2009/10 Total £m	2010/11 Total £m
Balance at start of the year	**2.900**	**2.900**
Balance at end of the year	**2.900**	**2.900**

Note 14. Intangible Assets

The Council accounts for its purchased software as intangible assets with an assigned remaining useful life of five years. The carrying amount is amortised on a straight-line basis. The amortisation of £0.742m charged to revenue in 2010/11 was primarily charged to the Information Technology administration cost centre and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	Software £m	Software in Development £m	2009/10 Total £m	Software £m	Software in Development £m	2010/11 Total £m
Balance at start of year:						
Gross carrying amounts	3.253	-	3.253	4.309	0.402	4.711
Accumulated amortisation	(1.366)	-	(1.366)	(2.133)	-	(2.133)
Net carrying amount at start of year	**1.887**	**-**	**1.887**	**2.176**	**0.402**	**2.578**
Additions: Purchases	1.056	0.402	1.458	0.800	0.005	0.805
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	-	(0.235)	-	(0.235)
Amortisation for the period	(0.767)	-	(0.767)	(0.742)	-	(0.742)
Net carrying amount at end of year	**2.176**	**0.402**	**2.578**	**1.999**	**0.407**	**2.406**
Comprising:						
Gross carrying amounts	4.309	0.402	4.711	4.874	0.407	5.281
Accumulated amortisation	(2.133)	-	(2.133)	(2.875)	-	(2.875)

The Council implemented a new suite of financial software, Oracle, on 5th April 2011. This new system provides a fully integrated solution for payroll, HR, procurement, debtors, creditors and general ledger and replaces the individual systems previously operated by the Council. These systems are still available to the Council for enquiry purposes and to support the preparation of these Statement of Accounts. In view of the diminished role of this software the Council has reduced the remaining value to nil resulting in £0.235m impairment charged to the Comprehensive Income and Expenditure Statement pending their ultimate disposal in 2011/12. The licence costs for Oracle have been recognised in Intangible Assets. All other costs of bringing the system into operation have been recognised in Property, Plant and Equipment.

Note 15. Financial Instruments

The notes that follow are intended to provide higher quality information on financial instruments to help the reader identify, quantify and inform on the exposure to and management of risk, including information on the current “fair values” of assets and liabilities held by the Council.

Amortised Cost

Most financial instruments (whether borrowing or investment) have to be valued at “amortised cost” using the effective interest rate method.

Fair Value

Financial Instruments are also to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Financial instruments shown on the Balance Sheet need to be further analysed into various defined categories. The investment, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of “financial instruments”:

Section 4 – Notes to the Core Financial Statements

	LONG- TERM			CURRENT		
	1st April 2009	31st March 2010	31st March 2011	1st April 2009	31st March 2010	31st March 2011
	£m	£m	£m	£m	£m	£m
Available-for-sale financial assets						
Unquoted equity investment at Fair Value (Newcastle Airport)	0.807	0.425	0.425	-	-	-
Unquoted equity investment at Cost (InspiredSpaces)	0.001	0.001	0.001	-	-	-
Other Available-for-sale financial assets at fair value	0.009	0.009	0.009	-	-	-
Total Available for sale financial assets	**0.817**	**0.435**	**0.435**	**-**	**-**	**-**
Loans and receivables						
Deposits with Banks and other financial institutions	10.000	5.000	-	31.184	29.627	19.608
Long and Short Term Debtors	1.488	1.594	1.201	26.928	35.249	33.482
Total Loans and receivables	**11.488**	**6.594**	**1.201**	**58.112**	**64.876**	**53.090**
Financial liabilities at amortised cost						
Long and Short Term Borrowing	(217.367)	(288.454)	(313.373)	(5.333)	(5.770)	(31.411)
Long and Short Term Creditors	(0.170)	(0.175)	(0.157)	(51.293)	(67.516)	(49.857)
PFI liabilities	(23.293)	(49.004)	(53.966)	(0.283)	(0.481)	(1.310)
Finance Lease and other liabilities	(1.048)	(2.397)	(4.400)	(0.502)	(1.814)	(2.988)
Total Financial liabilities at amortised cost	**(241.878)**	**(340.030)**	**(371.896)**	**(57.411)**	**(75.581)**	**(85.566)**

Available for Sale Financial Assets

Newcastle Airport

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. In consideration of this transfer the Council received £3.306m worth of shares.

On 4th May 2001, the seven Local Authority (the 'LA7') shareholders of NIAL entered into a strategic partnership with Copenhagen Airports Limited for the latter to purchase a 49% share of Newcastle International Airport. This involved the creation of a new company, NIAL Holdings Limited, which is 51% owned by LA7. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Limited, a company wholly owned by the seven authorities.

The Newcastle Airport Local Authority Holding Company Limited has a called up share capital of 10,000 shares with a nominal value of £1 each. South Tyneside Council has a shareholding of 990 shares representing a 9.9% interest in the company. The shares are not held for trading outside of the LA7.

At the time of the acquisition of the new shares, the net worth of NIAL Holdings Limited was £134m and the Council's share of this valuation (9.9% of 51%) was £6.766m. The valuation of NIAL Holdings Limited is reviewed annually. There has been no revaluation of the Airport investment in 2010/11 and so the valuation remains at £0.425m (£0.382m impairment loss on revaluation in 2009/10).

The Local Authority shareholders received £95m in cash for the 49% shareholding in NIAL Holdings Limited and an additional £100m issued by the Company in the form of short and long term loan notes. The latter payments are in recognition of the value built up in Newcastle International Airport Limited over previous years. £25m long term loan notes are being paid in ten annual instalments, starting in 2002/03, of which the Council will receive £2.4m over the 10 years.

Section 4 – Notes to the Core Financial Statements

South Tyneside Council's 9.9% shareholding in Newcastle Airport Local Authority Holding Company Limited is an effective shareholding of 5.0% in Newcastle International Airport Limited (and the group companies of NIAL Group Limited, NIAL Holdings Limited).

The principal activity of Newcastle International Airport Limited (Registered Number 2077766) is the provision of landing services for both commercial and freight operators. There have been no trading transactions between the Council and NIAL during the year.

No dividends were payable for the years ended 31st December 2010 or 31st December 2009.

There are no outstanding balances owed to or from NIAL at the end of the year. NIAL Group Limited made a loss before tax of £4.823m and a loss after tax of £1.786m for the year ended 31st December 2010. In the previous year, the Group made a loss before tax of £4.097m and a loss after tax of £3.087m.

Equity in South Shields Community School (Inspired Spaces)

On 21st December 2009 the Council and Local Education Partnership invested in the PFI operator for South Shields Community School. The cost to the Council for a 5% share was £500.

Other Available for Sale Financial Assets

The small balance relates to the Council's investment in Government war bonds.

Loans and Receivables

Debtors

An analysis of our debtors is as follows:

	1st April 2009	1st April 2010 £m	Repaid During Year £m	Expenditure During Year £m	31st March 2011 £m	Short Term £m	Long Term £m
Assisted Vehicle Purchase	0.160	0.195	(0.128)	0.092	0.159	0.077	0.082
Social Care and Health Fees	0.484	0.655	(0.384)	0.255	0.526	-	0.526
Equity Sub Debt	-	0.167	(0.005)	0.107	0.269	-	0.269
Housing Advances (including Council Housing)	0.069	0.046	(0.009)	-	0.037	-	0.037
Airport Loan Notes	0.960	0.720	(0.240)	-	0.480	0.240	0.240
Tedco Finance Lease	0.055	0.051	(0.004)	-	0.047	-	0.047
Short Term Debtors	26.688	35.009	(1.844)	-	33.165	33.165	-
Total Debtors	**28.416**	**36.843**	**(2.614)**	**0.454**	**34.683**	**33.482**	**1.201**

Assisted Vehicle Purchase

The Council offers a loan facility to staff where use of a vehicle is essential for them to fulfil their duties. Recoveries are usually made via deductions from payroll and include an element of interest charges.

Social Care and Health Fees

In certain instances the only asset belonging to a client requiring social care is their property. Where the value of this property exceeds certain thresholds, the Council can take a charge against it in lieu of invoicing for the services provided. The Council recovers its monies only once the client has left care and the property concerned has been sold. No interest is charged on the outstanding balance.

Equity Sub Debt

On 21st December 2009 the Council, in partnership with the LEP, invested in the PFI operator for South Shields Community School. Part of this arrangement involved the payment of £0.167m for subordinated debt in the new company. Repayment of this will continue throughout the life of the PFI scheme until 2036.

Housing Advances (including Council Housing)

The Council used to provide a mortgage service relating to tenants that wished to purchase their homes through the Right to Buy. The Housing advances represent the outstanding sums due to the Council from this activity. Interest is chargeable based on the base rates on the 31st March each year.

Airport Loan Notes

As part payment for the sale of a stake in Newcastle Airport, the Council will receive £0.240m per annum in the form of Loan Notes over the next two years.

TEDCO Finance Lease

The Council has one finance lease when acting as lessor being the managed offices and business units in Jarrow leased to TEDCO.

Short Term Debtors

Short term debtors are carried at cost as this is a fair approximation of their value. An analysis of short term debtors balances can be found in note 17 to these accounts.

Financial Liabilities at Amortised Cost

Long and Short Term Borrowing

An analysis of borrowing by maturity is as follows:

31st March 2010 £m	Percentage Range of Interest Rate Payable %	Loans outstanding	31st March 2011 £m
(283.887)	0.650 - 9.375	Public Works Loans Board (PWLB)	(334.453)
(10.337)	2.99 - 9.50	Market Debt	(10.331)
(294.224)		**Total**	**(344.784)**
(5.770)		Less than 1 year	(31.411)
(30.000)		Between 1 and 2 years	(5.000)
(53.800)		Between 2 and 5 years	(63.800)
(66.000)		Between 5 and 10 years	(91.000)
(138.654)		More than 10 years	(153.573)
(294.224)		**Total**	**(344.784)**

The current borrowings include interest payable within 12 months of £1.379m (£1.279m in 2009/10).

Market debt comprises of Lending Option Borrowing Option (LOBO) loans of which £5m has an interest review date within the next 12 months. The Council has no intention to repay these loans on the review date and so the loans are classified based on their final maturity date.

Long and Short Term Creditors

Both long and short term creditors are carried at cost as this is a fair approximation of their value. An analysis of short term creditors, which also includes the short term liabilities in relation to Finance Lease and other liabilities, can be found in note 20 to these accounts.

Finance Lease and Other Liabilities

The following table summarises the Council's finance lease and other liabilities:

	1st April 2010	1st April 2010	Additions in Year	Paid During Year	31st March 2011	Long Term	Short Term
	£m	£m	£m	£m	£m	£m	£m
Newcastle Airport Loan Notes	(1.200)	(0.960)	-	0.240	(0.720)	(0.480)	(0.240)
Deferred Pensions Strain on the Fund	-	(3.218)	(2.709)	1.557	(4.370)	(1.682)	(2.688)
Finance Lease	(0.350)	(0.033)	(2.274)	0.009	(2.298)	(2.238)	(0.060)
Total Finance Lease and Other Liabilities	**(1.550)**	**(4.211)**	**(4.983)**	**1.806**	**(7.388)**	**(4.400)**	**(2.988)**

The Newcastle Airport Loan Notes represents an amount set aside in lieu of the loan notes debt described earlier in this note being repaid.

The deferred pensions reflect the fact that strain on the fund payable to the Tyne and Wear Pension Fund can be deferred over three years.

The Council has two finance leases when acting as lessee. The first relates to Landreth House, which the Council uses as an office building. The Council has a 35 year lease of which 6 years remain outstanding. During the year the Council started incurring rent on the new Cleadon Park Community Facility which is used to provide library and recreational and play group services. The initial lease term is for 25 years at an annual rental of £0.255m.

Reclassifications

There have been no reclassifications of financial instruments in 2010/11.

Income, Expense, 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:

	2009/10				2010/11			
	Financial Liabilities measured at amortised cost	Financial Assets		Total	Financial Liabilities measured at amortised cost	Financial Assets		Total
		Loans and Receivables	Available for Sale			Loans and Receivables	Available for Sale	
	£m	£m	£m	£m	£m	£m	£m	£m
Interest Expense								
Impairment losses	-	0.460	-	0.460	-	1.725	-	1.725
Fee expense	13.400	3.197	-	16.597	15.278	4.729	-	20.007
Total expense in Deficit on the Provision of Services	**13.400**	**3.657**	**-**	**17.057**	**15.278**	**6.454**	**-**	**21.732**
Interest income								
Fee income	(1.537)	(0.632)	-	(2.169)	(0.983)	(0.262)	-	(1.245)
Total income in Deficit on the Provision of Services	**(1.537)**	**(0.632)**	**-**	**(2.169)**	**(0.983)**	**(0.262)**	**-**	**(1.245)**
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	0.382	0.382	-	-	-	-
Net Loss for the year	**11.863**	**3.025**	**0.382**	**15.270**	**14.295**	**6.192**	**-**	**20.487**

Fair Value of Assets and Liabilities

Financial liabilities and 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 net present value (NPV) of cash flows that will take place over the remaining term of the instruments.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin, which represents the lender's profit as a result of rescheduling the loan. This is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The following assumptions apply in calculating the net present value of a Financial Instrument:

- For PWLB debt, the discount rate is the rate for new borrowing.
- For market debt and deposits with banks and other financial institutions the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- The Council has used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- The Council has calculated fair values for all instruments in the portfolio, but only disclose those that are materially different from the carrying value.
- The fair value of debtors and creditors is taken to be the invoiced or billed amount.

The fair values of financial liabilities and assets differ from the carrying amount as follows:

	31st March 2010		31st March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
PWLB	(283.887)	(296.584)	(334.453)	(328.452)
Market Debt (LOBOs)	(10.337)	(14.166)	(10.331)	(13.595)
Financial Liabilities	**(294.224)**	**(310.750)**	**(344.784)**	**(342.047)**

The fair value of liabilities as at 31st March 2011 is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

	31st March 2010		31st March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
Deposits with Banks and other Financial Institutions	34.627	45.722	19.608	19.699
Financial Assets	**34.627**	**45.722**	**19.608**	**19.699**

The fair value of assets is higher 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 at the Balance Sheet date.

The equity in South Shields Community School is carried at cost. All other available for sale assets and unquoted equities are carried in the Balance Sheet at their fair value. The primary unquoted equity relates to the Council investment in Newcastle Airport. This is carried in the Balance Sheet at £0.425m (£0.425m in 2009/10). The valuation has been based on a discounted cash flow approach undertaken in 2009/10. The balance on available for sale relates to Government Stock which has been impaired following a sale in 2005/06 of similar stocks where the Council failed to receive cost value.

The Council has no plans to dispose of its available for sale financial assets in the near future.

Note 16. Inventories

An analysis of the Council's inventories is shown below.

1st April 2009	31st March 2010	Inventories	31st March 2011
£m	£m		£m
0.326	0.405	Home Loan Equipment Centre	0.497
0.106	0.113	Catering Service	0.117
0.130	0.064	Other Inventories	0.085
0.562	**0.582**	**Total**	**0.699**

Section 4 – Notes to the Core Financial Statements

Note 17. Short Term Debtors

An analysis of short term debtors is shown in the following table:

1st April 2009 £m	31st March 2010 £m		31st March 2011 £m
		Amounts Falling Due in One Year	
9.147	13.001	Government Bodies	8.309
1.199	0.671	Other Local Authorities	0.843
0.102	0.277	NHS Bodies	3.480
0.149	0.257	Public Corporations & Trading Funds	-
3.124	3.140	Housing Tenants	3.263
4.559	4.433	Council Tax Payers	4.887
2.139	4.100	South Tyneside Homes Limited	1.406
12.371	15.287	Sundry Debtors	18.764
32.790	**41.166**	**Total Amounts Falling Due in One Year**	**40.952**
		Allowances for Bad debts	
(2.045)	(2.109)	Housing Tenants	(2.055)
(1.804)	(1.901)	Council Tax Payers	(2.119)
-	-	NHS Bodies	(0.998)
(2.013)	(1.907)	Sundry Debtors	(2.298)
(5.862)	**(5.917)**	**Total Bad Debt Allowances**	**(7.470)**
26.928	**35.249**	**Net Debtors**	**33.482**

1st April 2009 £m	31st March 2010 £m		31st March 2011 £m
		Amounts Written Off During the Year	
0.416	0.279	Housing Rents (excluding write ons)	0.247
0.146	0.142	Council Tax (excluding write ons)	0.181
0.281	0.152	Sundry Debtors (net of VAT recovered)	0.150
0.843	**0.573**	**Total Amounts Written Off During the Year**	**0.578**

In addition to the above the Council wrote off £0.278m (£0.564m in 2009/10) in National Non-Domestic Rates debtors. The Government met this cost.

Section 4 – Notes to the Core Financial Statements

Note 18. Cash and Cash Equivalents

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

1st April 2009 £m	31st March 2010 £m		31st March 2011 £m
0.074	0.075	Cash held by the Authority	0.082
22.603	26.322	Bank current accounts	24.692
5.033	27.405	Short-term deposits with building societies	16.105
27.710	**53.802**	**Cash and Cash Equivalent Assets**	**40.879**
(0.800)	(0.740)	Bank Overdraft Facility	(1.474)
(0.800)	**(0.740)**	**Cash and Cash Equivalent Liabilities**	**(1.474)**
26.910	**53.062**	**Total Cash and Cash Equivalents**	**39.405**

Note 19. Assets Held for Sale

Assets held for sale represent surplus or redundant assets that the Council is in the process of disposing and expects that disposal to take place within the next twelve months. The following table shows the movement in year:

	2009/10 Total £m	2010/11 Total £m
Balance outstanding at start of year	**0.389**	**2.795**
Assets newly classified as held for sale:		
Property, Plant and Equipment	2.797	2.101
Revaluation losses	-	(0.005)
Impairment losses	(0.002)	(0.002)
Assets declassified as held for sale:		
Assets sold	(0.389)	(2.548)
Balance outstanding at year-end	**2.795**	**2.341**

Note 20. Short Term Creditors

An analysis of creditors and receipts in advance is shown below:

1st April 2009 £m	31st March 2010 £m		31st March 2011 £m
(28.394)	(10.709)	Government Bodies	(8.003)
(0.843)	(0.694)	Other Local Authorities	(1.171)
(0.259)	(0.560)	NHS Bodies	(0.509)
-	(0.005)	Public Corporations & Trading Funds	-
(0.645)	(0.845)	Housing Tenants	(0.841)
(0.846)	(0.896)	Council Tax Payers	(0.932)
(5.536)	(18.296)	South Tyneside Homes Limited	(3.820)
(15.272)	(37.325)	All Other Creditors	(37.569)
(51.795)	**(69.330)**	**Total Creditors**	**(52.845)**

Note 21. Provisions

An analysis of the provisions balances is as follows:

	Pay Settlement Provision £m	Other Outstanding Legal Cases £m	Injury and Damage Compensation Claims £m	Other Provisions £m	Total £m
Balance at 1st April 2009	(17.451)	(0.517)	(2.040)	-	(20.008)
Additional Provisions made in 2009/10	(14.960)	-	(1.635)	(0.009)	(16.604)
Amounts used in 2009/10	15.139	0.517	1.500	-	17.156
Movements with Insurance Reserves 2009/10	-	-	0.172	-	0.172
Balance at 31st March 2010	**(17.272)**	**-**	**(2.003)**	**(0.009)**	**(19.284)**
Short Term Provisions	(0.940)	-	(1.672)	-	(2.612)
Long Term Provisions	(16.332)	-	(0.331)	(0.009)	(16.672)
Balance at 31st March 2010	**(17.272)**	**-**	**(2.003)**	**(0.009)**	**(19.284)**
Balance at 1st April 2010	(17.272)	-	(2.003)	(0.009)	(19.284)
Additional Provisions made in 2010/11	(2.564)	-	(0.991)	(1.202)	(4.757)
Amounts used in 2010/11	2.316	-	1.264	0.009	3.589
Balance at 31st March 2011	**(17.520)**	**-**	**(1.730)**	**(1.202)**	**(20.452)**
Short Term Provisions	(1.900)	-	(0.780)	(1.202)	(3.882)
Long Term Provisions	(15.620)	-	(0.950)	-	(16.570)
Balance at 31st March 2011	**(17.520)**	**-**	**(1.730)**	**(1.202)**	**(20.452)**

The Council continues to face significant liabilities in relation to Equal Pay and Equal Value claims, which are reflected in the pay settlement provision. The major liability relates to an additional period outside of previous settlements reached for which claims are being received. The Council intends to defend these claims and so settlement is not expected until 2012/13 at the earliest. The timing of any payment is however uncertain as legal proceedings have been put on hold pending the resolution of all other liabilities for equal pay.

The Council's other litigation was with HMRC over whether VAT should be declared on off street parking income. This litigation is ongoing and more details can be found in note 43 on Contingent Assets however monies retained by the Council were repaid to HMRC in 2009/10 following a ruling in the European Courts.

The Council maintains an insurances provision to meet any excess payments applying to claims on liability or fire insurance and to self-fund against losses where this is more economical than procuring from the market. The provision balance is based on the estimated costs for open and accepted claims at the end of the financial year. As at 31st March 2011, the Council faced outstanding claims of £1.730m (£2.003m at 31st March 2010). Based on our past history of claims the Council expects £0.780m to be settled in 2011/12, £0.552m to be settled in 2012/13 and £0.398m to be settled in future years. The fund's financial position is reviewed annually in the light of settled claims and on the basis of the external insurer's assessment of the cost.

The other provisions primarily relate to the set aside of funding for meeting redundancy costs as a result of the Council restructure under planned budget cuts (see note 41 and note 3). There is also a small provision in respect of the Local Authority Trading Scheme (LATS) waste disposal at landfill to meet its waste targets in future years. The Council expects these provisions to be utilised in full in 2011/12.

Note 22. PFI and Similar Contracts

The Council has three operational PFI schemes. Under these agreements, the Council pays an annual sum to the operator, known as a unitary charge, and receives a Government Grant in the form of PFI credits to partially offset these costs. The Code requires the Council to provide details about the outstanding payments in relation to these contracts.

Boldon School

The Council's first PFI contract was signed on 13th April 2005 with Gleeson Consortium and involved the construction of a new extended secondary school in Boldon. There is provision for community use of the school facilities, which includes a 220 seat theatre and a 25 metre swimming pool. The contract runs for 25 years, expiring on 31st October 2031 and incorporates the future maintenance and upkeep of both the building and the fixtures and fittings. The building became operational on 30th October 2006. The current net book value of the school is £15.6m (£15.6m in 2009/10). A further extension was added to the building during 2010/11 at a cost of £0.3m.

In addition to the basic unitary charge for Boldon School the Council has a liability to the PFI contractor in relation to the number of free school meals. The amount due will vary each month depending upon take up rates but is currently costing in the region of £0.070m per annum (£0.150m in 2009/10).

In 2010/11 unitary charge payments of £2.6m (£2.3m in 2009/10) had been paid out whilst £1.5m (£1.5m in 2009/10) was recovered through PFI credits. Unitary charge payments over the whole life of the contract are now expected to total £66.1m of which £37.6m will be recovered in the form of PFI credits. The actual level of payments will depend on inflation rates and the satisfactory contract performance by the operator.

The contractor has built and operates the school under a license from the Council to use the site. The Council is not permitted to grant any leases, licences or sell parts of the site without the contractor's consent.

Street Lights

The second PFI contract was signed on 9th December 2005 with Balfour Beatty Power Networks and involves the replacement and maintenance of the whole of the Borough's street lighting stock. The current net book value of the infrastructure is £23.8m (£18.4m in 2009/10), with the initial capital investment period running to February 2011, hence the increase in the year. The contract runs for 25 years, expiring on 28th February 2031, and involves the replacement of outdated lighting columns and street signage, providing new lighting in areas currently not served and maintaining the stock to a minimum standard. The street lighting assets owned by the Council were transferred to the operator at the commencement of the contract.

In 2010/11 unitary charge payments of £3.7m (£3.1m in 2009/10) had been paid out whilst £2.5m (£2.5m in 2009/10) was recovered through PFI credits. Over the lifetime of the contract the unitary charge is expected to total £100.1m of which £63.4m will be recovered in the form of PFI credits. The actual level of payments will depend on inflation rates and the satisfactory contract performance by the operator.

Building Schools for the Future (BSF)

On 21st December 2007 the procurement of STaG's private sector partner to deliver the £175m BSF and £21m ICT programme reached financial close. This created the unique public/private partnership, known as InspiredSpaces STaG Limited, between Carillion (40% shareholding), Royal Bank of Scotland (40% shareholding), Building Schools for the Future Investments (10% shareholding), Gateshead Council (5% shareholding) and South Tyneside Council (5% shareholding). The cost of the 5% equity investment for South Tyneside was £500 and has been included in Long Term Investments in the Balance Sheet. This project will deliver new schools to the Borough and includes two PFI schools.

Jarrow School

Under the BSF procurement model described above, the Council's secured its third PFI scheme, which became operational on 26th October 2009. The contract is with InspiredSpaces STaG Limited and involved the construction of a state of the art secondary school in Jarrow with Special School of Engineering status. It incorporates facilities such as a Techno gym, climbing wall, teaching observatory, music rehearsal with a sprung dance floor and conference rooms. An amphitheatre is currently under construction and there are plans for a new swimming pool.

The contract runs for 25 years, expiring on 25th October 2034. The current net book value of the school is £15.0m (£15.2m in 2009/10).

In 2010/11 unitary charge payments of £3.0m (£1.3m in 2009/10) were made, with £2.5m (£1.2m in 2009/10) received through PFI credits. Unitary charge payments over the life of the contract are now expected to be £88.9m with £63.4m funded from PFI credits. The actual level of payments will depend on inflation rates and the satisfactory contract performance by the operator.

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South Shields Community School

South Shields Community School (SSCS) reached financial close on 21st December 2009 and is currently being built. The PFI scheme will be run by the public / private partnership company Inspiredspaces STaG (Project C02) Limited for 25 years once it becomes operational. The school is currently on target to become operational in September 2011.

The contract for SSCS will run for 25 years, expiring on 4th September 2036. The net book value of the school will be assessed once it becomes operational as it represents a 100% new build. A draft financial model has been prepared for the accounting entries for this contract, with an assumed asset value of £21.4m. Unitary charge payments over the life of the contract are expected to be £109.6m with £68.6m funded from PFI Credits. The actual level of payments will depend on inflation rates and satisfactory contract performance by the operator.

The unitary charge costs will be reflected in the Statement of Accounts from when the school becomes operational in 2011/12. The 2010/11 Statement of Accounts reflect £0.150m Subordinated Debt for the PFI Investment, £0.017m Subordinated Debt for the LEP investment and small equity investments for the PFI and LEP (less than £1,000).

Joint Waste PFI Project

South Tyneside, Gateshead and Sunderland Councils have entered into a PFI agreement with a consortium led by SITA UK to jointly procure a Waste Treatment Plant. The contract for £727m was financially completed on 20th April 2011 and the facility is expected to be operational in 2014. The contract is focussed on the development of an energy-from-waste facility on Teesside which will treat 190,000 tonnes a year of waste generated by the three councils.

Gateshead, as lead Council, will carry out the PFI accounting for the entire contract, with a sharing payment mechanism agreed between the three Councils. Future accounting treatment will be mutually agreed between the three Councils in the partnership.

BT South Tyneside Limited

During 2008/09 the Council entered into a Strategic Partnership arrangement with British Telecom, creating BT South Tyneside Limited. The strategic partner delivers a range of back-office services to the Council, including finance, payroll, personnel, ICT and procurement. The partnership became operational on 1st October 2008 and the contract runs for 10 years. Unitary charge payments of £13.1m were paid in 2010/11 (£12.8m in 2009/10) and the total cost of the contract over 10 years is expected to be £120.8m.

Other Long Term Contracts

The Council has other long term contracts that fall into more than one accounting year but these are of a recurring supply or service nature. None of these contracts exceed a value of £5m and have therefore not been included in this note.

Long Term PFI Contract Payments

The following table sets out the future unitary charge payments expected to be paid in relation to the three operational PFI schemes. The expected payments are split into their constituent parts based on the Operators' financial models, which predict the future charges on the scheme.

2010/11	Repayment of liability £m	Interest charge £m	Contingent rents £m	Service charges £m	Total £m
Amounts due:					
Within one year (2011/12)	1.310	4.672	(0.029)	3.501	9.454
2012/13 to 2015/16	5.614	17.603	(0.065)	15.679	38.831
2016/17 to 2020/21	9.743	18.986	0.124	22.111	50.964
2021/22 to 2025/26	13.160	14.150	0.320	26.281	53.911
2026/27 to 2030/31	18.663	7.780	(0.203)	30.508	56.748
2031/32 to 2035/36	6.786	1.231	(0.022)	8.056	16.051
Totals	**55.276**	**64.422**	**0.125**	**106.136**	**225.959**

The equivalent table showing this analysis for the previous year is as follows:

2009/10	Repayment of liability £m	Interest charge £m	Contingent rents £m	Service charges £m	Total £m
Amounts due:					
Within one year (2010/11)	0.283	4.639	(0.123)	4.290	9.089
2011/12 to 2014/15	5.208	18.041	0.181	14.763	38.193
2015/16 to 2019/20	9.031	19.755	0.486	20.817	50.089
2020/21 to 2024/25	12.990	15.239	0.780	23.929	52.938
2025/26 to 2029/30	17.656	9.290	0.586	28.542	56.074
2030/31 to 2035/36	10.391	2.097	(0.004)	14.553	27.037
Totals	**55.559**	**69.061**	**1.906**	**106.894**	**233.420**

The following table represents amounts due to BT South Tyneside Limited in relation to the remaining term of their contract. As this is purely a service contract no liability has been created on the Balance Sheet.

2010/11	Unitary Charge £m
Amounts due:	
Within one year (2011/12)	11.651
2012/13 to 2015/16	47.491
2016/17 to 2020/21	32.092
Totals	**91.234**

The equivalent table showing this analysis for the previous year is as follows:

2009/10	**Unitary Charge £m**
Amounts due:	
Within one year (2010/11)	11.832
2011/12 to 2014/15	46.865
2015/16 to 2020/21	44.368
Totals	**103.065**

Note 23. Usable Reserves

The balances of useable reserves are as follows:

1st April 2009 £m	**31st March 2010 £m**		**31st March 2010 £m**
(1.168)	(1.369)	General Fund Balance	(1.458)
(31.341)	(29.490)	Earmarked Reserves	(27.711)
(3.744)	(9.524)	Housing Revenue Account Balance	(10.588)
(2.540)	(2.468)	Useable Capital Receipts Reserve	(2.495)
(8.859)	(5.325)	Housing Major Repairs Reserve	(1.917)
(4.044)	(4.163)	Capital Grant Unapplied Reserve	(3.294)
(51.696)	**(52.339)**	**Total Useable Reserves**	**(47.463)**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in note 6.

Note 24. Unusable Reserves

The following table lists the unusable reserves of the Council:

1st April 2009 £m	**31st March 2010 £m**		**31st March 2011 £m**
(98.949)	(122.164)	Revaluation Reserve	(99.088)
(0.807)	(0.425)	Available for Sale Financial Instrument Reserve	(0.425)
(635.994)	(622.184)	Capital Adjustment Account	(471.949)
(0.753)	(0.716)	Financial Instruments Adjustment Account	(0.684)
231.470	305.999	Pensions Reserve	242.661
(0.120)	(0.093)	Deferred Capital Receipts Reserve	(0.080)
7.566	3.021	Equal Pay Account	-
0.114	(0.435)	Collection Fund Adjustment Account	(0.330)
4.512	4.817	Employee Benefits Adjustment Account	3.580
(492.961)	**(432.180)**	**Total Unusable Reserves**	**(326.315)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when the gain is lost through assets with accumulated gains being revalued downwards or impaired, or the gain is consumed through depreciation or the gain is realised on disposal of an asset.

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £m	Revaluation Reserve	2010/11 £m
(98.949)	**Balance as at 1st April**	**(122.164)**
(41.789)	Upward Revaluation of Assets	(35.967)
12.014	Valuation Impairment charged to Reserve	55.902
0.115	Accumulated Gains on Assets Sold or Scrapped	1.096
6.445	Amount Written Off to the Capital Adjustment Account	2.045
(122.164)	**Balance as at 31st March**	**(99.088)**

Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instrument Reserve contains the gains made by the Council arising from increases in the value of its available for sale financial assets. The balance is reduced when investments with accumulated gains are disposed of and the gains are realised or when the investments are revalued downwards or impaired and the gains are lost.

2009/10 £m	Available for Sale Financial Instruments Reserve	2010/11 £m
(0.807)	**Balance as at 1st April**	**(0.425)**
0.382	Downward Revaluation of Investments not Charged to Surplus/Deficit on the Provision of Services	-
(0.425)	**Balance as at 31st March**	**(0.425)**

Capital Adjustment Account

The Capital Adjustment Account reflects the difference between the cost of assets consumed and the capital financing set aside to pay for them. It absorbs the timing differences arising from the different arrangements for accounting for the use of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement of non-current assets and any debt taken on with the permission of the Secretary of State..

The Capital Adjustment Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

The previously reported balance on the Government Grants Deferred Account of £64m is now accounted for in Capital Adjustment Account. This was transferred as part of the transition to IFRS.

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Note 6 provides details of the source of all the transactions posted to the Account with the exception of those involving the Revaluation Reserve.

2009/10 £m	Capital Adjustment Account	£m	2010/11 £m
(635.994)	**Balance as at 1st April**		**(622.184)**
	Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement		
37.398	Charges for Depreciation and Impairment of Non-Current Assets	27.029	
9.901	Revaluation Losses on Property, Plant and Equipment	168.191	
0.767	Amortisation of Intangible Assets	0.742	
19.519	Revenue Expenditure Funded from Capital under Statute	27.784	
13.058	Amounts of Current and Non-Current Assets Written Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	3.465	227.211
(6.445)	Adjusting Amounts Written Out of the Revaluation Reserve		(2.045)
74.198	**Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year**		**225.166**
	Capital Financing Applied in the Year		
(0.884)	Use of the Capital Receipts Reserve to Finance New Capital Expenditure	(2.197)	
(23.679)	Use of the Major Repairs Reserve to Finance New Capital Expenditure	(7.336)	
(29.245)	Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(54.191)	
0.119	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(0.869)	
(6.308)	Statutory Provision for the Financing of Capital Investment Charged against the General Fund and HRA Balances	(8.200)	
(0.391)	Capital Expenditure Charged against the General Fund and HRA Balances	(2.138)	(74.931)
(622.184)	**Balance as at 31st March**		**(471.949)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund and HRA Balances to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund and HRA Balances in accordance with statutory arrangements for spreading the burden on council tax and housing rent respectively.

2009/10 £m	Financial Instruments Adjustment Account	2010/11 £m
(0.753)	**Balance as at 1st April**	**(0.716)**
0.037	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	0.032
(0.716)	**Balance as at 31st March**	**(0.684)**

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £m	Pensions Reserve	2010/11 £m
231.470	**Balance as at 1st April**	**305.999**
65.590	Actuarial Gains or Losses on Pensions Assets and Liabilities	11.310
8.939	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	(74.648)
305.999	**Balance as at 31st March**	**242.661**

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.

2009/10 £m	Deferred Capital Receipts Reserve	2010/11 £m
(0.120)	**Balance as at 1st April**	**(0.093)**
0.027	Transfer to the Capital Receipts Reserve upon Receipt of Cash	0.013
(0.093)	**Balance as at 31st March**	**(0.080)**

Equal Pay Account

The Equal Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

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The Council is now coming to an end of its litigation in this area and has secured available resources to meet all potential liabilities as at 31st March 2011. As a result the balance on this account has been cleared down to zero.

2009/10 £m	Equal Pay Account	2010/11 £m
7.566	**Balance as at 1st April**	**3.021**
(4.545)	Amount by which Amounts Charged for Equal Pay Claims to the Comprehensive Income and Expenditure Statement are Different from the Cost of Settlements Chargeable in the Year in Accordance with Statutory Requirements	(3.021)
3.021	**Balance as at 31st March**	**-**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax 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.

2009/10 £m	Collection Fund Adjustment Account	2010/11 £m
0.114	**Balance as at 1st April**	**(0.435)**
(0.549)	Amount by which Council Tax Income Credited to the Comprehensive Income and Expenditure Statement is different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	0.105
(0.435)	**Balance as at 31st March**	**(0.330)**

Employee Benefits Adjustment Account

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

2009/10 £m	Employee Benefits Adjustment Account	2010/11 £m
4.512	**Balance as at 1st April**	**4.817**
(4.512)	Settlement or Cancellation of Accrual made at the End of the Preceding Year	(4.817)
4.817	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	3.580
4.817	**Balance as at 31st March**	**3.580**

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Note 25. Operating Activities

The cash flows for operating activities include the following items:

31st March 2010 £m		31st March 2011 £m
2.750	Interest received	1.338
(16.152)	Interest paid	(23.629)

Note 26. Investing Activities

The cash flows for investing activities are made up of the following items:

31st March 2010 £m		31st March 2011 £m
94.290	Purchase of property, plant and equipment, investment property and intangible assets	116.866
-	Purchase of short term and long term investments	55.000
(2.008)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1.959)
-	Proceeds from short-term and long-term investments	(0.240)
(57.938)	Other receipts from investing activities	(50.079)
34.344	**Net cash flows from investing activities**	**119.588**

Note 27. Financing Activities

The cash flows for financing activities are made up of the following items:

31st March 2010 £m		31st March 2011 £m
(75.000)	Cash receipts of short- and long-term borrowing	(55.000)
0.265	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0.489
4.000	Repayments of short- and long-term borrowing	-
(6.484)	Other payments for financing activities	1.584
(77.219)	**Net cash flows from financing activities**	**(52.927)**

Note 28. Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service in the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across service Groups. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No adjustment is made for the actual level of capital charges required by the Code and those assumed as part of the original budget setting process.
- No adjustment is made for the actual level of pension costs required by the Code and those assumed as part of the original budget setting process.

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The income and expenditure of the Council's principal service Groups recorded in the budget reports for the year is as follows:

Income and Expenditure 2010/11 Outturn	Business and Area Management Group	Chief Executive's Office	Children, Adult and Families Group	Economic Regeneration Group	Total
	£m	£m	£m	£m	£m
Income	(209.304)	(3.423)	(102.650)	(23.580)	(338.957)
Employee Expenses	44.419	2.235	60.636	16.966	124.256
Third Party Payments	10.558	0.088	64.254	0.996	75.896
Premises Costs	7.236	0.002	3.363	9.572	20.173
Transport Costs	5.259	0.017	2.659	0.351	8.286
Supplies and Services	32.435	0.897	29.997	7.321	70.650
Client Payments	77.807	-	15.085	0.004	92.896
Support Services	14.004	0.723	14.782	6.637	36.146
Capital Charges	68.825	0.021	7.271	7.792	83.909
Total Expenditure	**260.543**	**3.983**	**198.047**	**49.639**	**512.212**
Net Expenditure	**51.239**	**0.560**	**95.397**	**26.059**	**173.255**

Reconciliation of Income and Expenditure of the Groups to Cost of Service in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of income and expenditure of the Groups on the provision of services relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	£m
Net Expenditure in the Group Analysis	173.255
Amounts in the Comprehensive Income and Expenditure Statement not Reported to Management in the Analysis	82.065
Amounts Included in the Analysis not Included in the Cost of Services in the Comprehensive Income and Expenditure Statement	5.445
Cost of Services in Comprehensive Income and Expenditure Statement	**260.765**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of the income and expenditure of the Groups relate to a subjective analysis of the deficit on the provision of services in the Comprehensive Income and Expenditure Statement.

2010/11	Group Analysis	Amounts not Reported to Management in the Analysis	Amounts not included in the Comprehensive I&E	Cost of Services	Other Operating Income and Expenditure	Deficit on the Provision of Services
	£m	£m	£m	£m	£m	£m
Fees, charges and Other Service Income	(338.957)	(40.076)	77.309	**(301.724)**	-	**(301.724)**
Local Authority Housing (HRA) Income	-	(54.995)	-	**(54.995)**	-	**(54.995)**
(Surplus) or Deficits on Trading Undertakings	-	-	-	**-**	0.127	**0.127**
Interest and Investment Income	-	-	-	**-**	(8.085)	**(8.085)**
Income from Council Tax	-	-	-	**-**	(57.545)	**(57.545)**
Non-domestic Rates Redistribution	-	-	-	**-**	(78.838)	**(78.838)**
Grants and Contributions	-	-	-	**-**	(82.267)	**(82.267)**
Total Income	**(338.957)**	**(95.071)**	**77.309**	**(356.719)**	**(226.608)**	**(583.327)**
Employee Expenses	124.256	(89.560)	(32.380)	**2.316**	-	**2.316**
Other Service Expenses	377.908	40.227	(29.436)	**388.699**	-	**388.699**
Support Services Recharges	-	-	-	**-**	-	**-**
Local Authority Housing (HRA) Expenditure	-	194.322	-	**194.322**	-	**194.322**
Depreciation, Amortisation and Impairment	-	32.147	-	**32.147**	-	**32.147**
Interest Payable and Bank Charges	-	-	-	**-**	32.627	**32.627**
Precepts and Levies	10.048	-	(10.048)	**-**	10.048	**10.048**
Loss on Disposal of Non Current Assets	-	-	-	**-**	2.013	**2.013**
Payments to Housing Receipts Pool	-	-	-	**-**	0.651	**0.651**
Total Expenditure	**512.212**	**177.136**	**(71.864)**	**617.484**	**45.339**	**662.823**
Deficit on the Provision of Services	**173.255**	**82.065**	**5.445**	**260.765**	**(181.269)**	**79.496**

Note 29. Trading Operations

A summary of the deficit/(surplus) earned by each of our trading services over the last three years is shown on the following table:

		2008/09	2009/10	2010/11
South Shields Open Air Market	Turnover	(0.251)	(0.256)	(0.202)
	Expenditure	0.341	0.346	0.143
Cumulative Deficit over last 3 years: £0.121m	**Deficit/(Surplus)**	**0.090**	**0.090**	**(0.059)**
School Catering	Turnover	(5.953)	(6.102)	(6.238)
	Expenditure	6.159	6.373	6.424
Cumulative Deficit over last 3 years: £0.756m	**Deficit**	**0.206**	**0.271**	**0.186**
Total Trading Activity	Turnover	(6.204)	(6.358)	(6.440)
	Expenditure	6.500	6.719	6.567
	Deficit	**0.296**	**0.361**	**0.127**

The Council operates an open air market in South Shields town centre. Income received is generated by rent received from stallholders. The income received from this rent has fallen sharply from 2009/10 to 2010/11. The Council have controlled costs mainly through a reduction in the salary bill resulting in a surplus of £0.059m.

Note 30. Road Charging Schemes

Under the provisions of the Transport Act 2000 the Council is able to implement road-charging schemes and/or workplace charging levies, income from which must be ring fenced for transport improvements. The Council received a gross income of £0.340m from Utility Companies, Skip Income and Traffic Regulation Orders under these provisions in 2010/11 (£0.331m in 2009/10), which has been fully invested in transport services.

Note 31. Pooled Budgets

The Council has five pooled arrangements with the South Tyneside Primary Care Trust (PCT) under Section 75 of the NHS Act 2006. Pooled funds enable health bodies and local authorities to work collaboratively to address specific health issues. The five projects are as follows.

- A joint equipment store enables the Council and the PCT to provide an integrated equipment service, which will operate in line with Department of Health guidance, on a Borough wide basis.
- The South Tyneside Art Studio enables the Council and the PCT to provide a therapeutic service for various service users.
- Perth Green enables the Council and the PCT to provide intermediate residential care for service users to help meet delayed discharge targets from hospital.
- An arrangement whereby the Council can commission Nursing and Continuing Care on behalf of the PCT.
- An arrangement whereby the Council can commission after-care services, provided under Section 117 of the 1983 Mental Health Act, on behalf of the PCT.

The Council is the lead body for these budgets and the gross costs, together with the income from the PCT, are fully reflected in the Adult Social Care Services line of the Comprehensive Income and Expenditure Statement. Details of the expenditure are shown in the following table:

2009/10 Council Share of Net Cost £m		2010/11 Pooled Budgets Gross Cost £m	2010/11 NHS Partners Income to the Council £m	2010/11 Council Share of Net Cost £m
0.532	Joint Equipment Store	1.149	(0.935)	0.214
0.027	The South Tyneside Arts Studio	0.115	(0.056)	0.059
0.923	Perth Green	1.069	(0.237)	0.832
-	Nursing Care and Continuing Care	5.219	(5.219)	-
1.229	S117 Mental Health	3.756	(1.878)	1.878
2.711	**Totals**	**11.308**	**(8.325)**	**2.983**

In addition to these pooled arrangements the Children, Adult and Families Group works in close partnership with the PCT and voluntary health sector on the delivery of Surestart, a Government funded initiative designed to achieve better outcomes for children and parents. Although this is akin to a pooled arrangement virtually all of the funding is directed towards Council projects and included in the Comprehensive Income and Expenditure Statement.

Note 32. Members' Allowances

Included within Corporate and Democratic Core line on the Comprehensive Income and Expenditure Statement are all remuneration payments to Members. The note reflects all remuneration payments made to Members net of recovery from third parties.

	2009/10 £m	2010/11 £m
Members Allowances	0.775	0.776
Other Members Expenses	0.019	0.086
Total Members' Allowances paid	**0.794**	**0.862**

Included in the note for the first time in 2010/11 are the additional costs incurred by the Council in non-payroll related expenses for Members. The equivalent figure last year would have added £0.048m to Other Members Expenses.

Note 33. Officers' Remuneration

Employee Remuneration over £50,000

The number of employees whose remuneration, excluding employer's pension contribution, was £50,000 or more in bands of £5,000 were:

Table 1

Remuneration Bands	Number of Employees 2009/10				2010/11			
	Council	School Based	Total	Left During Year	Council	School Based	Total	Left During Year
£50,000 - £54,999	53	34	87	8	37	31	68	19
£55,000 - £59,999	16	26	42	8	17	18	35	15
£60,000 - £64,999	16	12	28	8	8	23	31	18
£65,000 - £69,999	4	8	12	4	9	8	17	12
£70,000 - £74,999	4	7	11	6	3	7	10	6
£75,000 - £79,999	2	2	4	2	5	3	8	7
£80,000 - £84,999	4	4	8	5	2	4	6	5
£85,000 - £89,999	1	-	1	1	3	1	4	4
£90,000 - £94,999	1	-	1	1	2	-	2	2
£95,000 - £99,999	1	1	2	1	-	-	-	-
£100,000 - £104,999	-	-	-	-	3	-	3	3
£110,000 - £114,999	1	-	1	1	-	-	-	-
£120,000 - £124,999	-	-	-	-	-	2	2	1
£180,000 - £184,999	-	1	1	1	-	-	-	-
	103	**95**	**198**	**46**	**89**	**97**	**186**	**92**

The Council has continued to revise its structure to ensure that it is shaped to deliver for the future, and as part of this plan, embarked upon a major reorganisation and early retirement/voluntary redundancy programme during 2010/11. A total of 497 Council staff had accepted voluntary redundancy at the year end, with 249 of these staff actually leaving by 31st March 2011. 86 of these Council staff are disclosed in the table above as receiving remuneration, including redundancy payments, of over £50,000 during the financial year.

The Council has also continued its programme of removing surplus places in schools, which has resulted in 10 teaching staff redundancies in 2010/11. 6 of these schools based staff are disclosed in the table above as receiving remuneration, including redundancy payments, of over £50,000 during the financial year.

Table 1 does not include teachers employed by school Governing Bodies whose remuneration, excluding employer's pension contribution, was £50,000 or more in bands of £5,000. These are shown separately in the following table:

Section 4 – Notes to the Core Financial Statements

Remuneration Bands	Number of Employees 2009/10 School Based	2010/11 School Based
£50,000 - £54,999	12	7
£55,000 - £59,999	9	8
£60,000 - £64,999	-	4
£65,000 - £69,999	1	1
£70,000 - £74,999	1	3
£75,000 - £79,999	-	1
£80,000 - £84,999	-	1
£90,000 - £94,999	1	-
£95,000 - £99,999	-	-
£100,000-£104,999	1	1
	25	**26**

Senior Officer Remuneration – salary between £50,000 and £150,000 per year

The following table shows senior officer remuneration in 2010/11:

Table 2

Post Title	Salary	Allowances	Compensation For loss of Office	Total Remuneration Excl. Pension Contribution	Pension Contribution	Total 2010/11 Remuneration Incl. Pension Contribution
	£	£	£	£	£	£
Assistant Chief Executive	94,758	-	-	94,758	14,024	108,782
Corporate Director Children Adults & Families	117,616	2,046	-	119,662	17,407	137,069
Corporate Director Business & Area Management	106,988	1,775	-	108,763	15,834	124,597
Corporate Director Economic Regeneration *	35,039	18	-	35,057	5,186	40,243
Executive Director Neighbourhood Services *	35,375	523	110,797	146,695	5,236	151,931
Head of Social Inclusion and Achievement	94,758	965	-	95,723	14,024	109,747
Head of Enterprise and Regeneration	94,758	1,582	-	96,340	14,024	110,364
Head of Culture and Neighbourhoods	83,988	1,698	-	85,686	12,430	98,116
Head of Early Intervention and Safeguarding	83,988	2,011	-	85,999	12,430	98,429
Head of Transition and Wellbeing	83,988	1,460	-	85,448	12,430	97,878
Head of Sustainable Communities *	28,962	436	80,536	109,934	4,143	114,077
Head of Pensions	83,988	1,531	-	85,519	12,430	97,949
Head of Health and Social Inclusion	83,988	1,517	-	85,505	12,430	97,935
Head of Change Management	83,988	1,356	-	85,344	12,430	97,774
Head of Strategic Partnership	101,688	1,153	-	102,841	15,050	117,891
Head of Partnerships Corporate Affairs & Communications	83,988	285	-	84,273	12,430	96,703
Acting Head of Legal Services	65,000	1,189	-	66,189	9,620	75,809
Head of Finance	78,037	858	-	78,895	11,550	90,445
Head of Adult Social Care	83,988	657	-	84,645	12,430	97,075
Acting Head of Sustainable Communities	83,988	1,153	-	85,141	12,398	97,539
Head of Economic Growth *	20,320	-	-	20,320	3,007	23,327
Head of Housing Strategy and Regulatory Services	78,037	628	-	78,665	11,550	90,215
Total Remuneration	**1,707,228**	**22,841**	**191,333**	**1,921,402**	**252,493**	**2,173,895**

* Denotes not a Full Year Salary

Those senior officers with salaries in excess of £150,000 per annum are disclosed in Table 3.

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The comparative information for senior officers earning less than £150,000 relating to 2009/10 is shown in table 2a below:

Table 2a

Post Title	Salary	Allowances	Compensation For loss of Office	Total Remuneration Excl. Pension Contribution	Pension Contribution	Total 2009/10 Remuneration Incl. Pension Contribution
	£	£	£	£	£	£
Assistant Chief Executive *	59,912	-	-	59,912	8,867	68,779
Executive Director Children and Young People	106,988	1,663	-	108,651	15,834	124,485
Executive Director Regeneration and Resources	104,443	1,340	-	105,783	15,458	121,241
Executive Director Neighbourhood Services	104,443	1,298	-	105,741	15,458	121,199
Head of Social Inclusion and Achievement	94,758	792	-	95,550	14,024	109,574
Head of Enterprise and Regeneration	94,758	598	-	95,356	14,024	109,380
Head of Culture and Neighbourhoods	83,988	1,970	-	85,958	12,430	98,388
Head of Early Intervention and Safeguarding	83,988	1,893	-	85,881	12,430	98,311
Head of Transition and Wellbeing	83,988	1,643	-	85,631	12,430	98,061
Head of Sustainable Communities	83,988	1,535	-	85,523	12,430	97,953
Head of Pensions	83,988	1,490	-	85,478	12,430	97,908
Head of Health and Social Inclusion	83,988	1,322	-	85,310	12,430	97,740
Head of Change Management	83,988	1,185	-	85,173	12,430	97,603
Head of Strategic Partnership	83,988	1,096	-	85,084	12,430	97,514
Head of Policy Performance and Partnerships	83,988	554	-	84,542	12,445	96,987
Head of Corporate Governance	83,988	95	22,780	106,863	12,430	119,293
Head of Communications	78,037	1,229	22,780	102,046	11,550	113,596
Head of Finance	75,696	857	-	76,553	11,203	87,756
Head of Adult Social Care *	61,862	681	-	62,543	9,156	71,699
Acting Head of Strategy and Regulatory Services *	30,677	588	-	31,265	4,676	35,941
Head of Housing Strategy and Regulatory Services *	38,179	228	-	38,407	5,651	44,058
Total Remuneration	**1,689,633**	**22,057**	**45,560**	**1,757,250**	**250,216**	**2,007,466**

* Denotes not a Full Year Salary

Senior Officer Remuneration - salary above £150,000 per year

Senior Officers receiving more than £150,000 in 2010/11 are shown below:

Table 3

Post Title	Salary	Allowances	Compensation For loss of Office	Total Remuneration Excl. Pension Contribution	Pension Contribution	Total 2010/11 Remuneration Incl. Pension Contribution
	£	£	£	£	£	£
Chief Executive- M Swales	152,229	698	-	152,927	22,530	175,457
Total Remuneration	**152,229**	**698**	**-**	**152,927**	**22,530**	**175,457**

The comparative information relating to 2009/10 is shown table 3a below:

Table 3a

Post Title	Salary	Allowances	Compensation For loss of Office	Total Remuneration Excl. Pension Contribution	Pension Contribution	Total 2009/10 Remuneration Incl. Pension Contribution
	£	£	£	£	£	£
Chief Executive- I Lucas (Note 1)	65,966	-	-	65,966	9,763	75,729
Acting Chief Executive - K Harcus (Note 2)	55,981	-	-	55,981	8,285	64,266
Chief Executive - M Swales (Note 3)	30,282	-	-	30,282	4,482	34,764
Total Remuneration	**152,229**	**-**	**-**	**152,229**	**22,530**	**174,759**

Note 1 Ms I Lucas resigned as Chief Executive on 6th September 2009; her annualised salary was £152,229.

Note 2 Mr K Harcus covered the post of Acting Chief Executive for the period 7th September 2009 to 19th January 2010; his annualised salary was £152,229.

Note 3 Mr M Swales was appointed to the post of Chief Executive on 20th January 2010; his annualised salary was £152,229.

Note 34. External Audit Costs

The Audit Commission is the regulatory body that oversees the financial actions of the Council. In 2005/06 the Commission appointed PricewaterhouseCoopers LLP to act as the external auditors for the Council. The following table shows the fees paid for the various services received and chargeable to the Comprehensive Income and Expenditure Statement. Grant fees are included in the net cost of individual services whilst the other fees are shown as part of the Corporate and Democratic Core costs.

2009/10 £m		2010/11 £m
0.407	Fees with regard to external audit services carried out by the appointed auditor for the year	0.308
0.118	Fees for the certification of grant claims and returns for the year	0.067
0.004	Fees for other services provided by external auditors during the year	0.037
0.529	**Total Fees Payable to External Auditors**	**0.412**

In addition to the above the Council paid £0.057m (£0.070m in 2009/10) to PricewaterhouseCoopers LLP in relation to audit of the Tyne and Wear Pension Fund. These costs were fully recovered from the Fund.

Note 35. Dedicated Schools Grant

Dedicated Schools Grant (DSG) is provided by the Department for Education to fund the Council's expenditure on schools. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes:

- a restricted range of pupil-related services provided on a Council-wide basis (known as Central Expenditure) and
- the Individual Schools Budget (ISB), which is divided into a budget share for each school.

Over and underspends on the two elements are required to be accounted for separately. Details of the deployment of DSG receivable for 2010/11 are as follows:

	Central Expenditure £m	Individual Schools Budget £m	Total £m
Final DSG for 2010/11	(4.951)	(85.334)	(90.285)
Brought forward from 2009/10	-	(0.437)	(0.437)
Transfer of 2009/10 balance	(0.279)	0.279	-
Agreed budgeted distribution in 2010/11	**(5.230)**	**(85.492)**	**(90.722)**
Actual central expenditure	5.230	-	5.230
Actual ISB deployed to schools	-	85.361	85.361
Carry forward to 2012/12	**-**	**(0.131)**	**(0.131)**

In 2010/11 the Council received total DSG of £90.285m (£89.472m in 2009/10), which has been credited against the Education and Children's Services line in the Comprehensive Income and Expenditure Statement. During the year the schools forum agreed to the transfer of some of the brought forward unused grant to support central expenditure in relation to financial inclusion costs and to support a shortfall in Harnessing Technology Grant. The level of unspent DSG from the 2010/11 allocation is £0.131m (£0.437m in 2009/10) and this has been set aside for future spending on schools via the movement in earmarked reserves.

The equivalent table for the previous year is shown below:

	Central Expenditure £m	Individual Schools Budget £m	Total £m
Final DSG for 2009/10	(6.108)	(83.364)	(89.472)
Brought forward from 2008/09	-	(0.117)	(0.117)
Agreed budgeted distribution in 2009/10	**(6.108)**	**(83.481)**	**(89.589)**
Actual central expenditure	6.108	-	6.108
Actual ISB deployed to schools	-	83.044	83.044
Carry forward to 2010/11	**-**	**(0.437)**	**(0.437)**

Note 36. Government Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2009/10 £m	2010/11 £m
Credited to Taxation and Non Specific Grant Income		
National Non-Domestic Rates	(72.284)	(78.838)
Revenue Support Grant	(16.684)	(11.448)
Area Based Grant	(22.064)	(23.630)
Capital Grants and Contributions	(29.126)	(38.620)
Private Finance Initiative	(5.197)	(6.571)
Benefits Administration	(2.017)	(1.733)
Other Unringfenced Grants	(2.579)	(0.265)
Total	**(149.951)**	**(161.105)**
Credited to Services		
Dedicated Schools Fund	(89.472)	(90.285)
Surestart	(6.633)	(7.367)
Standards Fund Revenue	(14.670)	(17.748)
Housing Benefit	(56.770)	(60.501)
Supporting People	(5.073)	-
Council Tax Benefit	(16.751)	(17.644)
Learning and Skills Council	(6.851)	-
Young People's Learning Agency	-	(11.477)
School Standards	(4.846)	(4.871)
Grants supporting Revenue Expenditure funded by Capital under Statute	(25.268)	(15.570)
Other Grants	(2.847)	(5.046)
	(229.181)	**(230.509)**
Total	**(379.132)**	**(391.614)**

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 will require the monies or property to be returned to the funder if conditions are not met. The balances at the year-end are as follows:

	2009/10 £m	2010/11 £m
Revenue Grants		
Learning Skills Council Grants	(0.701)	-
Young People's Learning Agency	-	(0.462)
Standards Fund	(1.519)	(0.050)
Training and Development Agency	(0.416)	-
Children's Workforce Development Council	(0.179)	-
Family Intervention	(0.096)	-
Schools Sports Partnership	(0.308)	(0.043)
Housing Subsidy	(0.120)	(0.878)
Winter Damage	-	(0.304)
Other Grants	(0.324)	(0.057)
Revenue Contributions		
Primary Care Trust	(0.123)	-
Other Contributions	-	(0.138)
Total	**(3.786)**	**(1.932)**

Capital Grants Receipts in Advance		
Schools Standards Fund	(12.180)	-
Big Lottery Grant	(0.119)	(0.119)
Building Schools for the Future	-	(7.074)
ONE Funding	-	(1.325)
Contaminated Land Grant	(0.071)	(0.032)
Coastal Protection Grant	(0.523)	(0.597)
Local Enterprise Growth Initiative	(0.200)	-
Sea Change	(0.404)	-
Single Housing Investment Pot	(0.110)	-
Tyne Gateway	(0.715)	-
Section 106 Receipts	(0.061)	(0.470)
Department for Education Capital Grants	(0.134)	(2.013)
Other Grants	(0.060)	(0.109)
Total	**(14.577)**	**(11.739)**

Section 4 – Notes to the Core Financial Statements

Note 37. Capital Expenditure and Capital Financing

The following table analyses capital expenditure together with the method of financing and the impact on the Council's underlying need to borrow.

2009/10 £m		2010/11 £m
277.623	**Opening Capital Financing Requirement**	**367.510**
0.112	**Adjustment for property finance Leases (under IFRS)**	(0.636)
277.735	**Opening Capital Financing Requirement (as restated)**	**366.874**
	Capital Investment	
103.091	Enhancement of assets	107.138
26.107	Adjustments for Assets held under PFI and finance leases	8.574
1.458	Intangible Assets	0.805
44.776	Revenue Expenditure Funded from Capital under Statute	27.784
175.432	**Total Capital Investment**	**144.301**
	Sources of Finance	
(0.884)	Capital Receipts	(2.197)
(54.394)	Government Grants and other Contributions	(55.060)
(23.698)	Housing Revenue Account Sums Set Aside from Revenue	(8.732)
(6.681)	General Fund Sums Set Aside from Revenue	(8.942)
(85.657)	**Total Finance Used**	**(74.931)**
89.775	**Movement in Capital Financing Requirement**	**69.370**
367.510	**Closing Capital Financing Requirement**	**436.244**
	Explanation of Movement in Year	
66.096	Increase in underlying need to borrow (supported by Government Financial Assistance)	29.736
23.679	Increase in underlying need to borrow (unsupported by Government Financial Assistance)	39.634
89.775	**Increase in Capital Financing Requirement**	**69.370**

Revenue Expenditure Funded from Capital under Statute

Certain expenditure incurred by Local Authorities does not fall within the Code of Practice definition of assets but is classified as expenditure for capital purposes with respect to capital controls. The charges primarily relate to Equal Pay Compensation, redundancy payments, expenditure on third party assets, for example Diocese owned schools and Housing grants. The total of revenue expenditure funded from capital for the year £27.784m (£44.776m in 2009/10) has been amortised to the Comprehensive Income and Expenditure Statement. The significant decrease is due to the completion of spending on Diocese schools as part of Building Schools for the Future in 2009/10.

Section 4 – Notes to the Core Financial Statements

Significant Items of Capital Expenditure

The total expenditure on capital assets was £135.727m (£149.324m in 2009/10). The most significant items during 2010/11 are shown in the following table:

	£m
Decent Homes	32.605
Building Schools for the Future	29.905
Primary Schools Reorganisation	11.246
Harton Staithes New Offices	6.375
Organisational Change Payments - Redundancies	5.541
Organisational Change Compensatory Payments - Single Status	5.484
Total High Priority Essential	5.139
Oracle Procurement	3.974
New Build Housing	3.283
Schools Devolved Capital Spending	2.393
Building Enhancements	1.988
Highways Maintenance	1.902
Replacement Vehicle Programme	1.873
Sea Change - Foreshore Development	1.836
Riverside Regeneration	1.809
Integrated Transport	1.761
Adaptations to properties	1.664
21st Century Leisure Facilities	1.141
Children's Centres	1.115
Partner Equipment	0.953
Disabled Facilities in Private Homes	0.942
Kerbside Caddy Scheme	0.883
Improving Private Housing In the Borough	0.874
School Asset Condition and Suitability	0.780
Harnessing Technology - Schools	0.750
Independent Nurseries	0.643
Regeneration and Transformation Fund	0.583
Agile Working Initiative	0.570
Frederick Street Redevelopment	0.562
Infrastructure Improvements - Footpaths	0.555
Crematorium Mercury Emissions Legislation	0.526

Note 38. Leases

Authority as Lessee - Finance Leases

The Council holds two buildings under finance leases:

- A lease for office accommodation at Landreth House which commenced in 1983 and is 29 years into a 35 year lease.
- The lease of Cleadon Park Facility which commenced in July 2010 under a 24 year lease. The main use of this facility is as a library and community centre.

The assets under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31st March 2010 £m		31st March 2011 £m
0.094	Other Land and Buildings	2.405
0.059	Vehicles, Plant, Furniture and Equipment	-
0.153		**2.405**

The Council is committed to making the minimum payments under these leases. This is settlement of the long term liability for the interest in the property and finance costs that will be payable by the Council in future years. The minimum lease payments are made up of the following amounts:

31st March 2010 £m		31st March 2011 £m
	Finance lease liabilities (net present value of minimum lease payments):	
0.140	- current	0.036
0.079	- non-current	2.237
0.051	Finance costs payable in future years	3.695
0.270	**Minimum lease payments**	**5.968**

The repayment of finance lease liabilities and minimum lease payments will be payable over the following periods:

	Finance Lease Liabilities		Minimum lease Payments	
	31st March 2010 £m	31st March 2011 £m	31st March 2010 £m	31st March 2011 £m
Not later than one year	0.140	0.036	0.158	0.274
Later than one year and not later than five years	0.062	0.246	0.093	1.112
Later than five years	0.017	1.991	0.019	4.582
	0.219	**2.273**	**0.270**	**5.968**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, for example changes to rents following a rent review. In 2010/11 £0.035m contingent rents were payable by the Council (£0.041m in 2009/10).

The Council has not sub-let any of the office accommodation held under these finance leases.

Authority as Lessee - Operating Leases

The Council has operating leases on some of its administrative buildings and a number of plots of land. All the vehicles leased by the Council are operating leases.

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

31st March 2010 £m		31st March 2011 £m
0.394	Not later than one year	0.262
0.994	Later than one year and not later than five years	0.957
2.158	Later than five years	1.967
3.546		**3.186**

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31st March 2010 £m		31st March 2011 £m
0.737	Minimum lease payments	0.630
0.015	Contingent rents	0.015
0.752		**0.645**

Authority as Lessor - Finance Leases

The Council leases a property at Viking Industrial Park to the Tyneside Economic Development Co Ltd (TEDCO) on a finance lease with a remaining term of 8 years.

The Council has a gross investment in this lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts.

31st March 2010 £m		31st March 2011 £m
	Finance lease debtor (net present value of minimum lease payments):	
0.004	- current	0.005
0.051	- non current	0.047
0.030	Unearned finance income	0.025
0.063	Unguaranteed residual value of property	0.063
0.148	**Gross investment in the lease**	**0.140**

The gross investment in these leases and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31st March 2010 £m	31st March 2011 £m	31st March 2010 £m	31st March 2011 £m
Not later than one year	0.010	0.010	0.004	0.005
Later than one year and not later than five years	0.047	0.048	0.028	0.030
Later than five years	0.091	0.082	0.023	0.017
	0.148	**0.140**	**0.055**	**0.052**

The Council has not set aside an allowance for accountable amounts in relation to this lease.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. In 2010/11 £0.002m contingent rents were receivable by the Council (2009/10 £0.002m).

Authority as Lessor - Operating Leases

The Council leases out property and equipment under operating leases primarily for economic development purposes, providing affordable accommodation for local businesses.

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

31st March 2010 £m		31st March 2011 £m
1.779	Not later than one year	1.779
3.439	Later than one year and not later than five years	3.001
9.139	Later than five years	8.645
14.357		**13.425**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into. In 2010/11 £0.282 contingent rents were receivable by the Council (£0.282m in 2009/10).

Note 39. Related Parties

The Council is required to disclose material transactions with related parties bodies or individuals that are not disclosed elsewhere in the accounts. 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 act freely.

Central Government has effective control over the general operations of the Council, as it is responsible for setting the statutory framework within which the Council operates and for providing the majority of funding. The Council received £391.614m (£255.745m in 2009/10) in support of its revenue spending as detailed in note 36. This figure now includes capital grants and contributions not previously included in 2009/10. The comparative figure for 2009/10 including these grants was £379.132m.

Examination of returns completed by Elected Members, together with details included in the Register of Members' Interests, has identified the following transactions for disclosure:

- Grants totalling £0.343m were paid to Boldon Lane and Hebburn Neighbourhood Advice Centres and Bede's World. These are voluntary/third sector organisations in which some Members have an interest. This funding formed a significant proportion of each of these organisations' annual income.

- A Council Member is Chair of the North East Purchasing Organisation (NEPO) Joint Committee. NEPO is used by the twelve Northern Regional Authorities for collaborative contracts and a significant number of South Tyneside Council contracts are procured through the NEPO organisation.

- A Council Member is a Board Member of the Tyneside Economic Development Company (TEDCO). The Council made payments of £0.890m to TEDCO in 2010/11 and also leases a property to TEDCO under a commercial lease arrangement. This has been treated as a finance lease in the accounts.

The transactions detailed above were made with proper consideration of declarations of interest.

From examination of returns completed by Chief Officers, the following disclosure is necessary. The Corporate Director of Business and Area Management holds the following positions:

- Board member of TEDCO;
- Board member of Groundwork Trust. The Council paid £1.611m to this organisation in 2010/11;
- Chair of Governors of St Wilfrid's RC Comprehensive;
- Board member for South Tyneside Foundation Hospital Trust.

There have been no other related party transactions with either Elected Members or Chief Officers other than remuneration for the performance of their duties as detailed in notes 32 and 33 respectively.

The Council administers the Tyne and Wear Pension Fund and charged £0.401m (£0.393m in 2009/10) in respect of support services provided – primarily legal services and administrative buildings. Other support services including finance and information technology are delivered through a separate service level agreement with BT South Tyneside Limited. The Council also paid to the Fund £0.050m (£0.049m in 2009/10) in respect of treasury management duties. From 1st April 2004, the Fund has operated a separate bank account to that of the Council such that any interest earned on cash balances was taken directly into the Fund's accounts.

South Tyneside Homes Limited buys services back from the Council and was charged £1.042m (£1.021m in 2009/10) in respect of support services provided – primarily legal, insurance and administrative buildings. Other support services including payroll and information technology are now delivered through a separate service level agreement with BT South Tyneside Limited. The Council paid a management fee of £14.443m (£13.345m in

2009/10) and £46.868m (£66.727m in 2009/10) for the provision of construction services and capital programme management.

Community Associations in the Borough received indirect financial support from the Council of £2.042m (£2.160m in 2009/10). The funding was used to pay for premises costs and Council employed staffing costs. The Council holds reserve powers to take over operation of centres in cases of mismanagement.

The Council entered a strategic partnership with BT South Tyneside Limited on 1st October 2008 to deliver "back office" services to the Council, South Tyneside Homes Limited and the Tyne and Wear Pension Fund. The Council paid a unitary charge fee of £13.156m (£12.774m in 2009/10) to BT South Tyneside Limited for the provision of the transferred services.

In order to simplify exit or early termination of the contract, the partnership agreement seeks to manage service delivery assets on the Council's Balance Sheet as far as possible. Therefore the agreement did not transfer Council assets that were used in the delivery of the transferred services prior to 1st October 2008 to BT South Tyneside Limited. The assets remain on the Council's Balance Sheet, with a licence for BT South Tyneside Limited to use the assets namely office accommodation, ICT equipment and service assets.

New assets acquired for the delivery or transformation of transferred services since 1st October 2008 are owned by the Council and reflected on the Council's Balance Sheet with purchase/borrowing costs being fully funded by BT South Tyneside Limited.

On 21st December 2007 the procurement of STaG's (South Tyneside and Gateshead Building Schools for the Future) private sector partner to deliver the £175m Building Schools for the Future and £21m ICT programme reached financial close. This created the unique public/private partnership, known as InspiredSpaces STaG Limited, between Carillion (40% shareholding), Royal Bank of Scotland (40% shareholding), Building Schools for the Future Investments (10% shareholding), Gateshead Council (5% shareholding) and South Tyneside Council (5% shareholding). A copy of the accounts can be obtained by writing to Finance Director, InspiredSpaces STaG Limited, Units 12-14, Lumley Court, Drum Industrial Estate, Chester-le-Street, County Durham, DH2 1AN.

On 21st December 2009 Inspired Spaces STaG Limited set up Inspired Spaces STaG (Holdings 2) Limited to develop and build South Shields Community School. The Council paid £500 for a 50% equity in this company and £0.167m in subordinated debt to be repaid over the lifetime of the PFI contract.

In September 2010 Inspired Spaces STaG Limited set up Inspired Spaces STaG (Holdings 1) Limited to develop and build Jarrow School. The Council paid the company £0.107m in subordinated debt to be repaid over the lifetime of the PFI contract.

The following tables show the related party amounts due to or from the Council as at 31st March 2011.

2009/10 £m	Amount due to the Council	2010/11 £m
13.001	Government Bodies	8.309
1.313	Tyne and Wear Pension Fund	2.408
4.100	South Tyneside Homes Limited	1.406
0.167	InspiredSpaces	0.269
18.581	**Total**	**12.392**

2009/10 £m	Amount due from the Council	2010/11 £m
(10.709)	Government Bodies	(8.003)
(6.228)	Tyne and Wear Pension Fund	(4.588)
(18.296)	South Tyneside Homes Limited	(3.820)
-	InspiredSpaces	(0.414)
(35.233)	**Total**	**(16.825)**

Note 40. Impairment Losses

The Code requires disclosure by class of assets the impairment losses and impairment reversals charged to the Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in notes 12 and 14 which reconciles the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

During 2010/11 the Council has recognised an impairment loss of £131.688m in its dwellings and £40.038m on other assets. The primary reason for the impairment of dwellings is the reduction in the Social Housing discount factor from 49% to 37%, resulting in a charge to Comprehensive Income and Expenditure Statement of £100.238m.

The impairment of other assets reflects new school builds and office refurbishment costs which do not increase the value of the asset. These impairments are disclosed in the Education and Children's Services and Corporate and Democratic Core lines respectively. The following table shows impairment charges made to each cost of service line:

	£m
Central Services to the Public	0.306
Cultural, Environmental, Regulatory and Planning Services	5.207
Education and Children's Services	21.735
Highways and Transport Services	0.074
Local Authority Housing (HRA) - Impact of change in Discount Factor in Impairment of Non Current Assets	100.238
Local Authority Housing (HRA) - Other	39.515
Adult Social Care Services	0.069
Corporate and Democratic Core	3.933
Non Distributed Cost - Other	0.649
	171.726

Note 41. Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities for redundancy and pension costs of £11.364m (in 2009/10 £4.998m redundancy costs were incurred). Of this total, £1.368m related to the redundancy and pension costs of 22 teaching staff. This included 10 school based teaching staff and 12 teaching staff delivering pupil related services centrally. This cost has been partly met by a £0.394m contribution from the Dedicated Schools Grant. The remaining balance of £9.996m relates to the redundancy and pension costs for 497 Council staff leaving through a major early retirement and voluntary redundancy programme to meet saving requirements of both the 2010/11 and 2011/12 Budgets. 249 of these staff had actually left the Council at 31st March 2011, the remaining 248 staff had leaving dates approved at the year end. In addition, a £1.200m provision has been made for the redundancy costs of a further 80 staff expected to leave in 2011/12 to meet the in-year budget saving requirements.

Note 42. Contingent Liabilities

The creation of the ALMO on 1st April 2006 resulted in the transfer of past service pension deficit to South Tyneside Homes Limited. The deficit had accrued as a result of the transfer of former South Tyneside Council employees. For the year ending 31st March 2011, the Actuary assessed the deficit at £20.310m (£32.280m in 2009/10). In the unlikely event that South Tyneside Homes Limited were wound up, prior to the agreed contract-end date, the Council has guaranteed to fund the past service pension deficit. The Pension Committee agreed the Council’s guarantee to fund any pension deficit arising, were the liability to crystallise. Therefore, in such a case, there is no possibility of reimbursement from the other member organisations of the Tyne and Wear Pension Fund.

Note 43. Contingent Assets

In 2008/09 the Council appointed consultants to pursue a claim with HMRC in relation to overpaid VAT. The Council was successful in recouping VAT for the period 1st January 1990 to 31st March 1994 in relation to sporting services supplied to individuals and for the period 1st April 1974 to 4th December 1996 in relation to excess parking and library charges. Whilst this claim has been settled the consultants are still pursuing a claim for additional interest however this relies upon a ruling in another ongoing VAT case. The Council have appointed solicitors who have issued a claim for the interest. Given the uncertainty around the litigation the Council has not incorporated any potential asset into its closing Balance Sheet.

The Council is one of four authorities in ongoing litigation over the VAT treatment of off street car parking charges. Following an unfavourable ruling in the European Courts, HMRC instructed the Council to repay VAT monies it had previously retained. The Council is now challenging that decision and continues to litigate at the VAT Tribunal. If successful the Council stands to gain in excess of £1m plus interest. However given that the latest ruling went against the Council no asset has been reflected in these accounts.

Following a policy review, HMRC have reclassified the provision of trade waste collection services to be a non-business activity. The Council now no longer charges VAT on Trade Waste collection and will submit a claim for overpaid output tax for the previous four years. The Council may be successful in reclaiming output VAT, however, this will be subject to HMRC interpretation of the regulations surrounding refunds. Given the uncertainty, the Council has not incorporated any potential asset in its Balance Sheet.

A group of 23 Local Authorities have brought a judicial review against the Secretary of State for Communities and Local Government in respect of the amount of the Academies Funding Transfer for 2011/12 and the resulting reduction to Local Authority funding. The aim of the action is to reduce the amount of the Academies Funding Transfer, as the claimants do not consider that it is a true reflection of the savings that the Local Authorities will make as a result of some central services now being provided by Academies. South Tyneside Council have applied, along with 5 other Local Authorities, to join the action and await the courts confirmation that it may become a claimant. Council funding has reduced by £0.4m as a result of the Academy transfer in 2010/11. Given the early stage of this action and uncertainty over the outcome, no potential asset has been reflected in the Council's accounts.

Note 44. Financial Instruments Risks

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Treasury Management function of the Council is undertaken within the Pension Service, because of the greater insight the Pensions Service has on the economic environment and other market related risks. The Council has fully adopted CIPFA's 2009 Treasury Management Code of Practice. In particular, it has set up twelve treasury management practices covering all areas of treasury management. These practices cover roles and responsibilities and set out the overall operating procedures for treasury management including specific areas such as credit risk, liquidity risk and market risk. The Council has also fully implemented the national investment guidance of CLG, issued in March 2004 and revised in March 2010.

The Council's Treasury Management Strategy sets out the forecast economic environment and the factors which will effect decision making for each forthcoming year. The Strategy also sets out a number of Treasury Management Prudential Indicators that the Council has set in order to help control and monitor the Treasury Management function. When investing cash balances the prime objectives are the security of the capital sum and the liquidity of investments. Certain key elements of the current Treasury Management Strategy are also dealt with in the sections below, dealing with credit risk and liquidity risk.

A copy of the Treasury Management Strategy can be found on the South Tyneside website at the following reference:

http://www.southtyneside.info/applications/2/councillorsandcommittees/viewdocument.aspx?id=20109

The Council's activities expose it to a variety of financial risks, the key risks being:

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 the funds available to meet its commitments to make payments.
Market risk	The possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Credit Risk

Credit risk arises from the short term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council limits deposits with institutions to a maximum of £15m and a separate limit of up to £10m is also applied to overnight deposits made by the Tyne and Wear Pension Fund.

In 2008/09 the Council significantly reduced the number of institutions to which it was prepared to lend its surplus balances. This was in response to the deterioration in the financial stability of some financial institutions as well as the uncertain economic environment.

During 2009/10 one new UK clearing bank was added to the lending list, with a limit of £10m. The Council has continually kept its lending list and credit rating criteria under review in consultation with its Treasury Management advisor, Sector.

As at 31st March 2011, the Council has continued to limit its lending list to UK institutions. In addition, deposits may also be made with other local authorities, AAA Money Market Funds, and the Debt Management Account Deposit Facility. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties. The Council does not have any deposits frozen with Icelandic Banks.

The following analysis summarises the Council's potential maximum exposure to credit risk from:

- term deposits with institutions on the Council's lending list based on past experience and current market conditions.
- Customers and other debtors based on past experience.

Credit Risk of Financial Assets	**Amount at 31st March 2011**	**Historical experience of default**	**Historical experience adjusted for market conditions at 31st March 2011**	**Estimated maximum exposure to default and uncollectablility 31st March 2011**	**Estimated maximum exposure to default and uncollectablility 31st March 2010**
	£m	**%**	**%**	**£m**	**£m**
	A	B	C	A x C	-
Deposits with banks and other financial institutions	19.608	0%	0%	-	-
Customers	24.856	3%	3%	0.746	0.968
Airport Loan Notes	0.480	0%	0%	-	-
Assisted vehicle scheme	0.159	0%	0%	-	-
Housing Advances (including Council Houses)	0.037	0%	0%	-	-
Equity sub debt	0.269	0%	0%	-	-
Finance Lease	0.047	0%	0%	-	-
Social care and health fees	0.526	0%	0%	-	-
Government Debtors	8.309	0%	0%	-	-
Total	**54.291**			**0.746**	**0.968**

At the end of March 2011 the Council restricted deposits with banks and other financial institutions to UK Institutions which are included on the Sector approved credit rating list at the date of investment. There has never been any default on the repayment of these deposits nor in relation to Housing Advances and Airport Loan Notes.

The majority of the assisted vehicle scheme debt could be recovered from final staff salaries so represent negligible risk. Social Care and Health fees are generally secured against the client property.

Impairment

The Council has impaired its financial assets by a total of £1.594m during 2010/11 and this impairment is included in the reported financial asset figures.

In relation to customer balances, impairment has been calculated as follows:

- A separate review for each class of customer such that Housing Rents, Housing Benefits overpaid and Council Tax have all been separately reviewed.
- For sundry debtors raised at 31st March but not yet paid, an impairment review has been made both against individual or client balances and then for debt type. There has been impairment of accrued debt for Primary Care Trust.
- Impairment factors taken into consideration include information on the debtor absconding, being in liquidation or declared bankrupt. In the absence of any of these factors the Council considers the age of debt, past experience of recoverability and in the case of Council Tax whether legal proceedings have been initiated.

Collateral

The only form of collateral for any of the reported financial asset relates to the Social Care and Health fees where there is a charge against clients' property.

The Council does not generally allow credit for customers and as such, £20.282m of the £24.856m customer balance is past its due date for payment. The past due amount can be analysed by age as follows:

Credit Risk of Past Due Financial Assets	Customers 31st March 2010 £m	Customers 31st March 2011 £m
Less than three months	16.804	15.446
Three to six months	5.209	2.416
Six months to one year	2.305	1.143
More than one year	5.237	1.277
Total	**29.555**	**20.282**

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board (PWLB). As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council policy limits the use of money market debt to 40% of the overall debt portfolio. The Council has set limits to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

The Council's policy is to ensure that no more than 40% of loans are due to mature within any financial year and 75% within any rolling five-year period through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity structure of financial liabilities is as follows:

31st March 2010 £m	Loans outstanding	31st March 2011 £m
(283.407)	Public Works Loans Board	(334.453)
(10.247)	Market Debt	(10.331)
(49.485)	PFI Liabilities	(55.276)
(68.261)	Creditors	(50.014)
(4.211)	Finance Lease and other Liabilities	(7.388)
(415.611)	**Total**	**(457.462)**
(75.660)	Less than 1 year	(85.566)
(33.227)	Between 1 and 2 years	(8.089)
(58.265)	Between 2 and 5 years	(68.752)
(75.119)	Between 5 and 10 years	(101.102)
(173.340)	More than 10 years	(193.953)
(415.611)	**Total**	**(457.462)**

£2.988m of the Finance Lease and other liabilities reported above is reflected in the Balance Sheet as part of Short Term Creditors.

In the 5-10 year category there are £2m of Lender Option Borrower Option Loans (LOBO's) which have a call date in the next 12 months and within the more than 10 years' category there is a LOBO loan of £3m with a call date within the same period.

All debtors are due to be paid in less than one year.

Market Risk

Interest rate risk

The Council is exposed to interest rate risk in two different ways: the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument

The current interest rate risk for the Council is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.

- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.

- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value.

- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. Our treasury management policy sets a maximum of 40% of borrowings in variable rate loans to reduce risk from variable rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31st March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as shown in the following table:

2009/10 £m	Interest Rate Risk	2010/11 £m
2.921	Increase in interest payable on variable rate borrowings	0.250
(1.061)	Increase in interest receivable on variable rate investments	(0.308)
(0.186)	Increase in Government grant receivable for financing costs	(0.025)
1.674	**Impact on Comprehensive Income and Expenditure Statement**	**(0.083)**
1.153	**Share of overall impact on the HRA Statement**	**0.076**
(0.229)	Decrease in fair value of fixed rate investment assets (no impact on Comprehensive Income and Expenditure Statement)	(0.084)
(25.361)	Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure Statement)	(24.840)

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

Price risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £0.425m in Newcastle Airport (£0.425m in 2009/10). The Council is consequently exposed to losses arising from movements in the prices of the shares. 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. Therefore to eliminate any risk the Council has set aside the full book value of the shares in the available for sale reserve. The

£0.425m shares are classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus no exposure to loss arising from movements in exchange rates.

Note 45. Trust Funds

The Council acts as sole trustee for legacies left by inhabitants of the Borough, the value of which at 31st March 2011 was £0.672m (£0.722m on 31st March 2010).

The largest of these legacies is the Westoe Trust that has investments worth £0.354m as at 31st March 2011 (£0.355m on 31st March 2010). As agreed with the Charity Commission, the income generated from this Trust's investments is used to benefit schools and promote the education of individuals in South Tyneside in a manner not normally provided by the Council.

The Marine Park Trust represents monies received from the sale of property in the park grounds. This must be invested in perpetuity with any interest earned being spent on improvements to the park.

As well as these 2 major trust funds there are 25 other much smaller trust funds that are held by the Council and are there to provide a wide variety of assistance.

Trust Funds	**Balance 1st April 2010**	**Amount Received During Year**	**Amount Applied During Year**	**Balance 31st March 2011**
	£m	**£m**	**£m**	**£m**
Westoe Trust	(0.356)	(0.005)	0.007	(0.354)
Marine Park Trust	(0.186)	(0.018)	0.036	(0.168)
Other Trust Funds	(0.180)	(0.030)	0.060	(0.150)
Total Provisions	**(0.722)**	**(0.053)**	**0.103**	**(0.672)**

Trust Fund assets are invested in the Council's Consolidated Loans Pool and Government Stock. The following table shows the split of these assets:

Trust Funds	**Government Stock Investments**	**Invested in Council Funds**	**Total**
	£m	**£m**	**£m**
Westoe Trust	-	0.354	0.354
Marine Park Trust	-	0.168	0.168
Other Trust Funds	0.025	0.125	0.150
Total as at 31 March 2011	**0.025**	**0.647**	**0.672**

There were no outstanding liabilities on the Trusts at the Balance Sheet date.

The equivalent balances at 31st March 2010 are as follows:

Trust Funds	Balance 1st April 2009 £m	Amount Received During Year £m	Amount Applied During Year £m	Balance 31st March 2010 £m
Westoe Trust	(0.359)	(0.006)	0.010	(0.355)
Marine Park Trust	(0.183)	(0.003)	-	(0.186)
Other Trust Funds	(0.180)	(0.041)	0.040	(0.181)
Total Provisions	**(0.722)**	**(0.050)**	**0.050**	**(0.722)**

Trust Funds	Government Stock Investments £m	Invested in Council Funds £m	Total £m
Westoe Trust	-	0.355	0.355
Marine Park Trust	-	0.186	0.186
Other Trust Funds	0.025	0.156	0.181
Total as at 31 March 2010	**0.025**	**0.697**	**0.722**

Note 46. Pension Schemes Accounted for as Defined Contribution

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes as Central Government do not release the figures. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme i.e. pensions costs are payable as they arise.

In 2010/11, the Council paid £7.124m to the Teachers' Pensions Agency in respect of teachers' retirement benefits, representing 13.83% of pensionable pay (£7.138m and 12.75% respectively in 2009/10). There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 47.

Note 47. Defined Benefit Pension Schemes

South Tyneside Council non-teaching employees are entitled to join the Tyne and Wear Pension Fund (the Fund), which is administered by South Tyneside Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme.

On 1st October 2008 the Council entered into a ten-year partnership arrangement for the provision of support services and staff were transferred to a new company British Telecom South Tyneside Limited (BTSTL). However, the pension liability for all staff transferring remains with the Council as a result of a risk-sharing agreement between the two parties. As a result the members have still been included in both the reported asset and liability figures for the Council and contributions made by BTSTL have been added to those paid by the Council.

In 2010/11, the Council made direct payments to the Pension Fund in respect of early retirements (known as “strain on the fund”) payable over the next three years. Early retirements result in reduced pension contributions payable to the Fund and earlier payments of benefits. The sum to be paid by the Council in 2011/12 was estimated by the actuary to be £2.310m (£0.453m in 2009/10). This is significantly higher than previous years as a result of the major early retirement and voluntary redundancy programme the Council undertook in 2010/11.

The outstanding liability of the Council for the pension scheme stands at £238.290m at 31st March 2011 (£302.780m in 2009/10). This has increased the reported net worth of the Council by £64.490m in the year (13% increase). Statutory agreements for funding this deficit mean that the financial position of the Council remains healthy. Whilst there is no direct cost to the council taxpayer in these accounts, increased contributions will be required over the remaining working life of employees, as assessed by the scheme actuary.

Participation in Defined Benefit Pension Schemes

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

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by South Tyneside Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year so that the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Section 4 – Notes to the Core Financial Statements

(a) Local Government Pension Scheme funded benefits

Introduction

The disclosures below relate to the funded liabilities within the Tyne and Wear Pension Fund (the “Fund”), which is part of the Local Government Pension Scheme (the “LGPS”). The funded nature of the LGPS requires South Tyneside Council and its employees to pay contributions into the Fund, calculated at a level intended to balance the pensions liabilities with investment assets.

South Tyneside Council recognises gains and losses in full immediately through Other Comprehensive Income and Expenditure.

Following the UK Government’s announcement on 22nd June 2010, the inflation index to be used to derive statutory pension increases has been changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). Due to a number of differences between the indices, including both constituents and construction, CPI is expected to be less than RPI over the long term, which means that the defined benefit obligation has reduced. The actuary considers that this policy change constitutes a change to the constructive obligation to provide certain benefits to Scheme members, giving rise to the recognition of a negative past service cost. The change has been recognised at 22nd June 2010 and is reported as an Exceptional Item on the Comprehensive Income and Expenditure Statement.

In accordance with International Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

The Employer’s regular contributions to the Fund for the accounting period 31st March 2012 are estimated at £19.93m (£19.00m for 31st March 2011). In addition, Strain on the Fund contributions may be required.

The main financial assumptions adopted as at 31st March 2011

The latest actuarial valuation of South Tyneside Council’s liabilities took place as at 31st March 2011. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were:

	31st March 2011	31st March 2010	31st March 2009
	% per annum	% per annum	% per annum
Discount rate	5.40	5.50	6.60
Inflation rate	2.80	3.90	3.50
Rate of increase to pensions in payment	2.80	3.90	3.50
Rate of increase to deferred pensions	2.80	3.90	3.50
Rate of general increase in salaries	5.20	5.40	5.00

The main demographic assumptions adopted as at 31st March 2011

The table below shows the principal assumptions in retirement mortality rates, which have been based on the recent actual mortality experience of members within the Fund and allowing for expected mortality improvements:

Post retirement mortality	**31st March 2011**	**31st March 2010**
Males		
Future lifetime from age 65 (currently aged 65)	21.5	20.0
Future lifetime from age 65 (currently aged 45)	23.3	22.2
Females		
Future lifetime from age 65 (currently aged 65)	23.7	22.9
Future lifetime from age 65 (currently aged 45)	25.6	25.1

Fund Assets and Expected Rate of Return (for the Fund as a whole)

South Tyneside 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 in the following table. The total 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 31st March 2011.

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the following table, which reconciles the funded status of assets and liabilities to the Balance Sheet. Also shown are the assumed rates of return adopted by the Employer for the purposes of IAS 19:

	Long-term expected rate of return at 31st March 2011	**Asset split at 31st March 2011**	**Long-term expected rate of return at 31st March 2010**	**Asset split at 31st March 2010**	**Long-term expected rate of return at 31st March 2009**	**Asset split at 31st March 2009**
	(% per annum)	**(%)**	**(% per annum)**	**(%)**	**(% per annum)**	**(%)**
Equities	8.4%	68.0%	8.0%	67.8%	7.0%	66.1%
Property	7.9%	8.1%	8.5%	7.4%	6.0%	8.4%
Government Bonds	4.4%	7.0%	4.5%	9.3%	4.0%	10.2%
Corporate Bonds	5.1%	11.7%	5.5%	11.4%	5.8%	10.4%
Cash	1.5%	1.2%	0.7%	1.3%	1.6%	0.7%
Other Investments	8.4%	4.0%	8.0%	2.8%	1.6%	4.2%
Total	**7.6%**	**100.0%**	**7.3%**	**100.0%**	**6.2%**	**100.0%**

The following table reconciles the funded status of assets and liabilities to the Balance Sheet:

	31st March 2011	**31st March 2010**	**31st March 2009**
	£m	**£m**	**£m**
Fair value of assets	436.590	399.880	286.560
Present value of liabilities	(645.950)	(671.210)	(488.890)
Net pension liability	**(209.360)**	**(271.330)**	**(202.330)**

The full cost of retirement benefits for both current and past service employment and any gains or losses on curtailments or settlements has replaced actual amounts paid to the Fund. The following table shows the current and past service costs included in the net cost of services within the Comprehensive Income and Expenditure Statement:

2009/10 £m		2010/11 £m
8.99	Current Service Cost	16.13
1.18	Past Service Cost	(71.86)
32.19	Interest on Pension Scheme Liabilities	33.93
(17.75)	Expected Return on Fund Assets	(29.25)
-	Curtailment cost	(1.61)
24.61	**Expense/(Income) Recognised**	**(52.66)**

The change from RPI to CPI is the reason for the £71.86m reduction in past service cost.

The impact of the Council's major early retirement and voluntary redundancy (ERVR) programme on the pension liability was assessed by the actuary and resulted in a curtailment cost of £1.610m to the scheme, recognised in the deficit on the provision of services. The pension liability is affected in two ways by the ERVR programme:

- Employees who are over 55 are entitled to retire immediately with their benefits in the LGPS being paid. This has resulted in the pensions liability increasing by £1.540m;

- Employees who are under 55 become deferred pensioners with their future benefits being paid at normal retirement date. As benefits are no longer linked to future salary increases, there is a reduction in the pension liability of £3.150m

The actuary has undertaken this additional analysis as the number of leavers in 2010/11 was significantly higher than the usual turnover level for the Council. Actuarial calculations already assume a level of turnover in staffing each year which would cover normal reductions in staffing. This assumption will be reviewed for future years in light of any further changes in Council staffing levels.

The following tables explain the history and movements in the present value of liabilities and the fair value of assets together with the actual return on those assets and how this has been reflected in Other Comprehensive Income and Expenditure.

Changes to the present value of defined benefit obligation liabilities during the accounting period

2009/10 £m		2010/11 £m
(488.89)	**Opening present value of liabilities**	**(671.21)**
(8.99)	Current Service Cost	(16.13)
(32.19)	Interest on Pension Scheme Liabilities	(33.93)
(7.95)	Contributions by participants	(7.42)
(152.47)	Actuarial losses on liabilities	(12.33)
20.46	Net benefits paid out	21.60
(1.18)	Past service cost	71.86
-	Curtailments	1.61
(671.21)	**Closing present value of liabilities**	**(645.95)**

Section 4 – Notes to the Core Financial Statements

Changes to the fair value of assets during the accounting period

2009/10 £m		2010/11 £m
286.56	**Opening fair value of assets**	**399.88**
17.75	Expected return on assets	29.25
89.56	Actuarial gains on assets	1.72
18.52	Contributions by the employer	19.92
7.95	Contributions by participants	7.42
(20.46)	Net benefits paid out	(21.60)
399.88	**Closing fair value of assets**	**436.59**

Actual return on assets

2009/10 £m		2010/11 £m
17.75	Expected return on assets	29.25
89.56	Actuarial gain on assets	1.72
107.31	**Actual return on assets**	**30.97**

Analysis of amount recognised in Other Comprehensive Income and Expenditure

2009/10 £m		2010/11 £m
(62.91)	Total actuarial losses	(10.61)
(62.91)	**Total loss in Other Comprehensive Expenditure**	**(10.61)**

History of asset values, present value of liabilities and (surplus)/deficit

2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m		2010/11 £m
(349.61)	(343.92)	(286.56)	(399.88)	Fair value of assets	(436.59)
492.26	448.50	488.89	671.21	Present value of liabilities	645.95
142.65	**104.58**	**202.33**	**271.33**	**Deficit**	**209.36**

The assets for the current period and the previous two periods are measured at current bid price. Asset values previously measured at mid-market value for periods ending 2008 and 2007 have been re-measured for this purpose. Asset values for period ending 2006 are shown at mid-market value.

History of experience gains and losses

2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m		2010/11 £m
(2.09)	(36.23)	(87.70)	89.56	Experience (losses)/gains on assets	1.72
0.6%	10.5%	-30.6%	22.4%	Percentage of scheme assets	0.4%
(1.27)	(0.92)	(2.18)	6.42	Experience (losses)/gains on liabilities	(13.08)
0.3%	0.2%	-0.4%	1.0%	Percentage of the present value of liabilities	-2.0%

Section 4 – Notes to the Core Financial Statements

Unfunded liabilities are disclosed for periods beginning on or after 6th April 2007. The history of experience gain/(loss) on liabilities shown has not been re-stated for periods ending 2007 and 2006 and includes the experience relating to unfunded liabilities.

(b) Local Government Pension Scheme (LGPS) and Teachers unfunded benefits

The disclosures below relate to unfunded pension arrangements established by South Tyneside Council. These are termination benefits made on a discretionary basis upon early retirement.

South Tyneside Council recognises gains and losses in full immediately through Other Comprehensive Income and Expenditure. In accordance with International Financial Reporting Standards disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

The note in Section (a) regarding the use of CPI instead of RPI also applies to unfunded benefits.

In the accounting period ending 31st March 2012 the Employer expects to pay £2.26m directly to beneficiaries (£2.22m for 31st March 2011).

The latest actuarial valuation of unfunded LGPS benefits took place as at 31st March 2011. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for IAS 19 purposes were as follows:

The main financial assumptions adopted as at 31st March 2011

	31st March 2011	31st March 2010	31st March 2009
	% per annum	% per annum	% per annum
Discount rate	5.50	5.50	6.60
Inflation rate	2.70	3.80	3.50
Rate of increase to pensions in payment	2.70	3.80	3.50

The main demographic assumptions adopted as at 31st March 2011

The table below shows the principal assumptions in retirement mortality rates:

Post retirement mortality	31st March 2011	31st March 2010
Males		
Future lifetime from age 65 (currently aged 65)	21.5	20.0
Future lifetime from age 65 (currently aged 45)	23.3	22.2
Females		
Future lifetime from age 65 (currently aged 65)	23.7	22.9
Future lifetime from age 65 (currently aged 45)	25.6	25.1

The following table reconciles the liabilities to the Balance Sheet:

	31st March 2011 £m	31st March 2010 £m	31st March 2009 £m
Present value of liabilities	(28.930)	(31.450)	(29.140)
Net pension liability	**(28.930)**	**(31.450)**	**(29.140)**

The full cost of retirement benefits for both current and past service employment and any gains or losses on curtailments or settlements has replaced actual amounts paid to the Fund. The following table shows the expense recognised in the Comprehensive Income and Expenditure Statement:

2009/10 £m		2010/11 £m
-	Past service cost	(2.59)
1.85	Interest on Pension Scheme Liabilities	1.56
3.22	Strain on Fund Deferred	4.37
5.07	**Expense Recognised**	**3.34**

The following tables explain the history and movements in the present value of liabilities and the fair value of assets together with the actual return on those assets and how this has been reflected in Other Comprehensive Income and Expenditure.

Changes to the present value of liabilities during the accounting period

2009/10 £m		2010/11 £m
(29.14)	**Opening present value of liabilities**	**(31.45)**
(1.85)	Interest on Pension Scheme Liabilities	(1.56)
(2.68)	Actuarial losses on liabilities	(0.70)
2.22	Net benefits paid out	2.19
-	Past service cost	2.59
(31.45)	**Closing present value of liabilities**	**(28.93)**

Analysis of amount recognised in Other Comprehensive Income and Expenditure

2009/10 £m		2010/11 £m
(2.68)	Total actuarial losses	(0.70)
(2.68)	**Total loss in Other Comprehensive Expenditure**	**(0.70)**

History of asset values, present value of liabilities and (surplus)/deficit

2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m		2010/11 £m
n/a	28.44	29.14	31.45	Present value of liabilities	28.93
-	**28.44**	**29.14**	**31.45**	**Deficit**	**28.93**

History of experience gains and losses

2006/07	2007/08	2008/09	2009/10		2010/11
£m	£m	£m	£m		£m
n/a	(1.77)	(0.35)	0.97	Experience (losses)/gains on liabilities	0.03
n/a	-6.2%	-1.2%	3.1%	Percentage of the present value of liabilities	0.1%

Unfunded liabilities are disclosed separately for periods beginning on or after 6th April 2007. This disclosure note presents the history of liabilities, and experience gain/(loss) on liabilities, for periods ending 2008 and 2009. For periods ending 2007 and earlier, unfunded liabilities are included in the disclosure note for funded benefits.

Note 48. Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31st March 2011. The Council is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2011. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the *Best Value Accounting Code of Practice 2010/11*, 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.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are generally recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Amounts outstanding at the year-end are accounted for as part of the carrying amount of the relevant long term loans/investments.

- 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.

In the preparation of these accounts, the following entry represents an exception to the statements made above:

- **Housing Rents** – the Council operates a 48-week rent year for Council house rents. However, given that 31st March does not always fall at a weekend, there will be years where there are 49 paying weeks. No income accruals have been made for part weeks. 2010/11 was a 48-week rent year. The average weekly rent receipt for 2010/11 was £1.128m over 52 weeks (£1.022m in 2009/10).

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4. 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 accounts, depending on how significant the items are to an understanding of the Council's financial performance. A previous example of such material expenditure is the cost of implementing a revised grading structure to meet equal pay legislation.

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

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

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

Section 4 – Notes to the Core Financial Statements

6. 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 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. The Council has adopted the following policy:

- 4% of the opening capital financing requirement (nil for the HRA) where this debt is subject to support from the Government via Revenue Support Grant or Housing Subsidy.
- To repay unsupported borrowing in line with the estimated useful life of the asset being acquired or enhanced.
- To repay unsupported borrowing over 20 years where an estimated useful life cannot be established i.e. revenue expenditure funded from capital under statute.
- To repay finance lease and other long term liabilities such as PFI in line with the principal repayment of that liability made in year.

- To voluntarily repay unsupported borrowing incurred by the HRA over 25 years.
- To defer repayment of MRP until assets under construction are brought into use.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

7a) Benefits Payable during Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

7b) Termination Benefits

Termination benefits, whether they arise 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, are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment or making an offer to encourage voluntary redundancy.

Where the Council is committed to a programme of redundancy for a future year and the value can be reliably estimated, then a provision will be made for this cost.

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

7c) Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pensions Scheme, administered by the Council on behalf of admitted and scheduled bodies in the Tyne and Wear area.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

7d) The Local Government Pension Scheme

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

- The liabilities of the Tyne and Wear Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.4% for funded and 5.5% for unfunded (based on the indicative rate of return on AA corporate bond yield or from yields on Government bonds).
- The assets of Tyne and Wear Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.
- The change in the net pensions liability is analysed into seven components:
    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs. Significant redundancy programmes during a financial year would impact on curtailments.
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited or credited to Other Comprehensive Income and Expenditure.
    - Contributions paid to the Tyne and Wear Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense. This includes cash paid by our strategic partner British Telecom South Tyneside Limited on behalf of staff transferring to that organisation.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as employees earn benefits.

7e) Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme. At present the Scheme allows for such payments to be made over three financial years from the date at which the employee left the service of the Council.

8. Events after the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

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

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

9. Financial instruments

9a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable, up to a maximum of 10 years. 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.

9b) Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments e.g. unquoted equity investments.

9c) Loans and Receivables

Loans and receivables 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. 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 the deposits with banks and other financial institutions 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 Expenditure Statement is the amount receivable for the year in the loan agreement. For other loans and receivables, such as short term debtors, no interest is charged and the Balance Sheet represents the outstanding amount.

Where loans have been made at less than market rates (soft loans) 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 foregone 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, 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

9d) Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 fair value of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

10. 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 attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local Authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

11. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of the Council's website has not been capitalised as it is primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at cost less amortisation. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. The useful life of intangibles is assumed to be five years.

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

12. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The group financial statements within these accounts are prepared in accordance with the Council policies, with the following additions and exceptions:

(a) Value Added Tax

VAT paid by other group entities is accounted for in the Group Comprehensive Income and Expenditure Statement to the extent that it is irrecoverable from HM Revenue and Customs.

(b) Other Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the Balance Sheet date.

(c) Charges to Income and Expenditure for Non-Current Assets

There are no transactions between the Group Comprehensive Income and Expenditure Statement and the Capital Adjustment Account in relation to charges for non-current assets held by South Tyneside Homes Limited, such that the amounts charged to the account are initially reflected in the Group Income and Expenditure Reserve. However, a transfer is made from the Revaluation Reserve to the Group Income and Expenditure Reserve for the difference between depreciation charged on the current value of non-current assets held by South Tyneside Homes

13. Inventories

Inventories where material, are included in the Balance Sheet at the lower of cost and net realisable value. The Council operates a Home Loan Equipment Centre that provides disabled aids to the Community. As the items are recyclable it is possible, due to technological advances and better procurement techniques, that the replacement cost becomes less than their original purchase value. However for administrative purposes the Council has decided to retain cost value as the measurement for this inventory and has estimated that this may have overstated its value by up to £50,000.

14. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on 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 line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15. Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

16. 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.

16a) The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, 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 contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

16b) The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Section 4 – Notes to the Core Financial Statements

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.

17. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

18. 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 expected to be used during more than one financial year are classified as Property, Plant and Equipment.

18a) Recognition

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

In recognising capital expenditure as acquisition or enhancement of Property, Plant and Equipment the following de minimis level have been used:

- £400 for housing capital expenditure, reflecting the planned approach to improvements to individual dwellings.
- £2,000 for devolved school spending in line with Government guidelines.
- £2,500 for vehicles procured as part of a planned replacement strategy.
- £10,000 per item elsewhere in the programme.

18b) Measurement

Assets are initially measured at cost, comprising:

- the purchase price and;
- 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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets, vehicles, plant and equipment – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Assets under construction – historical cost.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as impairment (see section c).

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

18c) Impairment

The values of each category of assets and material individual assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

18d) Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. 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).

Deprecation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the remaining useful life of the property (between 9 to 80 years) as estimated by the valuer.
- Vehicles, plant, furniture and equipment - straight-line allocation over 3 to 7 years being the estimated remaining useful economic life.
- Community Assets – straight-line allocation over 20 years.
- Infrastructure – straight-line allocation over 40 years (100 years for coastal protection).

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and the useful economic life (UEL) is significantly different from the host asset, the components are depreciated separately. The Council has recognised the internal services and fixtures as the only major component for the majority of assets and this is being depreciated between 18 and 20 years on inception. A small number of assets have specialist equipment with whose cost is material to the overall value of the asset and have different useful economic lives e.g. pool equipment at leisure centres or cremators. A further component is recognised for these assets.

Componentisation will only be applied where there has been any expenditure in year and/or the asset has been subject to a formal revaluation. The Council has set the following de minimis levels for componentisation:

- General Fund Assets – Components will be recognised on General Fund Assets where the valuation is over £750,000. If the capital expenditure on a component in the year and the previous year reaches £75,000, components will be recognised at this point. If the spend is below £75,000 it will simply be added to the host.

- Council Dwellings – Components will be recognised on dwellings when the property is revalued. Where the expenditure is less than £5,000 no component will be recognised and this spend is simply added to the structure. Where the expenditure is over £5,000 components will be recognised based on the actual expenditure.

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.

18e) Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Council’s underlying need to borrow]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of 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.

19. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

- For Boldon School, the liability was written down by an initial capital contribution of £7.2m

- For Street Lighting, the liability was written down by an initial capital contribution of £2.8m

- For Jarrow School, the liability was not written down by any initial capital contribution.

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 of 13.5% for Boldon School, 6.5% for Street Lighting and 9.4% for Jarrow School on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – are charged to revenue the year the costs are incurred.

20. Provisions, Contingent Liabilities and Contingent Assets

a) 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.

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 are 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.

Provision for Back Pay Arising from Unequal Pay Claims

One of the provisions relates to the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

The Council has a policy of seeking to capitalise such payments as they arise. Capitalisation is subject to approval by the Secretary of State.

Landfill Allowance Schemes Provision

Another provisions relates to landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value. As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

20b) 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. For example, legal claims which are ongoing but have not reached a point where a liability is certain or can be reliably quantified. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

20c) 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.

21. 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 to score against the Surplus or 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, retirement and employee benefits and do not represent usable resources for the Council – these reserves are known as unusable reserves.

22. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that 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.

23. 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.

Section 5 – Housing Revenue Account Income and Expenditure Statement

The Local Government and Housing Act 1989 (Section 74) requires local housing authorities to keep, in accordance with proper practices, a statement called the Housing Revenue Account. This statement records the income and expenditure transactions relating to the provision of housing by the Council. Items to be included in the accounts are defined by the 1989 Act.

2009/10 £m		Note	2010/11 £m
	Expenditure		
10.317	Repairs and maintenance		13.422
15.954	Supervision and management		16.150
0.810	Rents, rates, taxes and other charges		1.252
-	Negative HRA Subsidy payable	2	9.284
19.612	Depreciation of non-current assets	3	13.170
5.076	Impairment of non-current assets	3	139.754
0.063	Amortisation of intangible assets	3	0.075
0.085	Debt management costs	3	0.086
0.404	Movement in the allowance for bad debts (not specified by the Code)		0.193
0.711	Sums directed by the Secretary of State that are expenditure in accordance with the Code	3	0.936
53.032	**Total Expenditure**		**194.322**
	Income		
(49.053)	Dwelling rents		(50.259)
(0.972)	Non-dwelling rents		(0.954)
(2.313)	Charges for services and facilities		(2.658)
(1.112)	Contributions towards expenditure		(1.122)
(6.920)	HRA Subsidy receivable	2	-
(60.370)	**Total Income**		**(54.993)**
(7.338)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**139.329**
0.277	HRA services' share of Corporate and Democratic Core		0.265
0.346	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		0.650
(6.715)	**Net (Income)/Expenditure for HRA Services**		**140.244**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
1.292	Loss on sale of HRA current and non-current assets		1.928
6.302	Interest and Investment Expenditure	3	7.446
(0.110)	Interest and investment income	3	(0.141)
(0.918)	Taxation and Non Specific Grant Income		(2.740)
(0.149)	**Deficit for the year on HRA services**		**146.737**
(5.631)	Adjustments between accounting basis and funding basis under statute	1	(147.801)
(5.780)	**Increase in year on the HRA**		**(1.064)**
(3.744)	**Balance on the HRA at the end of the previous year**		**(9.524)**
(9.524)	**Balance on the HRA at the end of the current year**		**(10.588)**

Section 5 – Housing Revenue Account Income and Expenditure Statement

Note 1. Adjustments between accounting basis and funding basis under Statute

This note details the adjustments that are made to the HRA 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 chargeable to the HRA balance.

2009/10 £m		2010/11 £m
	Amounts included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the Year	
(0.063)	Amortisation of Intangible Assets	(0.075)
(5.076)	Impairment of Non Current Assets	(139.754)
(19.612)	Depreciation of Non Current Assets	(13.170)
0.918	Capital Grants Applied	2.740
(0.711)	Revenue Expenditure Funded from Capital under Statute	(0.936)
(0.073)	Difference between amounts charged to the Income and Expenditure Account for Premiums and Discounts and the charge for the year determined in accordance with statute	(0.077)
0.108	Capital Receipts not related to sale of a Fixed Asset	0.078
(1.292)	Net Loss on Disposal of HRA Non Current Assets	(1.928)
(0.016)	Net charges made for Retirement Benefits in accordance with IAS 19	(0.017)
(25.817)		**(153.139)**
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the Year	
20.145	Excess Depreciation Charged to HRA services above Major Repairs Allowance	3.928
-	Housing Revenue Contribution to Capital	1.377
0.022	Employer's contributions payable to the Tyne and Wear Pension Fund and Retirement Benefits payable direct to Pensioners	0.015
0.019	Voluntary set aside for debt repayment	0.018
20.186		**5.338**
(5.631)	**Net additional amount required by statute to be credited to the HRA balance for the year**	**(147.801)**

Section 5 – Housing Revenue Account Income and Expenditure Statement

Note 2. Housing Revenue Account Subsidy

Subsidy is based on a 'Notional' Housing Revenue Account constructed in accordance with determinations made by the Secretary of State. Subsidy is paid on any 'deficit' shown on the notional account and is received for any 'surplus' shown on the notional account. In preparation of the final accounts the following estimate of Housing Subsidy entitlement for 2010/11 has been used:

Actual Entitlement 2009/10 £m		Estimated Entitlement 2010/11 £m
	Subsidy Allowances for Expenditure Items	
(10.459)	Management Allowance	(10.693)
(19.343)	Maintenance Allowance	(19.790)
(20.144)	Major Repairs Allowance	(3.928)
(7.811)	Charges for Capital	(8.602)
(57.757)	**Total Subsidy Allowance Expenditure Items**	**(43.013)**
	Subsidy Withdrawn for Income Items	
50.833	Rent Income	52.423
0.004	Interest on Receipts	0.002
50.837	**Total Subsidy Withdrawn Income Items**	**52.425**
(6.920)	**Net Subsidy**	**9.412**
	Prior Year Adjustment	(0.128)
(6.920)	**Subsidy Receivable from the Secretary of State**	
	Negative Subsidy Payable to the Secretary of State	**9.284**

In 2009/10 the Council received an advance of £8.2m from its Major Repairs Allowance allocation for 2010/11 in order to assist funding for the Decent Homes Programme in that year.

Section 5 – Housing Revenue Account Income and Expenditure Statement

Note 3. Cost of Capital Charge

The cost of Capital Charge is determined by the Secretary of State in accordance with the Item 8 Credit and Item 8 Debit (General) Determination 2010/11. It is made up of a number of components that are recorded in different sections of the housing revenue account.

	£m	Reference to Income and Expenditure Statement or Note 1
Credit Items		
Interest Adjustments		
Mortgage Interest	(0.002)	Income and Expenditure - Interest and Investment Income
Interest on Cash Balances	(0.139)	Income and Expenditure - Interest and Investment Income
Total Interest Adjustments	**(0.141)**	
Transfer to the Major Repairs Reserve (MRR)		
Excess Depreciation Charged to HRA services above Major Repairs Allowance	(3.928)	Adjustments under Statute - Items included in HRA Balances
Total Major Repairs Reserve	**(3.928)**	
Total Item 8 Credit	**(4.069)**	
Debit Items		
Capital Asset Charges		
Impairment Charges	139.754	Net cost of services - Impairment of Non-current Assets
Revenue Expenditure Funded by Capital Under Statute	0.936	Net cost of services - Amortisation of Deferred Charges
Amortisation of Intangible Assets	0.075	Net cost of services - Amortisation of Intangible Assets
Total Capital Charges	**140.765**	
Depreciation Charges		
Dwellings	11.721	Net cost of services - Depreciation of Dwellings
Other Assets	1.449	Net cost of services - Depreciation of other Assets
Total Depreciation Charges	**13.170**	
Debt Repayment and Management Costs		
Debt Management Expenses	0.086	Net cost of services - Debt Management Costs
Total Debt Repayment and Management	**0.086**	
Capital Asset Charges Accounting Adjustment		
Capital asset charges are reversed so they do not impact on tenant's rents. The adjustment is calculated thus:		
Interest Payable on Capital Financing Requirement	7.446	Income and Expenditure - Interest and Investment Expenditure
Removal of Premiums and Discounts Amortised	(0.077)	Adjustments under Statute - Items excluded from HRA Balances
Removal of Capital Asset Charges	(140.765)	Adjustments under Statute - Items excluded from HRA Balances
Total Adjustments	**(133.396)**	
Total Item 8 Debit	**20.625**	

Note 4. HRA Share of Contributions to the Pension Reserve

An apportionment has been made to reflect IAS 19 liability for current pension costs. This has been included in the net cost of services for the HRA under supervision and management costs. Income of £0.015m (Income of £0.022m in 2009/10) has been reversed out in the adjustments between accounting basis and funding basis under statute so that there is no impact on Council rents.

The HRA is also charged a share of the Council's backdated lump sum pension costs. The contribution in 2010/11 was £0.650m (£0.346m in 2009/10).

Note 5. Rent Income

Rents were increased with effect from Monday 4th April 2010 by 2.9% to achieve an average actual rent of £58.55 on a 48-week collection. Individual dwelling rents were set based on the Government's rent restructuring formula, which will be fully implemented by 2014/15. Net income due for the year from all tenanted properties, excluding that with respect to water and sewerage charges, is shown in the account. During the year, rent loss due to empty properties was £1.004m, 1.55% of the total net rent collectable for Housing Revenue Account dwellings (£1.017m and 1.61% in 2009/10).

Note 6. Formation of South Tyneside Homes Limited

The Council set up a wholly owned Arms Length Management Organisation (ALMO) called South Tyneside Homes Limited from 1st April 2006. Approval was received from the Secretary of State under Section 27 of the Housing Act 1985 to delegate housing management functions to the company. The management agreement between the Council and South Tyneside Homes Limited took effect from 1st April 2006. Formation of the company has given access to significant investment support through the Governments ALMO decent homes programme.

In 2008/09 the Council received a revised approval from the Government allocating an additional £167m funding from 2008 to 2013, following notification from the Audit Commission that South Tyneside Homes had been rated as a two star service. In January 2011 the Company (on behalf of the Council) was required to rebid for the decent homes funding for the period 2011/12 to 2014/15, the outcome of which was not related to any ratings of the Company. In March 2011 the Council was reallocated £71.2m over the 4 years, which equated to a reduction of £15.5m over this period but represented the 6th highest allocation throughout the country. The £36.2m for the first 2 years has been confirmed, however the £35.0m for the remaining 2 years is indicative at this stage.

During 2010/11 South Tyneside Council paid South Tyneside Homes Limited a total management fee of £14.443m (£13.345m in 2009/10). This included £10.912m (£10.700m in 2009/10) for management of the housing stock and £3.531m (£2.645m in 2009/10) for management of the capital programme.

Under the housing management function, South Tyneside Homes Limited manages the collection of rents and charges for facilities of £53.871m in 2010/11 (£52.339m in 2009/10), the repairs and maintenance of the homes of £13.422m in 2010/11 (£10.317m in 2009/10) and the delivery of the capital programme of £43.097m in 2010/11 (£61.933m in 2009/10).

The accounts for South Tyneside Homes Limited are not included within the accounts for the Housing Revenue Account.

Section 5 – Housing Revenue Account Income and Expenditure Statement

Note 7. Housing Stock

The Council was responsible for managing an average of 18,182 dwellings and sheltered units during 2010/11. The variations during the year were:

	2010/11
Opening Balance	
Dwellings	16,952
Sheltered Units	1,238
Shared Ownership	4
Non HRA Services	8
Opening Balance as at 1st April 2010	**18,202**
Less Reductions	
Right to Buys	(14)
Demolitions	(53)
	(67)
Additions	
House Reinstated	1
Newbuild Bungalows	27
	28
Net Reduction in Stock	**(39)**
Closing Balance	
Dwellings	16,912
Sheltered Units	1,239
Shared Ownership	4
Non HRA Services	8
Closing Balance as at 31st March 2011	**18,163**

	31st March 2011
Houses	10,631
Bungalows	2,799
Flats and Maisonettes	4,733
Total Housing Stock as at 31st March 2011	**18,163**

Section 5 – Housing Revenue Account Income and Expenditure Statement

Note 8. Movement of Property, Plant, Equipment and Intangible Assets

Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment held by the Housing Revenue Account.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or valuation	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1st April 2010	**737.348**	**45.838**	**13.093**	**-**	**12.497**	**0.867**	**809.643**
Additions	33.985	4.146	0.130	0.385	-	3.515	**42.161**
Revaluation to Revaluation Reserve	(72.194)	2.745	-	-	(0.518)	-	**(69.967)**
Revaluation to Income and Expenditure	(131.530)	(7.929)	-	-	(0.137)	-	**(139.596)**
Derecognition - Sales	(0.641)	-	-	-	-	-	**(0.641)**
Derecognition - Other	(1.545)	(0.001)	-	-	-	-	**(1.546)**
Other Movements / Other Assets Reclassed	3.914	(0.085)	-	-	-	(3.829)	**-**
At 31st March 2011	**569.337**	**44.714**	**13.223**	**0.385**	**11.842**	**0.553**	**640.054**
Depreciation and Impairments							
At 1st April 2010	(72.860)	(6.545)	(12.273)	-	-	-	**(91.678)**
Depreciation Charge 2010/11	(11.721)	(0.874)	(0.566)	(0.010)	-	-	**(13.171)**
Revaluation to Revaluation Reserve	40.823	1.873	-	-	-	-	**42.696**
Impairment Charge 2010/11	(0.158)	-	-	-	-	-	**(0.158)**
Derecognition - Sales	0.083	-	-	-	-	-	**0.083**
Derecognition - Other Disposals	0.176	-	-	-	-	-	**0.176**
At 31st March 2011	**(43.657)**	**(5.546)**	**(12.839)**	**(0.010)**	**-**	**-**	**(62.052)**
Balance Sheet amount at 31st March 2010	**664.488**	**39.293**	**0.820**	**-**	**12.497**	**0.867**	**717.965**
Balance Sheet amount at 31st March 2011	**525.680**	**39.168**	**0.384**	**0.375**	**11.842**	**0.553**	**578.002**

All housing assets have been valued in accordance with the requirements of resource accounting for the HRA. Replacement and renewal of building elements and services are encompassed within the valuation of operational dwellings. The value included for equipment covers items such as information technology, security systems, warden call, sheltered accommodation and disabled adaptations.

Dwellings have been revalued as at 31st March 2011 utilising selected beacon properties. Guidance issued by the Government in 2010/11 recommended that a downward adjustment factor of 37% be applied to vacant possession values to arrive at the existing use social housing values. The factor applying prior to 2010/11 was 49% (see note 8 to Core Financial Statements for further information).

The Council have reviewed lease arrangements under IFRS requirements. This has resulted in the lease for Charlotte Terrace building being reclassified from Finance Lease to Operating Lease. The adjustment to remove this asset was made to the opening Balance Sheet at 1st April 2009 for Other Land and Buildings in the preceding table. The Net Book Value of this asset at 1st April 2009 was £0.360m (Gross Book Value £0.423m and Accumulated Depreciation £0.063m).

Intangible Assets

The Housing Revenue Account also holds some intangible assets in the form of computer software. In 2010/11, no spend was added to these assets and their net book value at 31st March 2011 stood at £0.150m (£0.224m in 2009/10).

Note 9. Economic Cost to the Government of providing Council Housing

Council dwellings are included in the Balance Sheet at existing use value for social housing. This valuation basis takes into account the fact that the rents of Council house tenants are set below market rents.

A measure of the economic cost to the Government of providing Council dwellings at less than market rents is given by the difference between vacant possession value and existing use social housing value. As at 1st April the following values apply:

	1st April 2009 £m	**1st April 2010 £m**
Vacant Possession Value	1,356.096	1,420.757
Existing Use Social Housing Value	(664.488)	(525.680)
Economic Cost to the Government	**691.608**	**895.077**

Note 10. Depreciation and Impairment

Due to the increase in average values because of house price inflation in recent years, depreciation based on the major repairs allowance is less than that calculated by depreciating individual dwellings on a straight line basis over their estimated useful lives. The higher value for depreciation has therefore been included in the statement over the page:

Section 5 – Housing Revenue Account Income and Expenditure Statement

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Total Property, Plant and Equipment
	£m	£m	£m	£m	£m
Balance at 1st April 2010	**(72.860)**	**(6.545)**	**(12.273)**	**-**	**(91.678)**
Charges in year - depreciation	(11.721)	(0.874)	(0.566)	(0.009)	(13.170)
Charges in year - impairment	(0.158)	-	-	-	(0.158)
Charges written out - depreciation	41.082	1.873	-	-	42.955
Balance at 31st March 2011	**(43.657)**	**(5.546)**	**(12.839)**	**(0.009)**	**(62.051)**

Type of Asset	Basis of Depreciation
Existing Use Value Social Housing Dwellings	Useful Life for Dwellings - Straight Line Depreciation
Existing Use Value Other Property	30 Year Life - Straight line Depreciation
Vehicles, Plant and Equipment	5 Year Life - Straight line Depreciation

Note 11. Major Repairs Reserve

The movement in the major repairs reserve is as follows:

2009/10		2010/11
£m		£m
(8.859)	**Balance at 1st April**	**(5.325)**
(20.145)	Excess Depreciation Charged to HRA services above Major Repairs Allowance	(3.928)
23.679	Use of Major Repairs Reserve to finance Capital Expenditure	7.336
(5.325)	**Balance at 31st March**	**(1.917)**

Section 5 – Housing Revenue Account Income and Expenditure Statement

Note 12. Housing Capital Expenditure Summary

The following table summarises the capital expenditure on the Housing Revenue Account and the method of financing that expenditure.

Spending 2009/10 £m		Spending 2010/11 £m
	Expenditure	
56.240	Operational Dwellings	33.985
4.829	Other Property, Plant and Equipment	8.176
0.153	Intangible Assets	-
0.711	Revenue Expenditure Funded from Capital under Statute	0.936
61.933	**Total Spending**	**43.097**

Funding 2009/10 £m		Funding 2010/11 £m
	Funding Source	
(23.679)	Major Repairs Reserve	(7.336)
(37.282)	Borrowing	(31.831)
-	Capital Receipts	(0.001)
(0.019)	Revenue Contributions	(1.213)
(0.953)	Grants and other External Income	(2.716)
(61.933)	**Total Funding**	**(43.097)**

The revenue expenditure funded from capital under statute represents home loss compensation payments and decoration allowances to tenants.

Note 13. Capital Receipts Summary

Capital Receipts generated by the HRA came from the following sources:

2009/10 £m		2010/11 £m
(1.947)	House Sales	(0.787)
(0.023)	Land Sales	(1.623)
(0.023)	Mortgage Principal Repayments	(0.009)
(0.085)	Discount Repayments	(0.078)
(2.078)	**Total Receipts for the Year**	**(2.497)**

Note 14. Rent Arrears

The estimated arrears (excluding external charges) have been calculated utilising the relative proportion of such charges within the gross rent collectable for the year.

Section 5 – Housing Revenue Account Income and Expenditure Statement

Whilst overall arrears at 31st March represent 5.45% of the Gross Rent Collectable (including water and sewerage charges), monies received on 1st April 2011 have been excluded. The total amount collected in this period was £0.356m, which would reduce outstanding arrears to £2.907m representing 4.85% of the Gross Rent Collectable for the 48 weeks.

2009/10 Actual £m		2010/11 Actual £m
58.713	Gross Rent Collectable (including water and sewerage charges)	59.909
3.140	Overall Arrears as at 31st March (including water and sewerage charges)	3.263
5.35%	**Overall Arrears as a percentage of gross rent collectable**	**5.45%**
3.166	Rent Arrears as at 31st March (excluding water and sewerage rates)	3.310
0.279	**Amounts written off during the year**	**0.247**
(2.109)	**Balance Sheet Allowance for Bad Debts**	**(2.055)**

Section 5 – Collection Fund Statement

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Council's own General Fund) for which the income has been raised. The costs of administration are accounted for in the Comprehensive Income and Expenditure Statement. The Collection Fund is compiled on an accruals basis and consolidated with other accounts of the billing authority.

2009/10 £m		Note	2010/11 £m
	Income		
(46.469)	Council Tax	1	(47.395)
(16.656)	Transfer from General Fund		(17.475)
(26.461)	Income Collectable from Business Ratepayers	2	(25.797)
(0.028)	Contribution towards previous years Collection Fund deficit		-
(89.614)	**Total Income**		**(90.667)**
	Expenditure		
62.190	Precept Payments	4	64.427
26.306	Non-Domestic Rates – Payment to National Pool		25.644
0.155	Non-Domestic Rates – Cost of Collection Allowance		0.153
26.461	Total Non-Domestic Rates	5	25.797
0.138	Council Tax Written Off		0.178
0.209	Transfer to/(from) Council Tax Bad Debt Provision		0.159
0.347	Total Bad and Doubtful Debts		0.337
-	Contribution from previous years Collection Fund surplus	3	0.224
88.998	**Total Expenditure**		**90.785**
(0.616)	**(Surplus) / Deficit for the Year**		**0.118**
0.128	Balance brought forward from previous year		(0.488)
(0.488)	**Collection Fund Balance as at 31st March**	**7**	**(0.370)**
0.053	(Surplus)/Deficit relating to other Precepting Bodies		0.040
(0.435)	**(Surplus)/Deficit relating to South Tyneside Council**		**(0.330)**

Section 5 – Collection Fund Statement

Note 1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands.

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 44,481 in 2010/11 (44,100 in 2009/10). Council tax is calculated by multiplying the basic amount of council tax for Band D by the proportion for that particular band. In 2010/11 the Band D equivalent was £1,448.37 (£1,410.21 in 2009/10).

Council tax bills were based on the following proportions for Bands A to H:

Band	Proportion of Band D	Number of Dwellings (November 2009)
A	6/9ths	45,908
B	7/9ths	9,127
C	8/9ths	7,586
D	9/9ths	4,011
E	11/9ths	1,591
F	13/9ths	702
G	15/9ths	320
H	18/9ths	48
		69,293

Note 2. National Non-Domestic Rates Income

The Non-Domestic Rate is organised on a national basis. The Government specifies an amount in the pound, and subject to the effects of transitionary arrangements, local businesses pay rates calculated by multiplying this sum by the rateable value of their property – the latter being determined by the District Valuer. 2010/11 was the first year of the new five-year rating list so NNDR income and the NNDR multipliers will not compare easily to 2009/10. The national poundage for 2010/11 was set at 40.7p for small businesses (48.1p 2009/10) and 41.4p for all other businesses (48.5p 2009/10).

The Non-Domestic Rates income, after reliefs and provisions, of £25.797m (£26.461m in 2009/10) was based on an average rateable value of £78.5m as at 31st March 2011 (£66.8m at 31st March 2010).

Note 3. Distribution of previous year's Collection Fund Surplus

At 31st March 2010 the fund was in surplus by £0.488m. Collection Fund regulations state that by 15th January the Council must make an estimate of what the Collection fund balance will be for the year end. If it is estimated that this will be a surplus, this must be distributed to the Council and the preceptors in the following year. That part of the 2009/10 surplus has been distributed based on the 15th January estimate is as follows:

Section 5 – Collection Fund Statement

	2010/11 £m
South Tyneside Council	(0.200)
Northumbria Police Authority	(0.013)
Tyne and Wear Fire and Civil Defence Authority	(0.011)
Total Contribution share of Collection Fund Surplus	**(0.224)**

Note 4. Precept Payments

The precept payments can be broken down as follows:

2009/10 £m		2010/11 £m
55.407	South Tyneside Council	57.450
3.586	Northumbria Police Authority	3.723
3.197	Tyne and Wear Fire and Civil Defence Authority	3.254
62.190	**Total Precept Payments**	**64.427**

Note 5. National Non-Domestic Rates Expenditure

The occupiers or owners of business properties pay national Non-Domestic Rates. The tax rate is set nationally by the Government and collected by billing authorities. The tax collected is paid over to Central Government, pooled nationally, and then redistributed back to all local authorities in the form of a grant. The amount redistributed to an authority bears no direct relation to the tax collected in that authority's area. 2010/11 was the first year of the new five-year rating list whereby all non-domestic properties were reassessed and given updated rateable values.

Note 6. Collection Fund Balance

Any surplus arising in the Collection Fund can be utilised to reduce future years' council tax. Any deficit can be recovered from the precepting bodies in the following year or carried forward and recovered either from any surplus generated in future years or from increased council tax. Any surplus or deficit to be shared is distributed to the billing and precepting authorities pro-rata to their precepts upon the Fund. The Code requires that the precepting bodies share of the surplus or deficit should be shown as part of the Councils debtors or creditors leaving only the Councils share in the closing balance. The balance is shown in the Council's Balance Sheet in the Collection Fund Adjustment Account.

Note 7. Collection Fund Deficit

The Collection Fund Surplus/Deficit is shared between the Precepting bodies as follows:

2009/10 £m		2010/11 £m
(0.435)	South Tyneside Council	(0.330)
(0.028)	Northumbria Police Authority	(0.021)
(0.025)	Tyne and Wear Fire and Civil Defence Authority	(0.019)
(0.488)	**Total Contribution towards Collection Fund Balance**	**(0.370)**

Section 6 – Group Introduction

Group Accounts

Introduction

Many Local Authorities provide services through partner organisations that operate under the control of the Authority. The Code of Practice on Local Authority Accounting in the United Kingdom in accordance with IAS 27 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. South Tyneside Council has reviewed the relationships it has with its partner organisations to determine the scope of the Local Authority group and identified the following organisations requiring incorporation into Group Accounts:

- South Tyneside Homes Limited
- Tyne and Wear Development Company
- Beamish Museum.

The notes included in the Group Accounts include those notes required from the Council's own core financial statements, except where there are no material additional amounts or details in relation to group entities. The accounting policies on which the statements and notes have been prepared are the same as the Council other than those described in paragraph 12 of the policies (page 112).

South Tyneside Homes Limited (subsidiary company)

South Tyneside Council established an Arms Length Management Organisation (ALMO) registered as South Tyneside Homes Limited on 3rd March 2005 and transferred responsibility for the management and maintenance of its housing stock to the company on 1st April 2006. South Tyneside Homes Limited has no share capital, is limited by guarantee and is wholly owned by the Council. South Tyneside Homes Limited accounting policies have been realigned in order to ensure they are consistent with the Group Accounting Policies. Any adjustment as a result of this realignment are captured in the Movement in Reserves Statement and detailed in note 4 to the Group Accounts. Accounts for South Tyneside Homes Limited have been brought together with the Council's single entity accounts on a line-by-line basis to produce a unified set of accounts on consolidation.

The Net Liabilities of the company amount to £19.758m at 31st March 2011 (£31.836m at 31st March 2010). The company made a net surplus of £9.149m in 2010/11 (surplus of £0.011m in 2009/10).

The Council's accounts include a debtor due from South Tyneside Homes of £1.406m (£4.100m at 31st March 2010) and a creditor due to South Tyneside Homes of £3.820m (£18.296m at 31st March 2010).

The creation of the ALMO on 1st April 2006 resulted in the transfer of past service pension deficit to South Tyneside Homes Limited. The deficit had accrued as a result of the transfer of former South Tyneside Council employees. For the year ending 31st March 2011, the Actuary assessed the deficit at £20.310m (£32.280m at 31st March 2010). In the unlikely event that South Tyneside Homes Limited were wound up, prior to the agreed contract-end date, the Council has guaranteed to fund the past service pension deficit.

Section 6 – Group Introduction

Associate – Tyne and Wear Development Company (TWEDCo)

Tyne and Wear County Council and the five district Councils of Tyne and Wear established TWEDCo in 1986 overseen by the Tyne and Wear Economic Development Joint Committee. TWEDCo is a company limited by guarantee and does not have share capital. TWEDCo owns a subsidiary company; Tyne and Wear Development (Land) Company Limited. The proportion ownership within the Group Accounts is based upon population across Tyne and Wear. TWEDCo and the Tyne and Wear Economic Development Joint Committee have been incorporated as associates using equity accounting, requiring the disclosure of the Council's share of the gross assets and liabilities and gross turnover and operating costs of the organisation.

The Net Assets of TWEDCo and the Joint Committee amount to £16.499m at 31st March 2011 (£14.531m at 31st March 2010) and they held a non-current asset revaluation reserve of £10.943m (£10.712m in 2009/10). Realignment of accounting policies has resulted in a revaluation of non-current assets of TWEDCo in the reported Group Accounts of £5.2m. TWEDCo made a surplus of £0.197m in 2010/11 (£0.515m in 2009/10).

Associate – Beamish Museum Limited

A Joint Committee of Local Authorities runs Beamish Museum Limited. Primarily funded through admission income, the Museum also receives funding from those Local Authorities that are members of the Joint Committee, including South Tyneside. Beamish Museum Limited has been incorporated as a associate using equity accounting, requiring the disclosure of the Council's share of the gross assets and liabilities and gross turnover and operating costs of the organisation.

The Net Assets of Beamish Museum Limited amount to £20.824m at 31st March 2011 (£20.662m at 31st March 2010) and they held earmarked and capital reserves of £20.700m (£19.389m in 2009/10). The company made a surplus of £0.009m in 2010/11 after adjusting between an accounting basis and a funding basis for regulations (£0.023m in 2009/10).

The Council is only liable for the liabilities of Beamish Museum Limited and so only its share of the total liabilities of £2.500m have been incorporated into the Group Accounts (£1.435m in 2009/10).

Other Entities

The Accounting Code of Practice requires information to be shown where the Council has an interest in companies. Apart from the companies disclosed in the Group Accounts, the Council had interests in the following organisations:

- Newcastle Airport Local Authority Holding Company Limited
- North East Consortium for Asylum and Refugee Support
- InspiredSpaces.

Due to materiality, the accounts for the North East Consortium for Asylum and Refugee Support are no longer incorporated into the group accounts as associates.

Full details of the shareholding in Newcastle Airport Local Authority Holding Company Limited and InspiredSpaces can be found in note 15 of the Council's single entity accounts.

Section 6 – Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The deficit on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account Statement for council tax setting and dwellings rent setting purposes. The net increase or (decrease) before transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

	Note	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Reserves	Capital Reserves	Authority Unusable Reserves	Total Authority Reserves	Usable Reserves of Subsidiaries and Associates	Unusable Reserves of Subsidiaries	Total Group Reserves
		£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1st April 2009		**(1.168)**	**(31.341)**	**(3.744)**	**(15.443)**	**(492.961)**	**(544.657)**	**(1.463)**	**25.671**	**(520.449)**
Movement in reserves during 2009/10										
Deficit or (surplus) on the provision of services		24.090	-	(0.149)	-	-	23.941	(0.851)	0.770	23.860
Other Comprehensive Income and Expenditure		-	-	-	-	36.197	36.197	(0.061)	6.280	42.416
Total Comprehensive Income and Expenditure		**24.090**	**-**	**(0.149)**	**-**	**36.197**	**60.138**	**(0.912)**	**7.050**	**66.276**
Adjustments between group accounts and Authority accounts	4	-	-	-	-	-	-	(0.011)	-	(0.011)
Net decrease or (increase) before transfers		**24.090**	**-**	**(0.149)**	**-**	**36.197**	**60.138**	**(0.923)**	**7.050**	**66.265**
Adjustments between accounting basis and funding basis under regulations		(22.440)	-	(5.631)	3.487	24.584	-	-	-	-
Net decrease or (increase) before transfers to Earmarked Reserves		**1.650**	**-**	**(5.780)**	**3.487**	**60.781**	**60.138**	**(0.923)**	**7.050**	**66.265**
Transfers (from) or to Earmarked Reserves		(1.851)	1.851	-	-	-	-	-	-	-
(Increase)or decrease in 2009/10		**(0.201)**	**1.851**	**(5.780)**	**3.487**	**60.781**	**60.138**	**(0.923)**	**7.050**	**66.265**
Balance at 31st March 2010 carried forward		**(1.369)**	**(29.490)**	**(9.524)**	**(11.956)**	**(432.180)**	**(484.519)**	**(2.386)**	**32.721**	**(454.184)**
Movement in Reserves during 2010/11										
(Surplus) or deficit on the provision of services		(67.241)	-	146.737	-	-	79.496	(0.043)	(9.040)	70.413
Other Comprehensive Income and Expenditure		-	-	-	-	31.245	31.245	0.004	(2.930)	28.319
Total Comprehensive Income and Expenditure		**(67.241)**	**-**	**146.737**	**-**	**31.245**	**110.741**	**(0.039)**	**(11.970)**	**98.732**
Adjustments between group accounts and Authority accounts	4	-	-	-	-	-	-	0.571	-	0.571
Net (increase) or decrease before transfers		**(67.241)**	**-**	**146.737**	**-**	**31.245**	**110.741**	**0.532**	**(11.970)**	**99.303**
Adjustments between accounting basis and funding basis under regulations		68.931	-	(147.801)	4.250	74.620	-	-	-	-
Net decrease or (increase) before transfers to Earmarked Reserves		**1.690**	**-**	**(1.064)**	**4.250**	**105.865**	**110.741**	**0.532**	**(11.970)**	**99.303**
Transfers (from) or to Earmarked Reserves		(1.779)	1.779	-	-	-	-	-	-	-
(Increase) or decrease in 2010/11		**(0.089)**	**1.779**	**(1.064)**	**4.250**	**105.865**	**110.741**	**0.532**	**(11.970)**	**99.303**
Balance at 31st March 2011 carried forward		**(1.458)**	**(27.711)**	**(10.588)**	**(7.706)**	**(326.315)**	**(373.778)**	**(1.854)**	**20.751**	**(354.881)**

Section 6 – Group Comprehensive Income and Expenditure

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 the Movement in Reserves.

2009/10 Gross Expenditure £m	2009/10 Gross Income £m	2009/10 Net Expenditure £m		Note	2010/11 Gross Expenditure £m	2010/11 Gross Income £m	2010/11 Net Expenditure £m
20.608	(17.989)	2.619	Central Services to the Public		21.470	(19.177)	2.293
64.040	(18.750)	45.290	Cultural, Environmental, Regulatory and Planning Services		65.118	(16.633)	48.485
206.991	(160.532)	46.459	Education and Children's Services		224.725	(165.396)	59.329
12.781	(3.177)	9.604	Highways and Transport Services		13.240	(3.651)	9.589
-	-	-	Local Authority Housing (HRA) - Impact of change in Discount Factor in Impairment of Non Current Assets		100.238	-	100.238
53.032	(62.074)	(9.042)	Local Authority Housing (HRA) - Other		94.084	(55.378)	38.706
65.396	(62.412)	2.984	Other Housing Services		68.705	(63.487)	5.218
87.098	(32.002)	55.096	Adult Social Care Services		89.044	(28.108)	60.936
9.712	(3.457)	6.255	Corporate and Democratic Core		12.437	(4.979)	7.458
8.976	(0.093)	8.883	Non Distributed Costs - Equal Pay Settlements		2.410	-	2.410
-	-	-	Non Distributed Costs - Impact of change in Inflation Factor in Retirement Benefits		(84.930)	-	(84.930)
6.887	(0.175)	6.712	Non Distributed Costs - Other		1.643	(0.295)	1.348
535.521	**(360.661)**	**174.860**	**Cost Of Services**		**608.184**	**(357.104)**	**251.080**
22.640	-	22.640	Other Operating Expenditure		12.712	-	12.712
59.057	(26.744)	32.313	Financing and Investment Income and Expenditure	5	33.167	(7.962)	25.205
-	(205.882)	(205.882)	Taxation and Non-Specific Grant Income		-	(218.650)	(218.650)
617.218	**(593.287)**	**23.931**	**Deficit on Provision of Council Services**		**654.063**	**(583.716)**	**70.347**
0.207	(0.278)	(0.071)	Associates accounted for on an equity basis		0.343	(0.277)	0.066
617.425	**(593.565)**	**23.860**	**Deficit on the Provision of Group Services**		**654.406**	**(583.993)**	**70.413**
		(29.775)	(Surplus) or Deficit on revaluation of Property, Plant and Equipment				19.935
		0.382	Deficit on revaluation of available for sale financial assets				-
		(0.061)	Share of other Comprehensive Income and Expenditure of Associates				0.004
		71.870	Actuarial losses on pension assets / liabilities				8.380
		42.416	**Other Comprehensive Income and Expenditure**				**28.319**
		66.276	**Total Comprehensive Income and Expenditure**				**98.732**

Section 6 – Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves. Reserves are reported in two categories. The first category are usable reserves, i.e. those that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

1st April 2009 £m	31st March 2010 £m		Note	31st March 2011 £m
		Non Current Assets		
		Property, Plant and Equipment		
616.656	664.488	Council Dwellings	7	525.680
390.219	438.467	Other Property, Plant and Equipment	7	473.592
2.900	2.900	Investment Properties		2.900
1.963	2.626	Intangible Assets	8	2.692
1.990	2.102	Long Term Investments: Associate Assets	9	1.614
(0.239)	(0.211)	Long Term Investments: Associate Liabilities	9	(0.341)
10.817	5.435	Other Long Term Investments		0.435
1.488	1.594	Long Term Debtors		1.201
1,025.794	**1,117.401**	**Total Non Current Assets**		**1,007.773**
		Current Assets		
31.184	29.627	Short Term Investments		19.608
0.843	0.946	Inventories	10	1.016
24.861	31.686	Short Term Debtors	11	32.577
30.827	54.961	Cash and Cash Equivalents	12	44.354
0.389	2.795	Assets Held for Sale		2.341
88.104	**120.015**	**Total Current Assets**		**99.896**
		Current Liabilities		
(0.800)	(2.023)	Cash and Cash Equivalents - Bank Overdraft	12	(3.034)
(53.899)	(65.967)	Short Term Creditors	13	(54.282)
(5.333)	(5.770)	Short Term Borrowing		(31.411)
(0.283)	(0.481)	PFI Liability due in less than 1 Year		(1.310)
(14.508)	(14.577)	Capital Grants Receipts In Advance		(11.739)
(17.156)	(2.612)	Short Term Provisions		(3.882)
(91.979)	**(91.430)**	**Total Current Liabilities**		**(105.658)**
(3.875)	**28.585**	**Total Net Current Assets**		**(5.762)**
		Non Current Liabilities		
(0.210)	(0.215)	Long Term Creditors		(0.221)
(2.852)	(16.672)	Long Term Provisions		(16.570)
(217.367)	(288.454)	Long Term Borrowing		(313.373)
(23.293)	(49.004)	Long Term PFI Liability		(53.966)
(256.700)	(335.060)	Liability related to Defined Benefit Pension Scheme	22	(258.600)
(1.048)	(2.397)	Other Long Term Liabilities		(4.400)
(501.470)	**(691.802)**	**Total Non Current Liabilities**		**(647.130)**
520.449	**454.184**	**Total Net Assets**		**354.881**
		Usable Reserves		
(51.696)	(52.339)	South Tyneside Council Usable Reserves		(47.463)
(1.463)	(2.386)	Profit / Loss on the Reserves of Group Entities	9	(1.854)
(467.290)	(399.459)	Unusable Reserves	14	(305.564)
(520.449)	**(454.184)**	**Total Reserves**		**(354.881)**

Section 6 – 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. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Groups future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

2009/10 £m		Note	2010/11 £m
23.860	**Net Deficit on the Provision of Group Services**		**70.413**
(33.077)	Adjustment to surplus or deficit on the provision of services for non-cash movements		(186.071)
28.178	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		60.226
18.961	**Net Cash flow from Operating Activities**		**(55.432)**
34.338	Investing Activities	16	119.976
(77.219)	Financing Activities	17	(52.927)
(23.920)	**Net (increase)/decrease in cash and cash equivalents**		**11.617**
29.018	**Cash and cash equivalents at the start of the year**		52.937
52.938	**Cash and cash equivalents at the end of the year**		**41.320**

Section 6 – Notes to the Group Financial Statements

Note 1. Group Entities

The Council has considered whether it has interests in any subsidiaries, associates or joint ventures. This exercise identified the following interests that have been included within the Group Accounts.

South Tyneside Homes Limited. A fully owned subsidiary, the Arms Length Management Organisation was incorporated on 1st April 2006 to manage, maintain and improve the Council's housing stock. The Council is the sole shareholder and will be liable for any accumulated deficits or losses upon the cessation of the company.

Further information on the accounts presented for audit is available from the Finance Manager, Strathmore House, 11 Rolling Mill Road, Viking Business Park, Jarrow, Tyne and Wear, NE32 3DP.

Tyne and Wear Development Company. The Council acts in partnership with the other four Tyne and Wear local authorities to promote economic development activities in the region. The major function of the Company is to operate a number of industrial units providing accommodation to local businesses.

Further information on the accounts presented for audit is available from the Finance Department, Sunderland City Council, Civic Centre, Burdon Road, Sunderland, SR2 7DN.

Beamish Museum Limited. Run by a Joint Committee of local authorities in the region. Primarily funded through admission income, the Museum also receives funding from those local authorities that are members of the Joint Committee.

Further information on the accounts presented for audit is available from the Finance Department, Sunderland City Council, Civic Centre, Burdon Road, Sunderland, SR2 7DN.

Note 2. Transition to International Financial Reporting Standards (IFRS)

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following items represent the material changes to the accounts as a result of the adoption of IFRS. The accompanying tables show the balances as restated for these Group accounts and the impact of the adjustment from figures reported in previous sets of financial statements.

The Council's Group Entities are not required to prepare IFRS compliant statements of accounts. The Council have prepared IFRS entries on behalf of South Tyneside Homes, as the material Group Entity. These are included in the tables over the page. There are no changes to lease accounting for South Tyneside Homes from the review under IFRS. £0.441m has been accrued for employee benefits.

Opening 1st April 2009 Balance Sheet	2009/10 Statements £m	Adjustments Made £m
Short term Debtors	24.861	0.256
Short term Creditors	(53.899)	(4.999)
Long term Creditors	(0.210)	(0.210)
Employee Benefit Adjustment Account	4.953	4.953

31st March 2010 Balance Sheet	2009/10 Statements £m	Adjustments Made £m
Short term Debtors	31.686	0.250
Short term Creditors	(65.967)	(5.293)
Long term Creditors	(0.215)	(0.215)
Employee Benefit Adjustment Account	5.258	5.258

2009/10 Comprehensive Income and Expenditure Statement Cost of Services (Net):	2009/10 Statements £m	Adjustments Made £m
Cultural, environmental, regulatory and planning services	45.290	0.001
Education and children's services	46.459	0.295
Highways and transport services	9.604	0.003
Adult social care services	55.096	0.001
Corporate and democratic core	6.255	0.005

Note 3. Exceptional Items

As detailed in note 8 of the Single Entity accounts the Government announced that future pension increases would be linked to the Consumer Price Index rather than the Retail Price Index. The additional gain on the Exceptional Items line of the Comprehensive Income and Expenditure Statement as a result of incorporating South Tyneside Homes is £9.300m.

Note 4. Adjustment between Group Accounts and Authority Accounts

The following adjustments have been made to the reported movement in reserves of South Tyneside Homes Limited in order to align with the Council's accounting policies.

2009/10 £m		2010/11 £m
-	Revaluation of non-current assets	0.553
(0.011)	Realignment of depreciation policies for non-current assets	0.018
(0.011)	**Total Adjustments to Group Accounts**	**0.571**

Note 5. Financing and Investment Income and Expenditure

Financing and Investment income and expenditure is made up of the following items:

2009/10 £m		2010/11 £m
16.597	Interest Payable and Similar Charges	20.007
17.990	Pensions Interest Cost and Expected Return on Pensions Assets	6.780
(2.175)	Interest Receivable and Similar Income	(1.249)
0.361	Deficits on Trading Undertakings and Dividends Receivable	0.127
(0.220)	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value	(0.220)
(0.240)	Other Investment Income	(0.240)
32.313	**Total Financing and Investment Income and Expenditure**	**25.205**

Note 6. Taxation

On the basis of HM Revenue and Customs (HMRC) guidance, and due to the relationship between South Tyneside Homes Limited and its parent, South Tyneside Council, the taxable status of South Tyneside Homes Limited is assessed as non-trading for normal operating activities. However, the company remains taxable on any third-party income sources.

South Tyneside Homes Limited are not in receipt of any taxation and non-specific grant income to disclose.

Note 7. Property, Plant and Equipment

The following table analyses the movement in Property, Plant and Equipment for the Group for 2010/11.

2010	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
Cost or valuation	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1st April 2010	737.348	349.000	40.629	92.651	5.839	17.599	9.892	1,252.958	57.512
Additions	33.985	30.186	11.034	12.493	0.387	-	27.388	115.473	6.235
Revaluation to Revaluation Reserve	(72.194)	1.701	-	-	0.200	(1.046)	0.032	(71.307)	-
Revaluation to Income and Expenditure	(131.530)	(35.979)	-	-	-	(0.137)	(0.545)	(168.191)	-
Derecognition - Sales	(0.641)	-	(1.153)	-	-	-	-	(1.794)	-
Derecognition - Other Disposals	(1.545)	(0.001)	(0.353)	-	-	-	-	(1.899)	-
Assets Reclassified to Held for Sale	-	(1.949)	-	-	-	(0.208)	-	(2.157)	-
Other Movements / Other Assets Reclassified	3.914	4.306	0.901	0.326	(0.180)	-	(9.267)	-	-
At 31st March 2011	**569.337**	**347.264**	**51.058**	**105.470**	**6.246**	**16.208**	**27.500**	**1,123.083**	**63.747**
Depreciation and Impairments									
At 1st April 2010	(72.860)	(30.833)	(28.286)	(14.754)	(0.567)	(2.703)	-	(150.003)	(8.341)
Depreciation Charge 2010/11	(11.721)	(7.185)	(4.523)	(2.282)	(0.299)	(0.002)	-	(26.012)	(0.988)
Depreciation to Revaluation Reserve	40.823	7.849	-	-	-	2.700	-	51.372	-
Impairment Charge 2010/11	(0.158)	(0.557)	(0.128)	(0.074)	-	-	-	(0.917)	-
Derecognition - Sales	0.083	-	1.068	-	-	-	-	1.151	-
Derecognition - Other Disposals	0.176	-	0.353	-	-	-	-	0.529	-
Assets Reclassified to Held for Sale	-	0.066	-	-	-	0.003	-	0.069	-
Other Movements / Other Assets Reclassified	-	(0.018)	-	-	0.018	-	-	-	-
At 31st March 2011	**(43.657)**	**(30.678)**	**(31.516)**	**(17.110)**	**(0.848)**	**(0.002)**	**-**	**(123.811)**	**(9.329)**
Balance Sheet amount at 31st March 2010	**664.488**	**318.167**	**12.343**	**77.897**	**5.272**	**14.896**	**9.892**	**1,102.955**	**49.171**
Balance Sheet amount at 31st March 2011	**525.680**	**316.586**	**19.542**	**88.360**	**5.398**	**16.206**	**27.500**	**999.272**	**54.418**

Information on the treatment of depreciation and impairment for South Tyneside Council is included in note 12 to the Single Entity Financial Statements.

Depreciation charges for South Tyneside Homes Limited have been adjusted upon consolidation for Group Accounts to align accounting policies.

The equivalent movements in Property, Plant and equipment for **2009/10** are as follows:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
Cost or valuation	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1st April 2009	691.895	313.977	33.273	82.427	5.511	18.051	2.857	1,147.991	31.405
Additions	56.240	47.403	8.131	10.198	0.328	0.390	6.491	129.181	26.107
Revaluation to Revaluation Reserve	(2.212)	3.515	0.084	-	-	2.555	0.545	4.487	-
Revaluation to Income and Expenditure	(4.569)	(5.264)	-	0.026	-	(0.094)	-	(9.901)	-
Derecognition - Sales	(1.614)	-	-	-	-	-	-	(1.614)	-
Derecognition - Other Disposals	(1.623)	(10.363)	(0.858)	-	-	-	-	(12.844)	-
Assets Reclassified to Held for Sale	-	(1.039)	-	-	-	(3.300)	-	(4.339)	-
Other Movements / Other Assets Reclassified	(0.769)	0.771	(0.001)	-	-	(0.003)	(0.001)	(0.003)	-
At 31st March 2010	**737.348**	**349.000**	**40.629**	**92.651**	**5.839**	**17.599**	**9.892**	**1,252.958**	**57.512**
Depreciation and Impairments									
At 1st April 2009	(75.239)	(27.425)	(24.302)	(12.330)	(0.276)	(1.544)	-	(141.116)	(2.608)
Depreciation Charge 2009/10	(16.969)	(7.272)	(4.818)	(2.393)	(0.292)	(0.002)	-	(31.746)	(1.060)
Depreciation to Revaluation Reserve	19.136	8.924	-	-	-	(2.772)	-	25.288	-
Impairment Charge 2009/10	(0.309)	(5.355)	-	(0.031)	-	-	-	(5.695)	(4.673)
Derecognition - Sales	0.190	-	-	-	-	-	-	0.190	-
Derecognition - Other Disposals	0.223	0.401	0.858	-	-	-	-	1.482	-
Assets Reclassified to Held for Sale	-	-	-	-	-	1.542	-	1.542	-
Other Movements / Other Assets Reclassified	0.108	(0.106)	(0.024)	-	0.001	0.073	-	0.052	-
At 31st March 2010	**(72.860)**	**(30.833)**	**(28.286)**	**(14.754)**	**(0.567)**	**(2.703)**	**-**	**(150.003)**	**(8.341)**
Balance Sheet amount at 31st March 2009	**616.656**	**286.552**	**8.971**	**70.097**	**5.235**	**16.507**	**2.857**	**1,006.875**	**28.797**
Balance Sheet amount at 31st March 2010	**664.488**	**318.167**	**12.343**	**77.897**	**5.272**	**14.896**	**9.892**	**1,102.955**	**49.171**

Note 8. Intangible Assets

The following table shows the movement in the value and amortisation provision of intangible assets. All intangible assets owned by the Group relate to software licences, which are amortised to the Group Income and Expenditure Statement on a straight-line basis using an average useful life of 5 years.

	Software	Software in Development	2009/10 Total	Software	Software in Development	2010/11 Total
	£m	£m	£m	£m	£m	£m
Balance at start of year:						
Gross carrying amounts	3.388	-	3.388	4.444	0.402	4.846
Accumulated amortisation	(1.425)	-	(1.425)	(2.220)	-	(2.220)
Net carrying amount at start of year	**1.963**	**-**	**1.963**	**2.224**	**0.402**	**2.626**
Additions: Purchases	1.056	0.402	1.458	1.065	0.005	1.070
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	-	(0.235)	-	(0.235)
Amortisation for the period	(0.795)	-	(0.795)	(0.769)	-	(0.769)
Net carrying amount at end of year	**2.224**	**0.402**	**2.626**	**2.285**	**0.407**	**2.692**
Comprising:						
Gross carrying amounts	4.444	0.402	4.846	5.274	0.407	5.681
Accumulated amortisation	(2.220)	-	(2.220)	(2.989)	-	(2.989)

Section 6 – Notes to the Group Financial Statements

Note 9. Council Share in Group Entities' Usable Reserves

The following table gives a summary of each group entity's assets and liabilities and the Council's share in each:

	South Tyneside Homes Limited	Tyne and Wear Development Company	Beamish Museum	Total
	100% share	14% share	8% share	
	£m	£m	£m	£m
Reserves as at 1st April 2010	**0.495**	**2.002**	**(0.111)**	**2.386**
Non-current assets	0.311	1.471	-	1.782
Current assets	7.041	0.143	-	7.184
Short term liabilities	(6.747)	(0.060)	(0.152)	(6.959)
Long term liabilities	(0.024)	(0.073)	(0.056)	(0.153)
Reserves as at 31st March 2011	**0.581**	**1.481**	**(0.208)**	**1.854**

The equivalent figures for 2009/10 are as follows:

	South Tyneside Homes Limited	Tyne and Wear Development Company	Beamish Museum	Total
	100% share	14% share	8% share	
	£m	£m	£m	£m
Reserves as at 1st April 2009	**(0.288)**	**1.898**	**(0.147)**	**1.463**
Non-current assets	0.084	1.471	-	1.555
Current assets	3.404	0.631	-	4.035
Short term liabilities	(7.724)	(0.080)	(0.059)	(7.863)
Long term liabilities	4.731	(0.020)	(0.052)	4.659
Reserves as at 31st March 2010	**0.495**	**2.002**	**(0.111)**	**2.386**

Note 10. Inventories

An analysis of inventories for the Group is shown below:

1st April 2009	31st March 2010	Inventories	31st March 2011
£m	£m		£m
0.326	0.405	Home Loan Equipment Centre	0.497
0.106	0.113	Catering Service	0.117
0.281	0.364	South Tyneside Homes	0.317
0.130	0.064	Other Inventories	0.085
0.843	**0.946**	**Total**	**1.016**

Section 6 – Notes to the Group Financial Statements

Note 11. Short Term Debtors

An analysis of Group debtors is shown below:

1st April 2009 £m	31st March 2010 £m		31st March 2011 £m
		Amounts Falling Due in One Year	
9.147	13.001	Government Bodies	8.309
1.205	0.690	Other Local Authorities	1.130
0.102	0.277	NHS Bodies	3.480
0.149	0.257	Public Corporations and Trading Funds	-
3.124	3.140	Housing Tenants	3.263
4.559	4.433	Council Tax Payers	4.887
12.437	15.805	Sundry Debtors	18.978
30.723	**37.603**	**Total Amounts Falling Due in One Year**	**40.047**
		Allowances for Bad debts	
(2.045)	(2.109)	Housing Tenants	(2.055)
(1.804)	(1.901)	Council Tax Payers	(2.119)
-	-	NHS Bodies	(0.998)
(2.013)	(1.907)	Sundry Debtors	(2.298)
(5.862)	**(5.917)**	**Total Bad Debt Allowances**	**(7.470)**
24.861	**31.686**	**Net Debtors**	**32.577**

Note 12. Cash and Cash Equivalents

Cash and cash equivalents are made up of the following balances:

1st April 2009 £m	31st March 2010 £m		31st March 2011 £m
0.077	0.001	Cash held by the Group	0.086
25.717	27.555	Bank current accounts	28.163
5.033	27.405	Short-term deposits with building societies	16.105
30.827	**54.961**	**Cash and Cash Equivalent Assets**	**44.354**
(0.800)	(2.023)	Bank Overdraft Facility	(3.034)
(0.800)	**(2.023)**	**Cash and Cash Equivalent Liabilities**	**(3.034)**
30.027	**52.938**	**Total Cash and Cash Equivalents**	**41.320**

Note 13. Short Term Creditors

An analysis of Group short term creditors and receipts in advance is shown over the page:

1st April 2010 £m	31st March 2010 £m		31st March 2011 £m
(37.371)	(11.041)	Government Bodies	(9.370)
(0.843)	(0.694)	Other Local Authorities	(1.171)
(0.259)	(0.560)	NHS Bodies	(0.509)
-	(0.005)	Public Corporations and Trading Funds	-
(0.645)	(0.845)	Housing Tenants	(0.841)
(0.846)	(0.896)	Council Tax Payers	(0.932)
(13.935)	(51.926)	All Other Creditors	(41.459)
(53.899)	**(65.967)**	**Total Creditors**	**(54.282)**

Note 14. Unusable Reserves

The following table lists the unusable reserves of the Group.

1st April 2009 £m	31st March 2010 £m		31st March 2011 £m
(98.949)	(122.164)	Revaluation Reserve	(99.088)
(0.807)	(0.425)	Available for Sale Financial Instrument Reserve	(0.425)
(635.994)	(622.184)	Capital Adjustment Account	(471.949)
(0.753)	(0.716)	Financial Instruments Adjustment Account	(0.684)
256.700	338.279	Pensions Reserve	262.971
(0.120)	(0.093)	Deferred Capital Receipts Reserve	(0.080)
7.566	3.021	Equal Pay Account	-
0.114	(0.435)	Collection Fund Adjustment Account	(0.330)
4.953	5.258	Employee Benefits Adjustment Account	4.021
(467.290)	**(399.459)**	**Total Unusable Reserves**	**(305.564)**

Note 15. Operating Activities

The cash flows for operating activities include the following items:

31st March 2010 £m		31st March 2011 £m
2.757	Interest received	1.342
(16.153)	Interest paid	(23.629)

Note 16. Investing Activities

The cash flows for investing activities include the following items:

31st March 2010 £m		31st March 2011 £m
94.290	Purchase of property, plant and equipment, investment property and intangible assets	117.258
-	Purchase of short term and long term investments	55.000
(2.008)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1.959)
-	Proceeds from short-term and long-term investments	(0.240)
(57.944)	Other receipts from investing activities	(50.083)
34.338	**Net cash flows from investing activities**	**119.976**

Note 17. Financing Activities

The cash flows for financing activities include the following items:

31st March 2010 £m		31st March 2011 £m
(75.000)	Cash receipts of short- and long-term borrowing	(55.000)
0.265	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0.489
4.000	Repayments of short- and long-term borrowing	-
(6.484)	Other payments for financing activities	1.584
(77.219)	**Net cash flows from financing activities**	**(52.927)**

Note 18. Officers' Remuneration

In accordance with Account and Audit Regulations 2011, the number of employees, including teachers, whose remuneration falls into each pay bracket, shown in multiples of £5,000, and starting at £50,000 is:

Remuneration Bands	Number of Employees 2009/10 Total	2010/11 Total
£50,000 - £54,999	88	68
£55,000 - £59,999	47	40
£60,000 - £64,999	28	32
£65,000 - £69,999	12	17
£70,000 - £74,999	11	10
£75,000 - £79,999	4	8
£80,000 - £84,999	10	9
£85,000 - £89,999	2	4
£90,000 - £94,999	1	2
£95,000 - £99,999	2	-
£100,000-£104,999	-	3
£105,000-£109,999	1	1
£110,000 - £114,999	1	-
£120,000 - £124,999	-	2
£180,000 - £184,999	1	-
	208	**196**

Note that this table excludes senior officer posts within the Council, who are also paid in excess of £50,000. Full details of these have been disclosed in note 33 of the single entity financial statements in Tables 2 and 3.

Note 19. External Audit Costs

The following table outlines the Group spending on external auditors during the period:

2009/10 £m		2010/11 £m
0.427	Fees with regard to external audit services carried out by the appointed auditor for the year	0.328
0.118	Fees for the certification of grant claims and returns for the year	0.067
0.009	Fees for other services provided by external auditors during the year	0.051
0.554	**Total Fees Payable to External Auditors**	**0.446**

Note 20. Leases

The Group as Lessee

Operating Leases

In addition to the lease arrangements of the Council outlined in note 38 of the single entity statements South Tyneside Homes Limited is into the 5th year of a 15 year lease for office accommodation at Strathmore House.

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

31st March 2010 £m		31st March 2011 £m
0.394	Not later than one year	0.262
1.015	Later than one year and not later than five years	0.981
4.792	Later than five years	4.380
6.201		**5.623**

The Group has not sub-let any of office accommodation in Strathmore House.

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services and Local Authority Housing (HRA) line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31st March 2010 £m		31st March 2011 £m
0.737	Minimum lease payments	0.875
0.015	Contingent rents	0.015
0.752		**0.890**

Note 21. Contingent Liabilities

Details of the Council's contingent liabilities can be found in note 42 of the single entity statement. This details a liability in relation to the Council's guarantee of the Pension Deficit within South Tyneside Homes Limited.

Note 22. Defined Pension Schemes

Both South Tyneside Council and South Tyneside Homes Limited employees are entitled to join the Tyne and Wear Pension Fund (the Fund), which is administered by South Tyneside Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme.

The disclosures below relate to the funded liabilities within the Tyne and Wear Pension Fund (the "Fund"), which is part of the Local Government Pension Scheme (the "LGPS"). The funded nature of the LGPS requires the Group and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Group recognises gains and losses in full immediately through Other Comprehensive Income and Expenditure.

Following the UK Government's announcement on 22nd June 2010, the inflation index to be used to derive statutory pension increases has been changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). Due to a number of differences between the indices, including both constituents and construction, CPI is expected to be less than RPI over the long term, which means that the defined benefit obligation has reduced. The actuary considers that this policy change constitutes a change to the constructive obligation to provide certain benefits to Scheme members, giving rise to the recognition of a negative past service cost. The change has been recognised at 22nd June 2010 and is reported as an Exceptional Item on the Group Comprehensive Income and Expenditure Statement.

Section 6 – Notes to the Group Financial Statements

In accordance with International Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

The latest actuarial calculation of the Groups liabilities took place as at 31st March 2011. The Employer's regular contributions to the Fund for the accounting period 31st March 2012 are estimated at £19.93m (£19.90m for 31st March 2011). In addition, Strain on the Fund contributions may be required.

Actuarial Assumptions Adopted

The main financial assumptions used by the Actuary for South Tyneside Homes Limited in 2010/11, differ from those applied to the South Tyneside Council valuation. The assumptions used for South Tyneside Homes Limited are confirmed in the table below. Note 47 of the Council's Core Financial Statements provide the assumptions used by the Actuary for South Tyneside Council.

	31st March 2011	31st March 2010	31st March 2009
	% per annum	% per annum	% per annum
Discount rate	5.40	5.60	6.40
RPI Inflation rate	3.70	4.00	3.70
CPI Inflation rate	2.80	n/a	n/a
Rate of increase to pensions in payment	2.80	4.00	3.70
Rate of increase to deferred pensions	2.80	4.00	3.70
Rate of general increase in salries	5.20	5.50	5.20

The main demographic assumptions used by the Actuary are the same for both South Tyneside Council and South Tyneside Homes Limited.

Fund Assets and Expected Rate of Return

The long term expected rate of return and percentage asset split is consistent across the Group.

The following table reconciles the funded status of assets and liabilities to the Group Balance Sheet.

	31st March 2011	31st March 2010	31st March 2009
	£m	£m	£m
Fair value of assets	497.440	450.400	320.860
Present value of liabilities	(727.110)	(754.010)	(548.420)
Net pension liability	**(229.670)**	**(303.610)**	**(227.560)**

The full cost of retirement benefits for both current and past service employment, and any gains or losses on curtailments or settlements has replaced actual amounts paid to the Fund. The following table shows the expense recognised in the Group Comprehensive Income and Expenditure Statement.

2009/10 £m		2010/11 £m
11.48	Current Service Cost	19.32
1.18	Past Service Cost	(81.16)
36.07	Interest on Pension Scheme Liabilities	38.24
(19.93)	Expected Return on Fund Assets	(33.02)
-	Curtailment cost	(1.61)
28.80	**Expense Recognised**	**(58.23)**

Changes to the present value of liabilities during the accounting period

The following tables explain the history and movements in the present value of liabilities and the fair value of assets together with the actual return on those assets and how this has been reflected in other Comprehensive Income and Expenditure.

2009/10 £m		2010/11 £m
(548.42)	**Opening present value of liabilities**	**(754.01)**
(11.48)	Current Service Cost	(19.32)
(36.07)	Interest on Pension Scheme Liabilities	(38.24)
(8.90)	Contributions by participants	(8.44)
(169.79)	Actuarial losses on liabilities	(12.92)
21.83	Net benefits paid out	23.05
(1.18)	Past service cost	81.16
-	Curtailments	1.61
(754.01)	**Closing present value of liabilities**	**(727.11)**

Changes to the fair value of assets during the accounting period

2009/10 £m		2010/11 £m
320.86	**Opening fair value of assets**	**450.40**
19.93	Expected return on assets	33.02
100.60	Actuarial (losses)/gains on assets	5.24
21.94	Contributions by the employer	23.39
8.90	Contributions by participants	8.44
(21.83)	Net benefits paid out	(23.05)
450.40	**Closing fair value of assets**	**497.44**

Actual return on assets

2009/10 £m		2010/11 £m
19.93	Expected return on assets	33.02
100.60	Actuarial gain on assets	5.24
120.53	**Actual return on assets**	**38.26**

Section 6 – Notes to the Group Financial Statements

Analysis of amount recognised in Other Comprehensive Income and Expenditure

2009/10 £m		2010/11 £m
(69.19)	Total actuarial losses	(7.68)
(69.19)	**Total loss in in other comprehensive expenditure**	**(7.68)**

History of asset values, present value of liabilities and (surplus)/deficit

2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m		2010/11 £m
(388.19)	(381.84)	(320.86)	(450.40)	Fair value of assets	(497.44)
545.94	495.97	548.42	754.01	Present value of liabilities	727.11
157.75	**114.13**	**227.56**	**303.61**	**Deficit**	**229.67**

The assets for the current period and the previous two periods are measured at current bid price. Asset values previously measured at mid-market value for periods ending 2008 and 2007 have been re-measured for this purpose. Asset values for period ending 2006 are shown at mid-market value.

History of experience gains and losses

Unfunded liabilities are disclosed for periods beginning on or after 6th April 2007. The history of experience gain/(loss) on liabilities shown has not been re-stated for periods ending 2007 and 2006 and includes the experience relating to unfunded liabilities.

2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m		2010/11 £m
(2.31)	(42.50)	(93.97)	100.60	Experience (losses)/gains on assets	5.24
(0.14)	1.30	(2.20)	6.50	Experience (losses)/gains on liabilities	(15.61)

Unfunded Benefits

South Tyneside Homes Limited has no unfunded benefits in their accounts for 2010/11, in line with the Actuarial information provided. Disclosure information relating to unfunded benefits for South Tyneside Council can be found at note 47, section b of the core financial statements within this document.

The following table reconciles the Pension Liability on the Group Balance sheet between funded and unfunded benefits:

1st April	31st March 2010				31st March 2011		
2009	Group Funded	Council Unfunded	Group Total		Group Funded	Council Unfunded	Group Total
£m	£m	£m	£m		£m	£m	£m
(320.86)	(450.40)	-	(450.40)	Fair value of assets	(497.44)	-	(497.44)
577.56	754.01	31.45	785.46	Present value of liabilities	727.11	28.93	756.04
256.70	**303.61**	**31.45**	**335.06**	**Deficit**	**229.67**	**28.93**	**258.60**

The following table reconciles the Pension Interest Cost and Return on Pension Assets as recorded in the Group Comprehensive Income and Expenditure Statement between funded and unfunded benefits:

2009/10 Group Funded £m	2009/10 Council Unfunded £m	2009/10 Group Total £m		2010/11 Group Funded £m	2010/11 Council Unfunded £m	2010/11 Group Total £m
(36.07)	(1.85)	(37.92)	Interest on Pension Scheme Liabilities	(38.24)	(1.56)	(39.80)
19.93	-	19.93	Expected Return on Assets	33.02	-	33.02
(16.14)	**(1.85)**	**(17.99)**	**Pension Interest Cost and Expected Return on Pension Assets**	**(5.22)**	**(1.56)**	**(6.78)**

Section 7 – Tyne and Wear Pension Fund Statements

1. Introduction

South Tyneside Council is the administering Authority of the Local Government Pension Scheme for the Tyne and Wear County area. The Council has set up a Pensions Committee to deal with all matters concerning the Fund.

As at 31st March 2011, there were 148 employers participating in the Fund, including five district councils and a range of other organisations that provide a public service within the County area. A full list of employers is shown later in this statement. The Fund had 112,234 members, made up of 46,671 active members, 36,047 pensioners and 29,516 deferred members.

Further information may be obtained from the Pension Fund Report and Accounts for 2010/11.

2. Legal Framework

The framework for the Scheme is contained in four sets of Regulations made by the Department for Communities and Local Government. These Regulations apply nationally to all local authorities in England and Wales.

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 describe how rights accrue and how benefits are calculated with effect from 1st April 2008. The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 set out how membership accrued prior to 1st April 2008 counts. The Local Government Pension Scheme (Administration) Regulations 2008 set out the Scheme's administrative provisions.

The framework for investment is set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. These Regulations set out the types of investments that can be made, which include company and government securities, property and unit trusts. The Regulations also set out restrictions on the proportion of a fund that can be held in different types of investment. Note 13 to the Financial Statements contains information on the Fund's investment management arrangements.

3. Employers' Contributions and the 2007 Valuation

The Regulations require that an actuarial valuation is carried out every third year. This is to ensure that the Fund is able to meet its liabilities to past and present contributors. The employers' contributions are adjusted following a valuation to ensure that the Fund will have sufficient assets to cover liabilities.

Rates of contributions paid by the employers during 2010/11 were based on the valuation carried out as at 31st March 2007. The value of the Fund at that date was £3,726.5 million.

The total rate of employer contribution resulting from the 2007 valuation was 21.1% of pensionable pay, comprised of a future service element of 15.1% and a past service deficiency element of 6.0%. The revised employers' contributions were implemented from April 2008.

4. The 2010 Valuation

The experience of a number of factors that affect the funding level has been poor since the 2007 valuation. For example:

- The overall return from assets has been below the projected return.
- There has been a fall in the gilt yields that provide the basis for the discount rates that are used to calculate liabilities.

These factors have caused the funding position to weaken.

This did not affect contributions paid by those employers whose rates were set by the 2007 valuation. However, it did affect terminal valuations and rates set for new employers.

The funding strategy was reviewed at the 2010 valuation and revised contribution rates were implemented from April 2011. The total rate of employer contribution was 21.2% of pensionable pay, comprised of a future service element of 15.9% and a past service deficiency element of 5.3%.

5. Funding Strategy

The strategy for the valuations is set out in the Funding Strategy Statement, which may be viewed on the Fund's website at www.twpf.info, and in the Statement of the Actuary.

The Fund consulted employers and considered their views in the formulation of the strategy.

The Fund has used a number of measures to assist employers to afford the cost of benefits. These include:

- An increase in the discount rate for scheduled bodies.

- Long deficit recovery periods for employers with a suitably strong covenant. Recovery periods for most employers have been set within the range of 22 years for employers with the strongest covenant to average future working lifetime of active members, or an appropriate proxy, for employers with a weaker covenant. For most contractors, this strategy is also subject to a maximum of the remaining contract period from the valuation date.

- The use of up to six annual steps in the deficit payments.

- The grouping of some smaller employers to protect against the risk of high volatility of contribution rates.

6. Review of Investment Strategy and Investment Structure

The Fund implemented a review of its Investment Strategy and Investment Management Structure in 2010/11.

This resulted in an increased allocation to alternative investments, namely global property and infrastructure, at the expense of quoted equities and bonds. The Management Structure for quoted equities and active currency was revised.

Within the quoted equity exposure, there was a move to managing a greater proportion of the Fund's assets on a global, rather than a regional, basis. This resulted in the appointment of six active equity managers and the termination of two mandates.

The changes made to the active currency programme have diversified the exposure across a wider range of strategies. Investments were made into two new active currency funds to bring the number of currency funds up to four.

The changes in amounts with each manager are shown in note 13 to the accounts.

Section 7 – Tyne and Wear Pension Fund Statements

The Council of the Borough of South Tyneside
Statement of the Actuary for the year ended 31st March 2011

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 Tyne and Wear 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 31st March 2010 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

1. Rates of contributions paid by the participating Employers during 2010/11 were based on the actuarial valuation carried out as at 31st March 2007.

2. The valuation as at 31st March 2010 showed that the funding ratio of the Fund was similar to the previous valuation with the market value of the Fund's assets at that date (of £4,304.9m) covering 79% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.

3. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1st April 2011 was as set out below:

   - 15.3% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.
     Plus
   - Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1st April 2011, amounting to £59.7m in 2011/12, and increasing by 5.3% p.a. thereafter.

   This would imply an average employer contribution rate of about 21.2% of pensionable pay in total, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation of 5.3% p.a.

4. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

5. The rates of contributions payable by each participating Employer over the period 1st April 2011 to 31st March 2014 are set out in a certificate dated 30th March 2011 which is appended to our report of the same date on the actuarial valuation.

6. The contribution rates were calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of Employers using the projected unit actuarial method.

Section 7 – Tyne and Wear Pension Fund Statements

7. The main actuarial assumptions were as follows:

Discount rate	
Scheduled Bodies	6.8% a year
Admission Bodies	
- In service	6.25% a year
- Left service	4.75% a year
Rate of general pay increases	5.3% a year
Rate of increases to pensions in payment	3.3% a year
Valuation of assets	market value

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

8. Annual reviews to monitor the level of ill-health retirements are carried out in respect of participating Employers and, where appropriate, Employer contribution rates may be increased. No such reviews have been completed since the 2010 valuation of the Fund.

9. Contribution rates for all employers will be reviewed at the next actuarial valuation of the Fund as at 31st March 2013.

10. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Council of the Borough of South Tyneside. It provides a summary of the results of the actuarial valuation which was carried out as at 31st March 2010. 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 Hewitt Limited does not accept any responsibility or liability to any party other than our client, South Tyneside Council, in respect of this statement.

Aon Hewitt Limited
18th May 2011

Section 7 – Tyne and Wear Pension Fund Statements

Fund Account

2009/10 £m		Note	2010/11 £m
	Contributions and Benefits		
(239.097)	Contributions Receivable - Employers	3	(226.422)
(61.716)	Contributions Receivable - Employees	3	(62.652)
(17.283)	Transfers In	4	(15.721)
(318.096)	**Total Contributions**		**(304.795)**
206.584	Benefits Payable	5	194.512
21.828	Leavers	6	15.640
2.665	Administrative Expenses	7	2.562
231.077	**Total Benefits**		**212.714**
(87.019)	**Net Additions from Dealings with Members**		**(92.081)**
	Returns on Investments		
(68.276)	Investment Income	8	(82.265)
2.342	Non-Recoverable Tax	8	3.119
(1,054.399)	Change in Market Value of Investments	9	(276.823)
7.753	Investment Management Expenses	10	8.665
(1,112.580)	**Net Returns on Investments**		**(347.304)**
(1,199.599)	**Net (Increase) / Decrease in the Fund During the Year**		**(439.385)**
3,102.738	**Net Assets of the Fund at 1st April**		**4,302.337**
4,302.337	**Net Assets of the Fund at 31st March**		**4,741.722**

Section 7 – Tyne and Wear Pension Fund Statements

Net Assets Statement

31st March 2010 £m		Note	31st March 2011 £m
4,281.152	Investment Assets	9	4,718.102
(7.890)	Investment Liabilities	9	(8.815)
49.295	Current Assets	11	44.530
(20.220)	Current Liabilities	11	(12.095)
4,302.337	**Net Assets of the Fund at 31st March**		**4,741.722**

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Council. They do not take account of obligations to pay pensions and benefits that fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in a statement prepared by the Actuary, under IAS 19, which is attached. The financial statements should be read in conjunction with the Actuary's statement. From 2010/11, the Fund is also required under IAS 26 to disclose the "actuarial present value of the promised retirement benefits", which were last valued at 31st March 2010 by the Actuary at £7,037.3m. This amount is not included in the statement above. This figure was calculated by the Actuary using the assumptions in note 21.

Section 7 – Tyne and Wear Pension Fund Statements

Notes to the Tyne and Wear Pension Fund Financial Statements

1. Basis of Preparation

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Statement of Recommended Practice (Financial Reports of Pension Schemes).

2. Accounting Policies

The accounts have been prepared on an accruals basis. The exception to this practice is Transfer Values (note 5), which in line with the Statement of Recommended Practice (Financial Reports of Pension Schemes), are recognised when cash is transferred.

Acquisition Cost of Investments

The acquisition cost of investments is based on the purchase price plus any additional costs associated with the purchase.

Valuation of Investments

Quoted securities have been valued at their bid price on 31st March 2011. Pooled investment vehicles have been included at either the bid price, where a bid price exists, or on the single unit price on 31st March 2011 as valued by the Investment Manager responsible for such vehicles. Other unquoted investments have been valued with regard to latest dealings and other appropriate financial information as provided by the Investment Manager responsible for these investments. The value of fixed income investments excludes interest earned but not paid over at the year-end. The interest earned has been accrued within investment income receivable. Overseas investments and foreign currency balances have been converted into Sterling at the closing exchange rates on 31st March 2011.

Futures have been valued at fair value. The fair value is the unrealised profit or loss of the current bid or offer price of the contract. The variation margin is the amount due to or from the broker for this unrealised profit or loss at the period end. The fair value of forward currency contracts is based on exchange rates at the year-end date and is determined as the gain or loss that would arise if the outstanding contracts were closed as at 31st March 2011.

Properties are shown as valued at 31st March 2011. The valuers are Fellows of the Royal Institute of Chartered Surveyors from Colliers CRE. No depreciation is provided on freehold buildings or long leasehold properties.

Investment Transactions

Investment transactions that were not settled as at 31st March 2011 have been accrued.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees.

Investment Income

Investment income has been credited to the Fund on the ex-dividend date and is grossed up to allow for recoverable and non-recoverable tax. Non-recoverable tax has been shown as an expense.

Foreign income received during the year has been converted into Sterling at the exchange rate at the date of transaction. Amounts outstanding at the year-end have been valued at the closing exchange rates on 31st March 2011.

With regard to property rental income payable quarterly in advance, only the proportion of each payment attributable to the Fund from the due date to the 31st March 2011 is credited to the Fund Account.

Interest on cash deposits has been accrued up to 31st March 2011.

Investment Management Expenses

Investment management expenses payable as at 31st March 2011 have been accrued.

Foreign Currencies

Assets and liabilities in foreign currencies have been converted into Sterling at the closing exchange rates on 31st March 2011.

Contributions

Contributions represent the amounts received from the organisations participating in the Fund. Such amounts relate both to their own employer contributions and to those of their pensionable employees. The Actuary determines the rate for employers. Contributions due as at 31st March 2011 have been accrued.

Benefits and Refunds

Benefits and refunds are accounted for in the year in which they become due for payment.

Transfer Values

Transfer values represent the capital sums either receivable in respect of new members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the Fund. They are accounted for on a receipts /payments basis.

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 note 19.

3. Contributions Receivable

2009/10 £m		2010/11 £m
	Employers	
(145.356)	Normal	(146.404)
(93.066)	Deficit Funding	(79.778)
(0.675)	Augmentation	(0.240)
(239.097)		**(226.422)**
	Members	
(61.051)	Normal	(62.089)
(0.665)	In-House Additional Voluntary Contributions	(0.563)
(61.716)		**(62.652)**
(300.813)	**Total Contributions Receivable**	**(289.074)**

The contributions can be analysed by type of member body as follows:

2009/10 £m		2010/11 £m
(27.842)	South Tyneside Council (Administering Authority)	(25.126)
(179.117)	Other Metropolitan Councils	(168.870)
(56.102)	Other Part 1 Scheduled Bodies	(55.882)
(11.528)	Part 2 Scheduled Bodies	(8.905)
(26.224)	Admitted Bodies	(30.291)
(300.813)	**Total Contributions Receivable**	**(289.074)**

4. Transfers In

During the year, individual transfers in from other schemes amounted to £15.721m (£17.283m in 2009/10). In 2010/11 there was one bulk transfer into the fund from Durham County Council Pension Fund for the credit of Newcastle College with the value of £0.520m. There were no bulk transfers during 2009/10.

5. Benefits Payable

2009/10 £m		2010/11 £m
152.174	Pensions	161.071
61.663	Commutations and Lump Sum Retirement Benefits	39.374
3.646	Lump Sum Death Benefits	4.812
(10.899)	Recharges Out	(10.745)
206.584	**Total Benefits Payable**	**194.512**

The payments can be analysed by type of member body as follows:

2009/10 £m		2010/11 £m
21.029	South Tyneside Council (Administering Authority)	21.736
135.612	Other Metropolitan Councils	121.728
26.394	Other Part 1 Scheduled Bodies	25.503
6.648	Part 2 Scheduled Bodies	7.575
16.901	Admitted Bodies	17.970
206.584	**Total Benefits Payable**	**194.512**

6. Leavers

2009/10 £m		2010/11 £m
21.803	Individual Transfers to Other Schemes	15.778
0.029	Refunds to Members Leaving Service	0.037
(0.004)	State Scheme Premiums	(0.175)
21.828	**Total Leavers**	**15.640**

There were no bulk transfers out of the scheme in 2010/11 or 2009/10.

7. Administration Expenses

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 permit costs incurred in connection with the administration of the Fund to be charged against the Fund. A breakdown of the costs is set out below:

2009/10 £m		2010/11 £m
1.622	Employee Expenses	1.484
0.487	Support Services Recharge	0.489
0.090	Audit Fees	0.057
0.119	External Computing Costs	0.267
0.088	Printing / Publications	0.080
0.103	Professional Fees	0.155
0.161	Other Expenses	0.036
(0.005)	Income	(0.006)
2.665	**Total Administration Expenses**	**2.562**

Employee expenses have been charged to the Fund on a time basis. Office expenses and other overheads have also been charged.

Section 7 – Tyne and Wear Pension Fund Statements

8. Investment Income

2009/10 £m		2010/11 £m
(0.682)	Fixed Interest Securities	(1.218)
(31.378)	Equities	(41.138)
(0.589)	Index-Linked Securities	(0.642)
(16.023)	Pooled Investment Vehicles	(15.071)
(19.265)	Net Rents from Properties	(23.208)
(0.179)	Cash Deposits	(0.239)
-	Securities Lending	(0.646)
(0.024)	Commission Recapture	(0.010)
(0.136)	Underwriting Commission	(0.093)
(68.276)	**Sub-Total**	**(82.265)**
2.342	Non-Recoverable Tax	3.119
(65.934)	**Total Investment Income**	**(79.146)**

9. Investments

31st March 2010 £m		31st March 2011 £m
	Investment Assets	
30.887	Fixed Interest Securities	34.743
1,310.835	Equities	2,017.105
33.363	Index-Linked Securities	41.241
2,537.628	Pooled Investment Vehicles	2,242.777
0.209	Derivative Contracts	-
321.235	Properties	345.225
36.126	Cash Deposits	23.029
10.869	Other Investment Balances	13.982
4,281.152	**Total Investment Assets**	**4,718.102**
	Investment Liabilities	
-	Derivative Contracts	(0.907)
(7.890)	Other Investment Balances	(7.908)
(7.890)	**Total Investment Liabilities**	**(8.815)**
4,273.262	**Net Investment Assets**	**4,709.287**

Section 7 – Tyne and Wear Pension Fund Statements

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.

	Value at 1st April 2010 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change in Market Value £m	Value at 31st March 2011 £m
Fixed Interest Securities	30.887	165.886	(162.689)	0.659	34.743
Equities	1,310.835	2,053.319	(1,441.778)	94.729	2,017.105
Index-Linked Securities	33.363	156.786	(151.339)	2.431	41.241
Pooled Investment Vehicles	2,537.628	275.369	(735.543)	165.323	2,242.777
Derivative Contracts	0.209	0.668	(6.926)	5.142	(0.907)
Properties	321.235	21.126	(5.450)	8.314	345.225
	4,234.157	**2,673.154**	**(2,503.725)**	**276.598**	**4,680.184**
Cash Deposits	36.126	-	(16.143)	3.046	23.029
Other Investment Balances	2.979	6.097	(0.181)	(2.821)	6.074
Total Investments	**4,273.262**	**2,679.251**	**(2,520.049)**	**276.823**	**4,709.287**

Section 7 – Tyne and Wear Pension Fund Statements

31st March 2010 £m		31st March 2011 £m
	Fixed Interest Securities	
30.887	UK Public Sector	33.439
-	Overseas Public Sector	1.304
30.887	**Total Fixed Interest Securities**	**34.743**
	Equities	
266.657	UK Quoted	611.517
997.488	Overseas Quoted	1,287.676
3.300	UK Unquoted	6.700
43.390	Overseas Unquoted	111.212
1,310.835	**Total Equities**	**2,017.105**
	Index Linked Securities	
25.118	UK Public Sector	41.241
7.089	UK Non Public Sector	-
1.156	Overseas Public Sector	-
33.363	**Total Index-Linked Securities**	**41.241**
	Pooled Investment Vehicles	
103.848	Unit Trusts	93.941
1,529.485	Unitised Insurance Policies	1,130.345
904.295	Other Managed Funds	1,018.491
2,537.628	**Total Pooled Investment Vehicles**	**2,242.777**
	Derivative Contracts	
0.209	Forward Foreign Currency Contracts	(0.907)
0.209	**Total Derivative Contracts**	**(0.907)**
	Properties	
279.845	Freehold	280.125
41.390	Long Leasehold	65.100
321.235	**Total Properties**	**345.225**
	Cash Deposits	
27.397	Sterling	18.065
8.729	Foreign Currency	4.964
36.126	**Total Cash Deposits**	**23.029**
	Other Investment Balances	
0.551	Outstanding Trades	1.323
8.045	Outstanding Dividends and Tax Recoveries	9.178
2.273	Debtors	3.481
(7.890)	Creditors	(7.908)
2.979	**Total Other Investment Balances**	**6.074**
4,273.262	**Total Investments**	**4,709.287**

Transaction costs are included in the cost of purchases and in sale proceeds. Transaction costs include costs charged directly to the Fund such as commissions, stamp duty, taxes, and professional fees associated with property developments and purchases. Transaction costs incurred during the year amounted to £6.016m (£4.846m in 2009/10). In addition to the transaction costs noted above, costs will be incurred within pooled investment vehicles. The amount of these costs is not provided separately to the Fund.

10. Investment Management Expenses

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 permit costs incurred in connection with the investment of the Fund to be charged against the Fund. A breakdown of the costs is set out below:

2009/10 £m		2010/11 £m
7.437	Administration, Management and Custody	8.478
0.078	Performance and Risk Measurement Services	0.078
0.238	Other Advisory Fees	0.109
7.753	**Total Investment Management Expenses**	**8.665**

Administration includes employee expenses that have been charged to the Fund on a time basis. Office expenses and other overheads have been charged.

11. Current Assets and Liabilities

31st March 2010 £m		31st March 2011 £m
	Current Assets	
4.998	Contributions and Recharges Due - Employees	6.050
43.964	Contributions and Recharges Due - Employers	37.593
-	HM Revenue and Customs	0.006
0.094	Investment Management Expenses	0.181
0.239	Other	0.700
49.295	**Total Current Assets**	**44.530**
	Current Liabilities	
(10.200)	Unpaid Benefits	(0.061)
-	Contributions, Recharges and Refunds Due - Employers	(0.162)
(1.320)	HM Revenue and Customs	(1.412)
(2.867)	Investment Management Expenses	(3.367)
(5.833)	Other	(7.093)
(20.220)	**Total Current Liabilities**	**(12.095)**

12. Additional Voluntary Contributions (AVCs)

The Fund offers two types of AVC arrangements.

Additional periods of membership can be purchased within the Local Government Pension Scheme, with the contributions being invested as part of the Fund's assets.

In addition, the Pensions Committee appointed Equitable Life Assurance Society in 1989 and The Prudential Assurance Company in 2001 for the investment of other AVCs specifically taken out by Fund members. Contributions to these external providers are invested separately from the Fund's own assets on a money purchase basis. In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, these amounts are not credited to the Fund and as such are excluded from the Fund's accounts.

Equitable Life has experienced financial difficulties that arose from some of its financial products that carry guaranteed returns. With the exception of existing life cover policies, the Fund has closed its AVC plan with Equitable Life to new members, contributions from existing members and transfers. A significant proportion of investors in funds operated by Equitable Life have had their balances transferred to The Prudential. The Fund continues to monitor the position of the remaining investors with Equitable Life.

During 2010/11, £1.413m of contribution income was received into the AVC funds provided by The Prudential (£1.387m during 2009/10). As at 31st March 2011, these funds were valued at £9.270m (£8.765m as at 31st March 2010).

During 2010/11, £0.005m contribution income was received into the AVC funds operated by Equitable Life (£0.004m during 2009/10). As at 31st March 2011, these funds were valued at £0.365m (£0.427m as at 31st March 2010).

The funds are valued on a bid basis by each of the providers and take no account of accruals.

13. Analysis of Investments Over Managers

The Fund employed twelve external investment managers as at 31st March 2011. This is an increase of four managers from the position as at 31st March 2010. Each manager is a specialist in the market in which they invest. This broadly based management structure seeks to ensure that investment returns are not overly influenced by the performance of any one manager.

The Fund also has investment programmes across the four alternative asset classes of Private Equity, Active Currency, Infrastructure and Global Property.

The Private Equity programme is well diversified across providers, geography, industry and vintage years. The Fund has made commitments to funds provided by HarbourVest and Pantheon, secondary funds managed by Lexington Partners and Coller Capital and direct funds with HarbourVest, Capital International, Lexington Partners and Partners Group.

The diversification of the Active Currency programme has been increased during the year with new investments being made into funds provided by Millennium and Investec that supplement the longer standing investments with Record Currency Management and BlackRock.

The Fund has invested in Infrastructure for a number of years through investments with Henderson Global Investors and M&G. During the year, a decision was taken to increase the allocation to this programme through funds provided by Partners Group.

Global Property is a new investment programme in 2010/11. Investment in this area will be built up over time through funds provided by Partners Group.

The market value of investments in the hands of each manager was:

31st March 2010 £m			31st March 2011 £m	
		Investment Managers		
321.235	7.5%	Aberdeen Property Investors	345.225	7.3%
-	-	BlackRock	175.247	3.7%
410.111	9.6%	Capital International - Global Equities	-	-
122.603	2.9%	Capital International - Emerging Markets	143.281	3.0%
372.927	8.8%	Henderson Global Investors	379.649	8.1%
-	-	JP Morgan Asset Management	470.860	10.0%
-	-	Lazard Asset Management	106.003	2.2%
1,250.824	29.3%	Legal and General Investment Management	807.614	17.1%
346.956	8.1%	M&G Investment Management	402.876	8.6%
-	-	Mirabaud Investment Management	176.746	3.8%
-	-	Sarasin and Partners	483.492	10.3%
346.969	8.1%	Schroder Investment Management	-	-
-	-	TT International	55.375	1.2%
609.150	14.3%	UBS Global Asset Management	455.547	9.7%
95.792	2.2%	Active Currency	142.587	3.0%
355.701	8.3%	Private Equity	469.430	10.0%
27.337	0.6%	Infrastructure	50.574	1.1%
-	-	Global Property	40.874	0.8%
13.657	0.3%	Managed In-House	3.907	0.1%
4,273.262	**100.0%**	**Total Investments**	**4,709.287**	**100.0%**

14. Investment Performance

The major world equity markets rose during the year, with the exception of Japan which fell by 4%. The best performing equity markets were Asia excluding Japan and the Emerging Markets which rose by 15% and 12% respectively. UK equities rose by just under 9%. Property produced a 10% return and Gilts rose by over 5%.

In this environment, the value of the Fund rose for the second year in succession. This followed two years of falls that resulted from the credit crisis and global economic slowdown.

The Fund's return for the year was 6.8%, which was 0.1% above its benchmark return of 6.7%. Inflation, as measured by the Retail Price Index, rose by 5.3% and average earnings excluding bonuses increased by 2.3%.

Pension fund returns are generally assessed over at least five-year periods in order to avoid taking too short term a view of investment performance. The Fund's annual return over the last five years has been 4.6% per annum, which is 0.2% below the benchmark return of 4.8% per annum. This underperformance is largely attributable to below benchmark returns from certain of the Fund's active equity managers and poor returns from the active currency mandates. The five year returns are above both inflation at 3.8% per annum and the increase in average earnings at 2.9% per annum.

The Fund's annual return over the last ten years has been 5.9% per annum, which is 0.1% above the benchmark return of 5.8%. These returns are above inflation at 3.5% per annum and the increase in average earnings at 4.1% per annum.

15. Taxation

UK Tax

The Fund is an exempt approved fund and is not liable to income tax or capital gains tax. It is not registered separately from the Council for VAT and therefore can recover its input tax.

All investment income in the accounts has been shown gross of UK income tax and the non-recoverable element has been shown as an expense.

Overseas Tax

The Fund is subject to withholding tax in certain overseas countries. In all such cases, the investment income has been grossed up and non-recoverable tax has been shown as an expense.

16. Derivatives

The Fund has used a number of derivative instruments as part of its investment strategy and to assist with efficient portfolio management.

Futures

The Fund did not hold any Futures contracts as at 31st March 2011 and 31st March 2010.

Forward Currency Contracts

The Fund has used Forward Currency Contracts to hedge the currency exposure on certain overseas investments. As at 31st March 2011, the Fund held fifteen positions in foreign currency that together showed an unrealised loss of £0.907m, as shown in the table over the page:

Type of Forward Foreign Currency Contracts		Market Value £m
Three Month - Over the Counter	Bought Sterling/Sold Euro	(2.414)
Three Month - Over the Counter	Bought Sterling/Sold Swiss Franc	(0.014)
Three Month - Over the Counter	Bought Sterling/Sold Hong Kong Dollar	0.110
Three Month - Over the Counter	Bought Sterling/Sold Yen	0.171
Three Month - Over the Counter	Bought Sterling/Sold Singapore Dollar	(0.028)
Three Month - Over the Counter	Bought Sterling/Sold US Dollar	(0.151)
Three Month - Over the Counter	Sold Sterling/Bought Australian Dollar	0.644
Three Month - Over the Counter	Sold Sterling/Bought Canadian Dollar	0.087
Three Month - Over the Counter	Sold Sterling/Bought Swiss Franc	0.483
Three Month - Over the Counter	Sold Sterling/Bought Euro	0.358
Three Month - Over the Counter	Sold Sterling/Bought Hong Kong Dollar	0.001
Three Month - Over the Counter	Sold Sterling/Bought Yen	(0.133)
Three Month - Over the Counter	Sold Sterling/Bought Norwegian Krone	0.055
Three Month - Over the Counter	Sold Sterling /Bought Swedish Krona	0.317
Three Month - Over the Counter	Sold Sterling /Bought US Dollar	(0.393)
		(0.907)

These positions were settled at an overall loss of £1.652m.

17. Securities Lending

The Fund operates a securities lending programme through its custodian, Northern Trust. Securities totalling £65.902m were out on loan as at 31st March 2011, against collateral of £71.046m. The breakdown of securities on loan was:

31st March 2010 £m		31st March 2011 £m
-	Fixed Interest Securities	8.740
-	Index-Linked Securities	5.058
-	UK Equities	18.434
-	Overseas Equities	33.670
-	**Total Securities Lending**	**65.902**

The value of collateral against which the securities were lent out is set out below:

31st March 2010 £m		31st March 2011 £m
-	Cash	1.736
-	Fixed Interest	55.255
-	Index Linked	3.062
-	Equities	10.993
-	**Total Collateral**	**71.046**

18. Significant Holdings

As at 31st March 2011, the Fund had two holdings that each represented more than 5% of the total Fund value. Both holdings are without-profit insurance contracts that provide access to a pool of underlying assets. The values have been determined by reference to the underlying assets using price feeds from markets. These holdings are:

- Legal and General Assurance (Pensions Management) Limited – Managed Fund. As at 31st March 2011, this was valued at £807.614m and represented 17.1% of the total net assets of the Fund. During 2010/11, the Europe (ex UK) Equities fund was opened while the UK Gilts and AAA Fixed Interest holdings were closed, thereby reducing the split in the insurance contract to four individual funds, each representing a different asset class, as follows:

31st March 2010 £m		31st March 2011 £m
956.228	UK Equities	641.414
-	Europe (ex UK) Equities	22.067
134.119	North America Equities	49.818
52.075	UK Gilts	-
30.166	AAA Fixed Interest	-
78.236	Index-Linked Gilts	94.315
1,250.824	**Total**	**807.614**

- M&G Investments (formerly Prudential Pensions Limited) – Corporate Bond All Stocks Fund. As at 31st March 2011, this was valued at £322.731m (£278.662m as at 31st March 2010) and represented 6.8% of the total net assets of the Fund.

19. Outstanding Commitments

As at 31st March 2011 the Fund had thirty-three outstanding commitments to investments, these are shown over the page:

Name of Fund	Year	Value	Drawdowns Made	Commitment Outstanding	
		m	m	m	m
HarbourVest International Private Equity Partners IV	2002	$55.0	$51.7	$3.3	£2.1
HarbourVest Partners VII Cayman Buyout Fund	2002	$46.0	$38.2	$7.8	£4.9
HarbourVest Partners VII Cayman Mezzanine Fund	2002	$8.0	$7.0	$1.0	£0.6
HarbourVest Partners VII Cayman Venture Fund	2002	$28.0	$23.8	$4.2	£2.6
HarbourVest Partners 2004 Direct Fund	2004	$30.0	$29.6	$0.4	£0.2
Capital International Private Equity Fund IV	2004	$18.0	$17.3	$0.7	£0.4
HarbourVest International Private Equity Partners V - Partnership	2005	€ 100.0	€ 73.0	€ 27.0	£23.9
HarbourVest International Private Equity Partners V - Direct	2005	€ 30.0	€ 27.3	€ 2.7	£2.4
Pantheon Asia Fund IV	2005	$20.0	$13.2	$6.8	£4.2
Pantheon Europe Fund IV	2005	€ 25.0	€ 18.9	€ 6.1	£5.4
Pantheon USA Fund VI	2005	$30.0	$23.1	$6.9	£4.3
Lexington Capital Partners VI-B	2005	$30.0	$28.5	$1.5	£0.9
HarbourVest Partners VIII Cayman Buyout Fund	2006	$112.0	$60.2	$51.8	£32.3
HarbourVest Partners VIII Cayman Venture Fund	2006	$56.0	$35.8	$20.2	£12.6
Pantheon Europe Fund V	2006	€ 35.0	€ 21.2	€ 13.8	£12.2
Pantheon USA Fund VII	2006	$35.0	$18.1	$16.9	£10.5
Coller International Partners V	2006	$30.0	$21.2	$8.8	£5.5
HarbourVest Partners 2007 Direct Fund	2007	$30.0	$17.7	$12.3	£7.7
Pantheon Asia Fund V	2007	$20.0	$10.6	$9.4	£5.9
Pantheon Europe Fund VI	2007	€ 40.0	€ 16.4	€ 23.6	£20.9
Pantheon USA Fund VIII	2007	$35.0	$9.8	$25.2	£15.7
Capital International Private Equity Fund V	2007	$35.0	$26.0	$9.0	£5.6
Co-Investment Partners Europe	2007	€ 30.0	€ 20.0	€ 10.0	£8.9
Partners Group 2006 Direct Fund	2007	€ 30.0	€ 26.9	€ 3.1	£2.7
Infracapital	2007	£35.0	£26.6	£8.4	£8.1
Pantheon International Participations	2008	£10.0	£6.7	£3.3	£3.3
Capital International Private Equity Fund VI	2010	$35.0	$0.0	$35.0	£21.8
Lexington Capital Partners VII	2010	$30.0	$10.2	$19.8	£12.4
Partners Asia-Pacific & Emerging Markets Real Estate 2009 LP	2010	$40.0	$19.1	$20.9	£13.0
Partners Group Real Estate Secondary 2009 (EURO)	2010	€ 60.0	€ 16.0	€ 44.0	£39.0
Partners Group Global Real Estate 2011 S.C.A., SICAR	2010	€ 145.0	€ 17.8	€ 127.2	£112.6
Partners Group Global Infrastructure 2009	2010	€ 70.0	€ 12.6	€ 57.4	£50.8
Partners Group Direct Infrastructure 2011	2011	€ 25.0	€ 6.7	€ 18.3	£16.2
Total Outstanding Commitments					**£469.6**

The Sterling figures for these outstanding commitments are based on the closing exchange rates on 31st March 2011.

20. Related Party Transactions

Under IAS 24 “Related Party Disclosures”, it is a requirement that material transactions with related parties, not disclosed elsewhere, should be included in a note to the financial statements.

An examination of returns completed by Elected Members of the Pensions Committee and Senior Officers involved in the management of the Pension Fund has not identified any cases where disclosure is required.

During 2010/11 two employers within the fund, namely South Tyneside Council and BT South Tyneside Limited, had related party transactions with the Fund totalling £0.804m split as follows:

- South Tyneside Council charged the Fund £0.401m (£0.384m in 2009/10) in respect of services provided, being primarily legal and building costs.

- The Fund charged South Tyneside Council £0.050m (£0.049m in 2009/10) in respect of Treasury Management services.

- BT South Tyneside Limited charged the fund £0.312m (£0.314m in 2009/10) in respect of services provided, being primarily financial and information technology.

There were no material contributions due from employer bodies that were outstanding at the year-end.

21. 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 31st March 2010 by the Actuary at £7,037.3m. This figure was calculated using the following 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 31st March 2010 £m
Fair value of net assets	4,302.3
Actuarial present value of the promised retirement benefits	7,037.3
Surplus / (deficit) in the Fund as measured for IAS26 purposes	(2,735.0)

The principal assumptions used by the Fund's independent actuaries were:

	31st March 2010 (% p.a.)
Discount rate	5.5
RPI Inflation	3.9
CPI Inflation	3.0
Rate of increase to pensions in payment*	3.9
Rate of increase to deferred pensions*	3.9
Rate of general increase in salaries **	5.4

** In excess of Guaranteed Minimum Pension increases in payment where appropriate*

*** In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2010.*

Principal demographic assumptions

Post retirement mortality	31st March 2010
Males	
Base table	Standard SAPS Normal Health All Amounts (S1NMA)
Scaling to above base table rates***	110%
Allowance for future improvements	In line with CMI 2009 with long term improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	21.3
Future lifetime from age 65 (currently aged 45)	23.2
Females	
Base table	Standard SAPS Normal Health All tables (S1NFA)
Scaling to above base table rates***	110%
Allowance for future improvements	In line with CMI 2009 with long term improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	23.5
Future lifetime from age 65 (currently aged 45)	25.5

*** The scaling factors shown apply to normal health retirements

Commutation

- Each member is assumed to exchange 50% of the maximum amount permitted, of their past service pension rights on retirement, for additional lump sum.

- Each member is assumed to exchange 75% of the maximum amount permitted, of their future service pension rights on retirement, for additional lump sum.

These are taken from the report: Whole of Pension Fund Disclosures under IAS 26 – Tyne and Wear Pension Fund 27th May 2011, a full copy of which is available on request.

For figures relating to individual employers of the Fund please refer to each employer's final accounts.

22. Policy Documents

The Pension Fund has a number of key policy documents that outline the framework within which the Fund operates, as follows:

- Governance Compliance Statement
- Funding Strategy Statement
- Statement of Investment Principles
- Corporate Governance Policy

Section 7 – Tyne and Wear Pension Fund Statements

- The Pension Service Plan
- The Pensions Administration Strategy
- The Fund's Discretions within the Local Government Pension Scheme
- Admission of Organisations to the Fund

These documents are reviewed and updated on an ongoing basis. Copies are available on the Fund's website at www.twpf.info .

Section 7 – Tyne and Wear Pension Fund Statements

Organisations Participating in the Fund as at 31st March 2011

Councils

Gateshead Council
Newcastle City Council
North Tyneside Council
South Tyneside Council
Sunderland City Council

Other Part 1 Scheduled Bodies

Academy 360
Bexhill and Town End Academies
Castle View Academy
City of Sunderland College
Excelsior Academy
Former North East Regional Airport Committee
Former Tyne and Wear County Council
Former Tyne and Wear Residuary Body
Gateshead College
Gateshead Housing Company
Gosforth Federated Academies
Monkwearmouth College
National Probation Service - Northumbria
Newcastle College
Newcastle Education Action Zone
North Tyneside College
Northumberland Magistrates Court
Northumbria Police Authority
Northumbria University
Redhouse Academy
South Tyneside College
South Tyneside Education Action Zone
South Tyneside Homes
Sunderland Education Action Zone
Tyne and Wear Fire and Rescue Service
Tyne and Wear Passenger Transport Authority
Tyne Metropolitan College
Tynemouth College
University of Sunderland
Wearside College
Whitburn Church of England Academy
Your Homes Newcastle

Part 2 Scheduled Bodies

Birtley Town Council
Blakelaw and North Fenham Parish Council
Blue Square Trading
Castle View Leisure
Learning World
Nexus

Admitted Bodies

Age Concern Newcastle
Assessment and Qualifications Alliance
Association of North East Councils
Balfour Beatty
Baltic Arts Flour Mills
Benton Grange School
Benwell Young Peoples Development Project
Bovis Lend Lease (BLL)
Brunswick Young Peoples Project
BT South Tyneside Limited
Bullough Contracts Services
Carillion Services Limited
Carillion (Jarrow School)
Catholic Care North East
CBS Outdoor Limited
Community Action on Health
Compass Group UK and Ireland
DB Regio Tyne and Wear Limited
Disability North
Gateshead Law Centre
Gentoo Group Limited
Hebburn Neighbourhood Advice Centre
Higher Education Funding Council for England
Information North (Northern Regional Library System)
Insitu Cleaning
International Centre for Life
Jarvis Accommodation Services Limited
Jarvis-Sandhill View
John Laing Integrated
Kenton Park Sports Centre
Kier North Tyneside Limited

Admitted Bodies

Managed Business Space Limited
Maxim Cleaning Services
Mitie Cleaning (North) Limited
Mitie PFI (Boldon)
Mitie PFI Limited
Morrison Facilities Services Limited 1
Morrison Facilities Services Limited 2
Morse
Museums Libraries and Archives North East
National Car Parks Limited
National Glass Centre
Newcastle Family Service Unit
Newcastle Healthy City Project
Newcastle International Airport
Newcastle Law Centre
Newcastle Tenants Federation
Newcastle Theatre Royal Trust Limited
Newcastle West End Partnership
Newcastle Youth Congress
No Limits Theatre
Norcare
Norland Road Community Centre
North East Innovation Centre Company Limited
North East Regional Employers Organisation
Northern Arts Association
Northern Council for Further Education
Northern Counties School for the Deaf
Northern Grid for Learning
North Tyneside Child Care Enterprise
North Tyneside City Challenge
North Tyneside Disability Advice Centre
Northumbria Tourist Board
One North East
Ouseburn Trust
Parsons Brinkerhoff
Passenger Transport Company
Percy Hedley Foundation
Port of Tyne Authority
Praxis Service
Raich Carter Sports Complex
RM Education (Sunderland)
Robertson Facilities Management Limited
Saint Mary Magdalene and Holy Jesus
Saint Mary the Virgin Estate Management Charity
Scolarest
Scolarest PFI Boldon
Search Project
Simonside Community Centre
Southern Electric Contracting Limited
South Tyne Football Trust
South Tyneside Groundwork Trust
South Tyneside Victim Support
Stagecoach Travel Services
Sunderland City Training and Enterprise Council
Sunderland Empire Theatre Trust Limited
Sunderland Outdoor Activities
Sunderland Streetlighting Limited
Taylor Shaw (Sunderland)
The Ozanam House Probation Hostel Committee
Thomas Gaughan Community Association
TT2 Limited
Tyne and Wear Development Company Limited
Tyne and Wear Development Corporation
Tyne and Wear Enterprise Trust
Tyne and Wear Play Association
Tyne and Wear Small Business Service
Tyneside Deaf Youth Project
Tyneside Training and Enterprise Council
Tyne Waste Limited
Valley Citizens Advice Bureau
Walker Profiles (North East) Limited
Wallsend Citizens Advice Bureau
Wallsend Peoples Centre
Workshops for the Adult Blind

The schedule includes organisations that are no longer in existence but for which there remains a liability in the Fund.

Section 8 – Glossary of Financial Terms

Glossary of Financial Terms

To assist readers, some of the technical terms referred to in the Statement of Accounts are shown below with a brief description of what they mean.

Accounting Policies
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.

Accruals
The concept that income and expenditure are taken into account as they are earned or incurred, not when money is actually received or paid. Accrual accounting covers both revenue and capital transactions.

Actuarial Gains or Losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise either because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or the actuarial assumptions themselves have changed.

Arms Length Management Organisation
A procurement option involving the creation of a company to deliver the housing service on behalf of the Council. Whilst the Council still retains some management control the company is able to pursue additional funding sources and so deliver more regeneration to the Borough.

Asset
Something an organisation owns e.g. land or buildings, cash and debtors.

Assets Held For Sale
Non-current assets actively marketed for disposal and expected to be sold within 12 months of the reporting period.

Associates
An entity in which the Council has an interest on a long term basis and is jointly controlled with one or more other entities under a contractual or other binding arrangement. Voting is based on a majority decision rather than a unanimous decision.

Audit Commission
An independent body established by the 1982 Local Government Finance Act, which is responsible for appointing auditors to Local Authorities.

Balance Sheet
A primary financial statement reporting the assets and liabilities of an organisation at a given date.

Budgets
A statement of the Council's forecast expenditure, that is, net Income and Expenditure for the year.

Section 8 – Glossary of Financial Terms

Capital Accounting
The Chartered Institute of Public Finance and Accountancy (CIPFA) having recognised the need to amend the accounting practices for capital in Local Authority accounts introduced a new system of accounting for Local Authority assets with effect from 1st April 1994. The essential feature of the system is that a charge is made to each service Income and Expenditure to represent the cost of using the assets.

Capital Expenditure
Spending on the acquisition of Property, Plant and Equipment or intangible asset, or which enhances the value of an existing asset. Other types of expenditure can be capitalised but only with the express permission of the Secretary of State.

The **Capital Adjustment Account** shows the effect of statutory departures from the IFRS Code including the financing of capital expenditure from external sources and the impact of depreciation and impairment charges compared to the Minimum Revenue Provision, which the Council has to make.

Capital Grants Receipts in Advance
Capital grants received in advance that have conditions attached but have not yet been applied.

Capital Receipts
Receipts generated by the disposal of non-current assets or classified under statute by the Secretary of State. Part of the monies received can be retained by the Council and used to finance capital expenditure or repay debt. The balance is paid over to central Government.

Capitalisation Directions
These are approvals issued by Department for Communities and Local Government (DCLG) that allow authorities to capitalise costs that would not normally fall within the definition of capital expenditure. This has included exceptional redundancy costs and the back pay elements of Equal Pay and Equal Value settlements.

Cash Equivalents
An asset that can readily be turned into cash at short notice and with no penalty on its value held in the accounts.

Cash Flow Statement
A primary statement reporting the movement in cash and cash equivalents of the Council during the reporting period.

CIPFA
Chartered Institute of Public Finance and Accountancy the professional body governing how the Statement of Accounts should be prepared.

Collection Fund
Section 89 of the Local Government Finance Act 1988 requires each Council with the power to raise Council Tax bills (a billing authority) to maintain a collection fund. Council Tax is held in this fund and it should be sufficient to cover expenditure relating to the precepts of the Fire and Police Authorities and the net expenditure of the billing authority, after taking account of Business Rate income and General Government Grants.

Section 8 – Glossary of Financial Terms

Collection Fund Adjustment Account
A statutory account to reflect the difference between the balance of the collection fund required for budgetary purposes and the actual amount of Council Tax income receivable.

Community Assets
These are assets that the Council intends to hold in perpetuity, which have no finite useful life and may have restrictions on their disposal. Examples include parks and cemeteries.

Component Accounting
If an item of property, plant and equipment comprises two or more significant components with substantially different useful lives, then each component is treated separately for depreciation purposes (that is, as if each component was a separate asset in its own right) and depreciated over its individual useful life.

Comprehensive Income and Expenditure Statement
A primary statement showing the accounting cost in year of providing services rather than the amount to be funded from taxation. This statement includes changes in revaluation surplus, actuarial gains and losses on defined pension schemes and the gains and losses on re-measuring available for sale financial assets.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingent Asset or Liability
A contingent asset or liability is either (i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or (ii) a present obligation from past events where it is not possible that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core
The corporate and democratic core comprises all activities that Local Authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which 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 system by which unaudited bodies are directed and controlled.

Council Tax
The Local Government Finance Act 1992 introduced Council Tax with effect from 1st April 1993 and is based upon property values. There are eight valuation bands for chargeable dwellings ranging from band "A" (the lowest valued properties) to band "H" (the highest valued properties). The Council levies the tax based upon Band D properties; the actual charge will dependent upon the banding of the individual dwelling – i.e. those properties in Bands A to C will pay less Council Tax whilst those in bands E to H will pay more.

Creditors
Amounts owed by the Council for goods and services provided where payment has not been made by the Balance Sheet date.

Section 8 – Glossary of Financial Terms

Current Service Cost (Pensions)
This is the actuarial estimate of the present value of full pensions benefits earned by current employees in the year under review.

Curtailment
For a defined benefit pension scheme this is an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Examples including termination of employees service through redundancy or amendment of their terms affecting the future benefits.

Debtors
Sums of money due to the Council but not received by the Balance Sheet date.

Defined Benefit and Defined Contribution Pension Schemes
A defined contribution scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or 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 the employees benefits relating to employee service in the current or prior periods. A defined benefit scheme is a pension or retirement benefit scheme other than a defined contribution scheme.

Depreciation
A method of measuring the wearing out (consumption) of a non-current asset during its useful life.

Earmarked Reserves
Amounts set aside by the Council to meet future financial liabilities.

Emoluments
Payments received in cash and benefits for employment.

Employee Benefits Adjustment Account
The Employee Benefits Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for benefits earned but not taken in the year.

Existing Use Value – Social Housing
This is a vacant possession valuation of the Council dwellings adjusted to reflect the continuing occupation by a secure tenant. A further adjustment is made to reflect the difference between open market rented property and social rented property.

Expected Return on Pensions Assets
This is an actuarially calculated estimate of the return on the scheme's investment assets during the year.

Fair Value
Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Section 8 – Glossary of Financial Terms

Finance Lease
A lease that transfers substantially all of the risks and rewards incidental to ownership of a non-current asset. Title may or may not eventually be transferred. The payments usually cover the full cost of the asset together with a return for the cost of finance.

Financial Instruments
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Instruments Adjustment Account
The reserve records the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Statement and the accumulated financing costs required in accordance with regulations to be charged to the General Fund balance.

General Fund
The General Fund includes the expenditure and income relating to the services provided by the Council but excluding Housing Revenue Account activities. The net expenditure on the General Fund is compared to the charge levied upon the Collection Fund and results in a surplus or deficit that will increase or decrease the reserves of the Council. The General Fund's expenditure includes the Passenger Transport Authority's levy.

Going Concern
An assumption that the Council will continue in operational existence for the foreseeable future.

Government Grant Deferred Account represented the balance of external funding received by the Council in support of its expenditure on the enhancement and acquisition of non-current assets but not yet released to Income and Expenditure under previous accounting standards. The account is not required under IFRS and the balance has been transferred to the Capital Adjustment Account.

Housing Revenue Account (HRA)
The provision, management and maintenance of Council house accommodation is required by law to be accounted for separately in a Housing Revenue Account. The account records the net cost after specific Government subsidy that needs to be met by Council tenants. In general the Council cannot transfer sums between the General Fund and the Housing Revenue Account.

International Financial Reporting Standards (IFRS)
The nationally recognised set of accounting standards agreed by the Accounting Standards Board. These represent the accounting treatment to be followed by all commercial organisations in the United Kingdom when preparing their accounts. Council accounts are expected to accord with IFRS except where the Government considers their principles to be inappropriate or considers others to be more appropriate to Local Government accounting and reporting.

International Financial Reporting Standards Code of Practice
The IFRS Code is based on approved accounting standards and specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position. This has replaced the Statement of Recommended Practice (SORP) used in previous years.

Section 8 – Glossary of Financial Terms

Inventories
The new name for items of stock accounted for as they are released for use rather than when they are purchased.

Impairment
A reduction in value of a non-current asset or financial instruments resulting from causes such as obsolescence, physical damage or non recoverability of debt.

Infrastructure Assets
These are assets, expenditure on which is recoverable only by continued use of the asset created, examples being highways and footpaths.

Intangible Assets
Capital expenditure relating to the procurement of computer software. The value is written out to the Comprehensive Income and Expenditure Statement over a five year period.

Investment Properties
Interest in land and buildings where construction work and development has been completed and the asset is held for its investments potential, any rental income being negotiated at arms length.

Levies
Similar to precepts these are sums paid to other bodies. However instead of being charged to the Collection Fund, as with precepting bodies, the costs are shown in the Comprehensive Income and Expenditure Statement. The bodies that charge a levy on the Council are the Tyne and Wear Passenger Transport Authority and Environment Agency.

Liability
A financial obligation, any debt or money owed.

Major Repairs Reserve represents Government funding unspent by the Housing Revenue Account at 31st March. By statute this reserve can only be used to fund future capital expenditure on HRA assets.

Materiality
An item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

Medium Term Financial Planning (MTFP)
The process of identifying and aligning service pressure, corporate priorities and objectives as well as available resources over the medium term (3 years) and budgeting accordingly.

Minimum Revenue Provision (MRP)
The amount of money the Council must statutorily set aside in line with the MRP policy adopted by the Council as part of its Medium Term Financial Plan.

Movement in Reserves Statement
A primary financial statement showing the movement in year on the different reserves held by the Council. It shows the true economic cost of providing the Councils services.

Section 8 – Glossary of Financial Terms

National Non-Domestic Rates
Non-domestic properties must pay these Rates (NNDR) and they are based upon property valuations, as undertaken by the District Valuer, and a nationally set multiplier figure. The Council is responsible for the collection of NNDR although all proceeds are paid into a national pool and redistribution is made to Local Authorities based upon population.

Net Book Value
The amount at which non-current assets are included in the Balance Sheet being the historical cost or current value less the cumulative amounts provided for depreciation and impairment.

Non-Current Assets
Assets that yield benefits to the Council and the services that it provides for a period of more than one year. Examples include property, plant and equipment, land and vehicles.

Non-Distributed Costs
These are overheads for which no user benefits, and accordingly are not apportioned to services expenditure.

Operating Leases
Leases other than a finance lease.

Pension Interest Cost
The expected increase in the year in the present value of the scheme liabilities as the benefits are one year closer to settlement.

Pension Reserve is the amount set aside to offset the IAS 19 Pension Liability.

Post Balance Sheet Events
Those events that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Corporate Director of Business and Area Management.

Precept
In the calculation of the Council Tax for a particular year, precepts levied by appropriate bodies must be taken into account. In the case of this Council, the precepting bodies are Northumbria Police Authority, Tyne and Wear Fire and Civic Defence Authority and the Borough Council itself who all charge the Collection Fund with the estimated sums required to cover their net expenditure, in part or in entirety.

Private Finance Initiative (PFI)
A method of purchasing assets and services over a longer term period, usually 25 years. The financial risks involved are usually shared between the Council and the PFI operator.

Provisions
Provisions are required for any losses that are likely to be incurred, or certain to be incurred, but uncertain as to the amounts or the dates on which they will arise.

Prudence
This accounting concept requires that income is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of information available.

Section 8 – Glossary of Financial Terms

Public Works Loan Board (PWLB)
The Public Works Loans Board is a Government financed body that makes long term money available to Local Authorities who are able to borrow a proportion of their requirements to finance capital spending from this source.

Related Party Transactions
Financial statements must contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them. Most related parties (i.e. precepting bodies, pension funds etc.) already have separate disclosure requirements; the main exception being members and chief officers.

Reserves
Amounts set aside for purposes falling outside the definition of Provisions are considered as Reserves – expenditure is not charged direct to any Reserve.

Revaluation Reserves
Records the accumulated gains on non-current assets held by the Council from increases in value.

Revenue Balances
An expression usually referring to the accumulated surplus on the General Fund. They can be used to avoid borrowing, pay bills in the early part of the year before income is received or to reduce the council tax charge.

Revenue Expenditure
Money spent on the day-to-day running costs of providing the various services. It is usually of a constantly recurring nature and produces no permanent asset.

Revenue Expenditure funded from Capital under Statute
Represents items of expenditure which by definition are not capital but where the Council has a statutory powers to treat and fund as capital expenditure.

Revenue Support Grant
A Government Grant in aid of Council services generally. It is based upon the Government assessment of how much a Council needs to spend to provide an average level of service.

Specific Government Grants
Funding provided by Central Government to aid particular services or projects administered by Local Authorities.

Subsidiary
An entity wholly owned or controlled by the Council.

Taxation and Non Specific Grant Income
Primarily for recording revenue grants received by the Council but not for any specific purpose and capital grants received in respect of funding for the Capital Programme.

Trust Funds
Funds administered by the Council on behalf of charitable or specific organisations.

Section 8 – Glossary of Financial Terms

Unusable Reserves
Reserves created to hold the differences between accounting for Income and Expenditure under IFRS and the statutory regime governing what can and cannot be charged against useable reserves.

Useable Reserves
Funds available to the Council to support future spending.

Useful Life
The period over which the Council will derive benefits from the use of a non-current asset.

Section 9 – Annual Governance Statement

South Tyneside Council and Tyne and Wear Pension Fund

Annual Governance Statement 2010/11

Introduction

1. Everything the Council does is focused around delivering our ambitious vision for South Tyneside and to ensure we deliver the best possible services and outcomes for our Community whilst ensuring that we provide good value for our stakeholders.

2. To help achieve our vision it is essential that the Council has effective governance arrangements, in other words have effective leadership, clear direction and controls to ensure that vision and policy is put into practice. These arrangements will ensure that we are resilient and able to withstand any threats that emerge which impact on the Community, on our business or on our reputation.

3. This document is the Council's Annual Governance Statement, which shows how the Council runs itself and the review that has been carried out to check that arrangements are operating effectively. The Council is required by law to publish this statement and review arrangements. The aim is to demonstrate to the public and stakeholders that the Council is run well.

Scope of responsibility

4. South Tyneside Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

5. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

6. The Annual Governance Statement explains how the Council has complied with the principles of corporate governance and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011. The Council has also adopted and approved a code of corporate governance, which sets out in more detail the Council's arrangements. A copy of the code can be found on the Council's website at: http://www.southtyneside.info/corporategovernance.

The purpose of the governance framework

7. The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the Community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

8. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

9. The governance framework has been in place at the Council for the year ended 31st March 2011 and up to the date of approval of the Statement of Accounts.

The governance framework

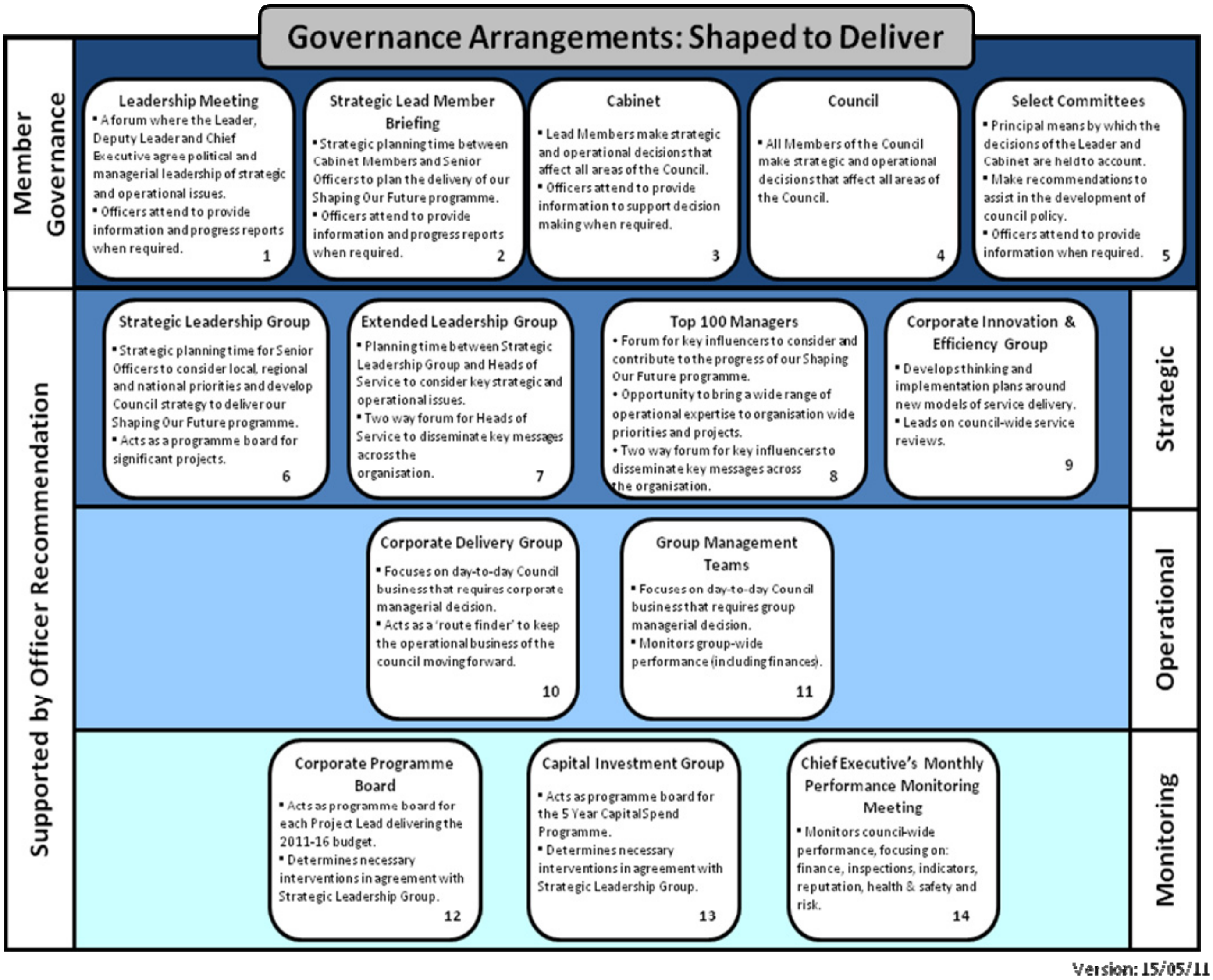
10. The Council is made up of 54 Councillors who are democratically accountable to residents of the Borough. The full Council appoints the Leader and the Leader appoints the Cabinet and Deputy Leader. The Cabinet is responsible for most day to day decisions. The Council holds the Cabinet to account by appointing scrutiny committees to question decisions and to propose policy changes where appropriate.

11. For 2010/2011 the Council adopted a new vision 'Shaping the Future' and has restructured to ensure that it is 'Shaped to Deliver' the new vision. The Council's objectives are delivered through three strategic groups:

    - Business and Area Management
    - Economic Regeneration
    - Children, Adults and Families

12. The Council's overarching governance arrangements at Member level, at strategic and operational level and the monitoring arrangements put in place are illustrated in the following diagram.

Section 9 – Annual Governance Statement



Section 9 – Annual Governance Statement

13. CIPFA/SOLACE published '*Delivering Good Governance in Local Government'* in 2007. This sets out the fundamental principles of corporate governance as shown in the following diagram:

14. Underpinning these principles CIPFA have identified the features that need to be in place for Councils to demonstrate that they comply with the framework. The next six diagrams describe how the Council complies with the six principles of good governance. In some cases these principles interrelate. They outline:

- the core principle,
- the features that should be put in place, i.e. what the Council is trying to achieve, and
- the **key** policies, procedures and systems that the Council has put in place to ensure that it complies with the principles.

15. These diagrams reflect the **key features of the Council's governance arrangements**. The Council has a plethora of detailed policies and procedures to run its business for example how to safeguard adults and children or how to ensure the security of data, which are available on the Council's website or on request.

Section 9 – Annual Governance Statement

CORE PRINCIPLE 1:
Focusing on the Council's purpose and on outcomes for citizens and service

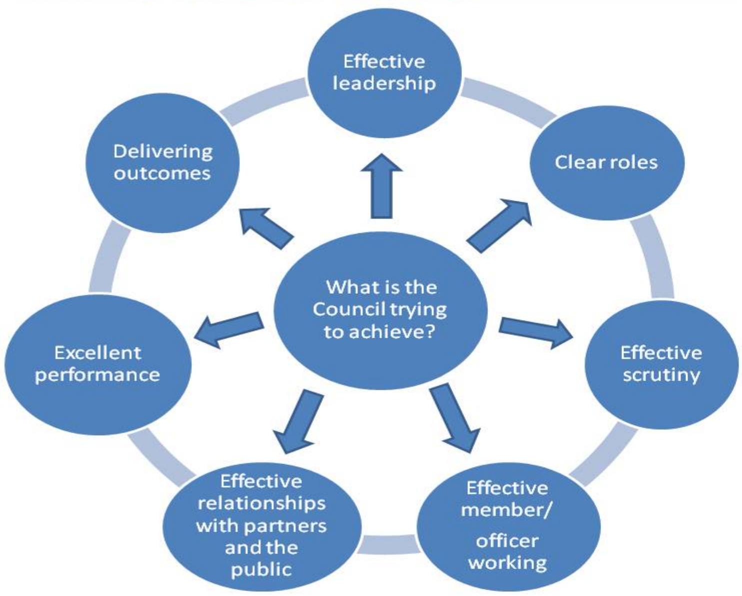
How does the Council demonstrate that this core principle is achieved?

- South Tyneside Partnership
- Partnership approach and partnership agreements
- Community strategy
- Shaping our future
- Performing together
- Medium Term financial strategy
- Annual financial and performance reports
- Organisational review
- Business support review
- Complaints and whistle blowing procedures
- Community engagement strategy
- Communications strategy

The function of governance is to ensure that councils fulfil their purpose and achieve the intended outcomes for their citizens and service users and operate in an effective, efficient, economic and ethical manner

CORE PRINCIPLE 2
Members and Officers performing effectively in clearly defined functions and roles

How does the Council demonstrate that this core principle is achieved?



- Constitution
- Code of Corporate Governance
- Record of delegated decisions
- Job descriptions
- Member/Officer protocols
- Performance management
- Risk management
- Partnership toolkit
- Statutory officers
- Independent Member remuneration panel
- Integrated strategic , service and financial planning

The full Council has overall responsibility for directing and controlling the organisation.

Section 9 – Annual Governance Statement

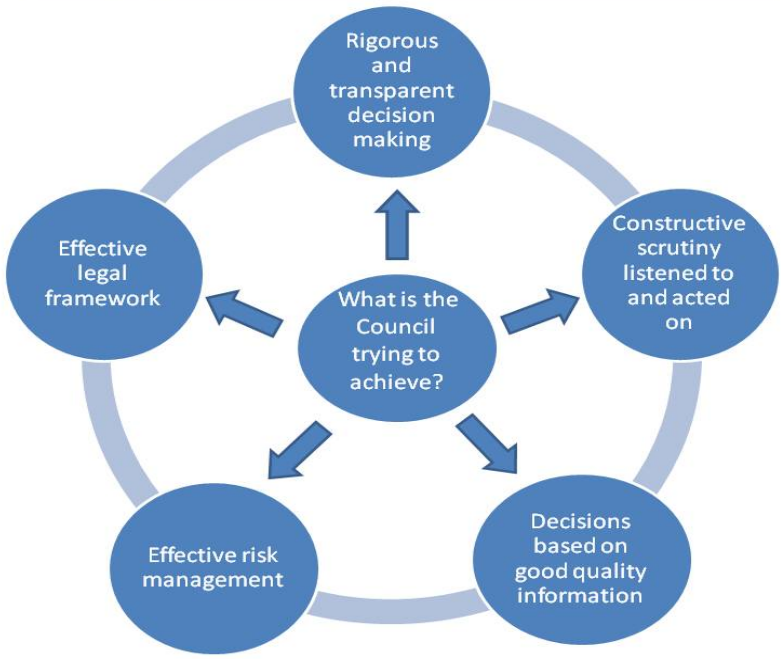
CORE PRINCIPLE 3 Promoting good values and demonstrating the values of good governance through behaviour

How does the Council demonstrate that this core principle is achieved?

- Constitution
- Codes of conduct for officers and members
- Registers of interest , gifts and hospitality
- Counter fraud policy
- Whistle blowing policy
- Core values of integrity, excellence and valuing people
- Core values training programme
- Standards Committee
- Partnership agreements
- Member/Officer protocols
- Training for members an officers on governance issues

Good governance flows from a shared ethos or culture, as well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour. A hallmark of good governance is the development of shared values which become a part of the Council's culture, underpinning policy and behaviour throughout the Council from the governing body to all staff. These are in addition to compliance with legal requirements on for example equal opportunities and anti-discrimination.

CORE PRINCIPLE 4 Taking informed transparent decisions and managing risk



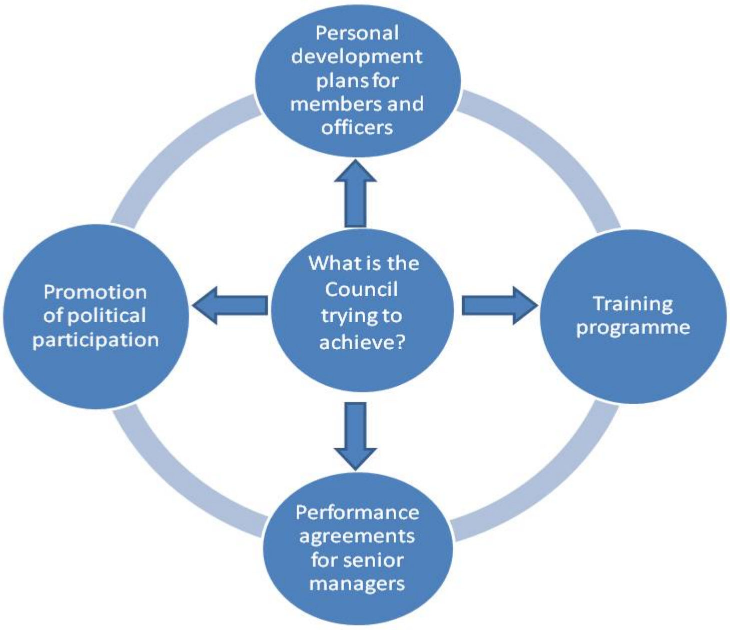
How does the Council demonstrate that this core principle is achieved?

- Select committees
- Scrutiny commissions
- Decision making protocol
- Constitution
- Codes of Conduct
- Complaints procedure
- Training
- Risk management policy and strategy and training
- Financial standards and regulations
- Whistle blowing policy
- Internal controls to ensure accuracy of data
- Corporate Clearance involving Monitoring Officer and S151 Officer

Decision making within a good governance framework is complex and challenging. It must further the Council's purpose and strategic direction and be robust in the medium and longer terms. To make decisions Council members must be well informed. Members making decisions need the support of appropriate systems to help ensure that decisions are implemented and that resources are used legally and efficiently.

Section 9 – Annual Governance Statement

CORE PRINCIPLE 5
Developing the capacity and capability of the governing body to be effective

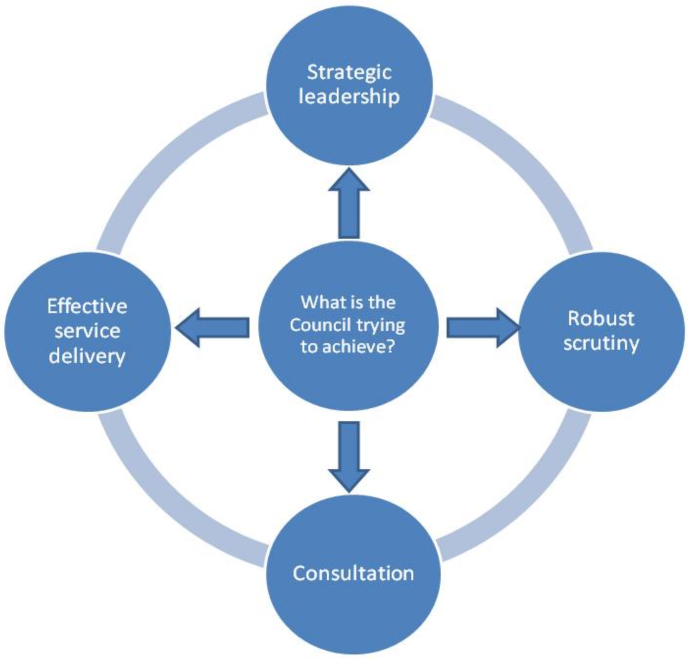


How does the Council demonstrate that this core principle is achieved?

- PDPs
- Investors in People
- Succession planning
- Induction training
- Corporate training programme
- Leadership Academy
- Job descriptions
- Performance agreements for senior managers
- Community area forums
- Youth Parliament
- Local democracy week

Effective councils depend on public confidence in Councillors and officers. Good governance strengthens credibility and confidence in our public services

CORE PRINCIPLE 6
Engaging stakeholders and making accountability real



How does the Council demonstrate that this core principle is achieved?

- Community strategy
- Constitution
- Performance Indicators
- Performance Improvement Monitoring
- Annual performance plan
- Annual performance report
- Community engagement strategy
- Citizen's panel
- Communications strategy
- Community Area Forums
- Select Committees
- Scrutiny Commissions

Elected Council Members are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All Members must account to their communities for decisions that they have taken. The Council is subject to external audit and is required to publish financial statements and aim to achieve national standards and targets. Members and Officers are subject to Codes of Conduct. Additionally where maladministration may have occurred an aggrieved person may appeal either through their local Councillor or directly to the Ombudsman.

Section 9 – Annual Governance Statement

Review of effectiveness

16. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness was carried out under the supervision of the Council's Corporate Assurance Review Team, including senior officers from across the Council and is chaired by the Corporate Risk and Resilience Manager.

17. The review follows the methodology set out by CIPFA in its publication 'Rough Guide for the Annual Governance Statement' as shown in the following diagram:

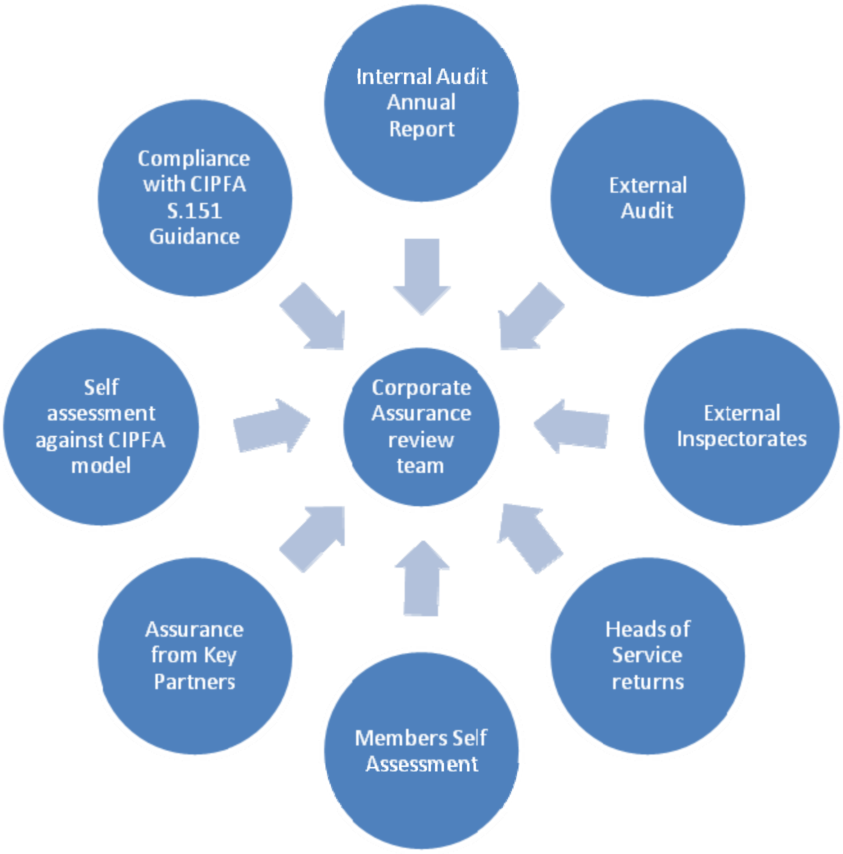
Annual review of the effectiveness of governance arrangements and systems of internal control

Methodology set out in CIPFA's: Annual Governance Statement, Rough Guide for Practitioners 2008	
Objective 1	Establish the principal statutory obligations and organisational objectives Apply the six CIPFA/SOLACE principles
Objective 2	Identify the principal risks to achievement of objectives
Objective 3	Identify and evaluate key controls to manage risk
Objective 4	Obtain assurance on effectiveness of key controls
Objective 5	Evaluate assurances and identify gaps in controls/assurances
Objective 6	Action plan to address weaknesses
Objective 7	Annual Governance Statement
Objective 8	Report to Audit Committee and General Purposes Committee

Section 9 – Annual Governance Statement

Sources of assurance

18. The Council has identified sources of assurance to review governance arrangements and confirm that they are operating adequately or where they are found to be falling short, identify areas for improvement. The assurance framework is as follows:



Section 9 – Annual Governance Statement

Overall conclusion of the Council's governance arrangements

19. The annual review of the governance framework found that overall the Council has robust governance arrangements in place. This conclusion is based on the assurances and improvements identified from the review and detailed in the following table.

20. Nevertheless the Council plans a major review of its overall governance arrangements in 2011/2012 to ensure that they are fit for purpose and facilitate the delivery of the Council's objectives.

21. Only those improvements identified which are felt to be **significant** to the delivery of the Council's objectives are outlined in this statement. The Council has also agreed action plans for other areas felt to be less significant to ensure continual improvement.

Way forward

22. The steps that have been taken or need to be taken to improve the issues identified are set out in the Action plan that follows.

23. The Audit Committee discussed and approved the audited statement on 26th September 2011 and has recommended that the Council adopt it.

Section 9 – Annual Governance Statement

No	Issue	Action taken/proposed	Responsible Officer	Target Date
1	**Restructuring and staffing reductions** Changes to the Council's structure and staffing reductions may impact on staff morale. There may be pressure on key controls and reduced levels of segregation of duties.	Effective communications programme to limit uncertainty amongst the workforce such as team talk and staff briefing sessions. Business processes have been reviewed in the light of staffing changes e.g. review of expenditure approval limits and appropriate officers identified as approvers of expenditure in the new financial system. The Council is developing a workforce plan which will set out performance managements arrangement and identify future leaders.	All Corporate Directors and Heads of Service Corporate Manager Human Resources and Business Support	Ongoing Complete To be discussed by Strategic Leadership Group by 31st July 2011. Implementation due 2011/2012.
2	**Employees leaving the Council** Risk that employees leaving the Council may pose a threat to the Council e.g. malicious information leakage, damage to systems, theft of Council property or fraud.	Support is provided for those facing redundancy including information about job opportunities (access to jobs data base) and new business opportunities Increasing awareness amongst managers / supervisors to identify risks and put in place enhanced monitoring where appropriate. Officers required to complete leavers checklist and more rigorous approach encouraged where risks identified. The Council will take action to recover information where required in order to comply with the Data Protection Act.	All Corporate Directors and Heads of Service	Ongoing

Section 9 – Annual Governance Statement

No	Issue	Action taken/proposed	Responsible Officer	Target Date
3	**Succession planning** During rapid organisational change there is a risk that emergency planning and business continuity arrangements are not kept up to date. Key officers who have been trained in emergency response may have left the Council.	Identification of and training for new site co-ordinators and other officers to take key roles and responsibilities in emergency and business continuity plans.	Corporate Risk and Resilience Manager	31st July 2011
4	**New financial system: Oracle** The Council needs to ensure that it has the correct control environment upon implementation of a new financial system.	The Council has invested in Oracle, a leading financial system which went live 5th April 2011 to address and improve internal controls. The system was procured to improve financial management. Implementation of ORACLE requires changes to working practices in budget management and will ensure more control over budgets. The system was tested and signed off before it went 'live' in April 2011 and implementation was successful. Benefits realisation project underway. Extensive training of budget holders and those involved in procurement. Continued support to staff following implementation of the system. Budget challenge sessions with the Chief Executive and Corporate Director, Business and Area Management. Up to date financial information readily accessible on line. PWC review of security of the system to ensure that it includes appropriate levels access and separation of duties.	Head of Finance Oracle Project Team BTST Finance	Ongoing

Section 9 – Annual Governance Statement

No	Issue	Action taken/proposed	Responsible Officer	Target Date
5	**South Tyneside Partnership** The governance arrangements for the South Tyneside Partnership are being refreshed in line with the revised Community Strategy, the South Tyneside plan and the strategic priorities for the Borough.	Governance to be agreed by the Strategic Leadership Group and the Leader of the Council.	Head of Partnerships Corporate Affairs and Comm-unications	31st August 2011
6	**Adult Social Care** The Council and PCT to review partnership agreements (section 75 agreements) that assign responsibility and liability for pooled budgets.	Ensure more robust formal agreements are developed, appropriately authorised and in place.	Head of Adult Social Care	31st August 2011
7	**Fostering and adoption payments** A review of the payment processes for fostering and adoption payments identified a number of areas for improvement.	The Fostering and Adoption Service has reviewed their processes and ensured that appropriate payments are made.	Head of Early Intervention and Safeguarding	Controls implemented
8	**Information governance** There were no significant information governance breaches, however policies are new and need time to embed into the Council's business e.g. the Information Classification Policy.	Information Governance Lead Officer Post established with responsibilities for implementation of Information Governance policies across the Council. Implementation of e-learning package (CETIS) to train officers in information law and security policies. Automated confidentiality classification software pilot to commence July 2011 and implemented 2012.	Corporate Risk and Resilience Manager	Implemented 31st December 2011 31st March 2012

Section 9 – Annual Governance Statement

No	Issue	Action taken/proposed	Responsible Officer	Target Date
9	**Data Quality** The Council needs to improve and maintain the quality of data within the case management system (SWIFT).	Data cleansing project completed December 2010 to ensure that data within SWIFT is accurate and up to date.	Head of Adult Social Care	Ongoing
10	**Financial Management** The Council has set a challenging budget - £32m efficiency savings to be achieved this year (2011-12) on top of £20m achieved in 2010-11.	Improved governance and oversight through establishment of Corporate Programme Board and Capital Investment Group. Monthly budget challenge meetings with Heads of Service. Implementation of new robust financial system	All Corporate Directors and Heads of Service	Ongoing