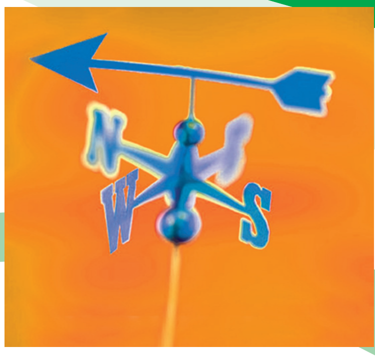
Statement of Accounts 2009/10


29th September 2010

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 2010. The statement has been prepared in accordance with the “Code of Practice on Local Authority Accounting in United Kingdom: A statement of Recommended Practice 2009” (the SORP), 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 2003 and amendments to those Regulations in 2009 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 2010 and outline our financial position at that date. The foreword provides:

- A review of the Council’s financial results and financial standing for 2009/10;
- Information about the activities and significant matters that took place during 2009/10 which had an impact on Council finances;
- The principal financial statements.

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 Section 151 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

The Accounts are set out on pages 2 to 148. They consist of the following financial statements that are required to be prepared under the Code of Practice:

- **Statement of Responsibilities for the Accounts** (page 14) that explains both the Council’s and Head of Finance’s responsibilities in respect of the Statement of Accounts.

- **Annual Governance Statement** (pages 15 to 20) from the Leadership of the Council 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, together with the principal arrangements that are in place to ensure that a sound system of internal control is maintained.

- **Independent Auditors’ Report** (page 21) will set out the opinion of our external auditors PricewaterhouseCoopers LLP following their audit of these financial statements.

- **Statement of Accounting Policies** (pages 25 to 37) that explains the relevant bases and policies on which the accounts have been prepared.

Section 1 – Explanatory Foreword by the Head of Finance

The **Core Financial Statements** in Section 6 are:

- **Income and Expenditure Account** (page 38). 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 Income and Expenditure Account is presented using the service expenditure analysis set out in the Best Value Accounting Code of Practice (BVACOP).

- **Statement of Movement on the General Fund Balance** (page 39) reconciles items included in the Income and Expenditure Account, which by statute are not charged to the Council Tax payer.

- The **Statement of Total Recognised Gains and Losses** (page 40) reflects all of the gains and losses experienced by the Council including those that are not reflected in the Income and Expenditure Account.

- **Balance Sheet** (page 41) 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 42) summarising the activities during the year in terms of cash inflows and outflows reconciling to the cash balance held on the Balance Sheet.

The **Supplementary Financial Statements** in Section 7 are:

- **Housing Revenue Account** (pages 93 to 100) deals with the provision and maintenance of Council Housing. There is a statutory requirement to keep this account separate however the figures are consolidated with the Income and Expenditure Account.

- **Collection Fund Revenue Account** (pages 101 to 103) shows 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 8

- The Council conducts some of its activities through partnerships and separate undertakings. The SORP requires the production of **Group Financial Statements** (pages 104 to 120) to take account of these relationships in order to provide a full picture of the financial position.

Tyne and Wear Pension Fund Accounts in Section 9

- As lead authority for the Tyne and Wear Pension Fund the Council is required to publish the accounts for the Fund (pages 121 to 140) as part of its financial statements for the year.

Section 1 – Explanatory Foreword by the Head of Finance

3. Revenue Financial Summary 2009/10

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 following table summarises our in-year revenue under spending of £0.507m, after drawing on £1.607m from reserves (see Note 2 below) and explains how our revenue spending has been financed. The Council's Medium Term Financial Plan included a budgeted use of General Fund Balance of £0.251m in 2009/10 to reach the underspend of £0.507m. This has not been drawn down, resulting in an overall increase to General Fund Balance of £0.201m in 2009/10 as shown in the following table.

2009/10 Revenue Financial Summary	Original Budget £m	Revised Budget £m	Actual Outturn £m	Variance £m	
Revenue Spending		Note 3			
Children and Young People Directorate	41.975	41.220	40.976	(0.244)	
Neighbourhood Services Directorate	93.616	93.784	98.383	4.599	
Regeneration and Resources Directorate	16.777	20.593	17.252	(3.341)	Note 1
Chief Executive's Office	3.660	2.038	1.315	(0.723)	
Precepts of other public bodies	9.879	9.879	9.894	0.015	Note 1
Net Cost of Services and Operating Expenditure	**165.907**	**167.514**	**167.820**	**0.306**	
Net Expenditure Funded By:					
General Government Grants	(37.990)	(37.990)	(38.748)	(0.758)	
National Non-Domestic Rates	(72.284)	(72.284)	(72.284)	-	
Contribution from Collection Fund	0.025	0.025	0.025	-	
Council Tax Payers	(55.407)	(55.407)	(55.407)	-	
Contribution to / from Council General Reserves	(0.251)	(0.251)	-	0.251	
Total Revenue Funding	**(165.907)**	**(165.907)**	**(166.414)**	**(0.507)**	
(Increase) / Decrease in general fund balance before movement in reserves	**-**	**1.607**	**1.406**	**(0.201)**	
Net transfer to / (from) earmarked reserves	-	(1.607)	(1.607)	-	Note 2
(Increase) / Decrease in general fund balance for the year	**-**	**0.000**	**(0.201)**	**(0.201)**	

Changes required in the restatement of Management Accounts to Financial Accounts

Note 1: Expenditure on precepts and levies removed from Regeneration and Resources Directorate spending and allocated to Precepts of other public bodies.

Note 2 : Use of Reserves is estimated as part of our Strategic Planning process, although we do not include a budget for the use reserves in our overall Medium Term Financial Plan budget of £165.907m. The £1.607m 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 Directorate Original Budget to Revised Budget are due to budget transfers during the year for the transfer of activities or staff between Directorates and the allocation of centrally held grant funding to Directorates. The overall increase in budget of £1.607m to £167.508m is expenditure being funded from release of earmarked reserves.

Section 1 – Explanatory Foreword by the Head of Finance

The revenue spending highlights during the year were as follows:

Children and Young People Directorate

- The cost of looked after children through foster placements; social work staffing levels and out of borough placements continues to be a significant pressure for the Council. The number of looked after children increased by 15% during the year. Consequently, safeguarding children budgets have incurred costs of £2.1m above the sum budgeted in 2009/10.

- The Directorate faced significant cost pressures to fund teacher redundancies in 2009/10 due to surplus places within schools. The Council received approval from Government to allow the full £0.5m of these exceptional costs to be funded through additional borrowing. In addition, a further £0.5m was saved through not using any of the revenue budget that was set aside to deal specifically with such costs. This helped to offset the spending pressures on looked after children.

- An underspend of £1.4m was achieved relating to early years services and information and advice services for young people due to additional external funding, staff vacancies and secondments to other organisations.

Neighbourhood Services Directorate

- The Adult Social Care service overspent by £4.9m due to increased demand and delays in implementing the programme of service transformation. A detailed review of budgets during the year concluded that funding levels would need to increase to maintain existing spending levels. These additional costs have been built into our Medium Term Financial Plan 2010-15 taking full account of demographic pressures.

- An underspend of £1.0m was achieved in relation to street lighting through reduced energy costs and external contract savings.

- An overspend of £0.5m was incurred in relation to fleet management pending planned changes to operational procedures which will reduce vehicle costs.

Regeneration and Resources Directorate

- An underspend of £2.2m was achieved in the enterprise and regeneration function due to the non utilisation of contingency funding to support new and developing businesses and the postponement of marketing campaigns.

- Slippage in the capital programme resulted in improved cash flow and lower debt charges. This resulted in a saving of £0.7m compared to budget.

- The Council submitted a successful claim to Her Majesty's Revenue and Customs concerning past overpayments of Value Added Tax relating to leisure services and car parking fines. This resulted in a refund of £0.9m.

4. Capital Investment Financial Summary 2009/10

The following table summarises capital investment of £149.3m during 2009/10 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.

2009/10 Capital Investment Summary	Revised Budget £m	Actual Outturn £m	Carry Forward £m	Spend Variance £m
Education	60.377	46.934	13.595	0.152
Highways, Roads and Transport	3.883	3.546	0.065	(0.272)
Street Lighting	0.375	0.319	-	(0.056)
Care of Adults and Children	1.690	1.574	0.142	0.026
Housing	68.466	63.366	5.374	0.274
Leisure, Libraries and Cultural Services	4.644	1.956	2.502	(0.186)
Environmental, Street Cleansing and Refuse Collection	8.132	3.912	2.198	(2.022)
Regeneration of the Borough	9.254	3.560	4.341	(1.353)
Other Capital Projects	17.079	24.157	4.635	11.713
Total Capital Spending	**173.900**	**149.324**	**32.852**	**8.276**

2009/10 Capital Financing Summary	Actual Funding £m
Borrowing Approvals from Government	(3.417)
Unsupported Borrowing	(29.615)
ALMO Supported Borrowing	(36.944)
Capital Receipts	(0.884)
Funding from Housing Revenue Account	(23.679)
Funding from General Fund Revenue	(0.391)
Government Grants	(54.394)
Total Capital Funding	**(149.324)**

The capital spending highlights during the year were as follows:

Children and Young People

- £36m was invested through the Building Schools for the Future (BSF) programme to complete the remodeling of Mortimer Community School, commence work on the remodeling of Harton Technical College, and continue the remodeling of St Wilfrid's RC College and St Joseph's RC Comprehensive School. This excludes other improvements to the secondary school estate that are being financed through a Private Finance Initiative scheme. £8m has been carried forward into 2010/11 for the BSF programme due to funding being received in advance of expenditure and St Josephs start date being delayed by asbestos removal.

- £3.6m has been spent on rebuilding Harton Primary School with work due to be completed in 2010.

Environment, Housing and Transport and Independent and Healthy Lives

- £3.5m was invested during the year to complete a range of schemes to improve highways, footpaths and public transport across the Borough.

- £1.1m was invested in the roll out of a new Borough wide recycling scheme to reduce the level of waste sent to landfill.

Culture and Wellbeing

- £0.5m was spent on the creation of new and refurbishment of existing play spaces across the Borough.

Resources, Regeneration and Jobs and Enterprise

- £17.9m was incurred during the year in meeting the cost of equal pay claims and redundancy costs.

- Investment of £3.6m was made in a variety of economic regeneration schemes. These include improvements to the sea front, acquiring land for the construction of a new leisure facility and opening up the riverside for development. £3.6m was carried forward to 2010/11 for regeneration schemes due to later completion of negotiations for land acquisitions and the re-scheduling Council match funding to major regeneration projects.

Housing

- Expenditure on council housing related schemes matched budget after carrying forward £5.3m of funding to future years. Of the £61.5m spend during the year, £53.6m was incurred by improving 4,638 dwellings up to the full decent homes standard. £5m has been carried forward into 2010/11 for the Decent Homes project due to savings achieved on completed schemes and some unspent funding that was received late in the financial year.

5. Significant Matters

Minimum Revenue Provision

The set aside of debt repayment in the accounts has been deferred for assets under construction until they are brought into use. This has resulted in additional revenue savings of £0.326m in 2009/10.

Prior Period Adjustments

The Council has reflected a number of prior period adjustments in its accounts for 2009/10 that have required changes to 2008/09 comparatives and brought forward balances. Adjustments are:

- Effect of new Council Tax arrangements brought in by the 2009 SORP whereby the Council becomes an agent for collection of Council Tax and therefore needs to derecognise entries relating to the Police and Fire Authority.

- Effect of new NNDR arrangements brought in by the 2009 SORP whereby the billing authority now acts as an agent on behalf of the Government therefore NNDR debtors and creditors are restated as a net debtor with the Government.

- Boldon School and Street Lighting PFI accounting restated for 2008/09 in line with International Financial Reporting Standards (IFRS). The unitary charge is now split between service expenses, interest charge, contingent rental and finance lease creditor.

More information is provided in Note 3 to the accounts.

Section 1 – Explanatory Foreword by the Head of Finance

Impact of the Economic Downturn

The UK economy remained in recession for the majority of the financial year. Consequently, demand for council services such as child protection and support, benefit applications and welfare rights continued to increase. It has also reduced income due to the Council, from planning applications, local land charges and the sale of land and buildings that it owns. These factors have been taken into account in the Council's financial planning process and the risk assessment that informs the level of reserves it retains.

The economic downturn has generated a significant deficit in National Government finances that will significantly impact upon the level of grant funding received by the Authority in future years. The Council, through its Shaping Our Future programme, is reviewing its functions and examining new models of service delivery to meet the challenges of reduced Government financial support in the future.

Impairment of Fixed Assets and Long-term Investments

In accordance with local authority accounting requirements, the value of fixed assets and investments is reviewed annually to determine whether the value has been impaired. No impairment has been charged on certain categories of assets. Due to an improvement in the property market, reductions applied to non-operational assets and those valued under depreciated replacement cost in 2008/09 have been reversed. This has contributed towards an increase of £100.5m in the net value of tangible fixed assets during the year.

The Council has a shareholding in Newcastle Airport, which is disclosed in our accounts under Long-term Investments. The holding has been valued at 31st March 2010 and, in the current economic climate, the valuation of the Council's holding has been impaired by £0.4m to a valuation of £0.4m (£0.8m in 2008/09). The impairment has been charged to the Statement of Recognised Gains and Losses.

Job Evaluation

The Council completed the first stage of the Job Evaluation Appeals process during 2009/10. This resulted in additional costs of £2.3m for the period 1st January 2007 to 31st March 2010. A provision of £0.5m has been included in the accounts for the estimated outcome of stage 2 appeals (see note 47), which will be undertaken in 2010/11.

Claims Under the Equal Pay Act 1970

The Council has received a significant number of claims under the Equal Pay Act 1970 following a judgement against the Council. 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 £13.8m were capitalised in 2009/10 (£15.3m in 2008/09). The full cost of any forward-looking element incurred in 2009/10 (which does not qualify for capitalisation) has been met from the Equal Pay and Job Evaluation revenue provisions. The 2009/10 statement of accounts includes payments of £10.9m 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 Income and Expenditure Account.

Section 1 – Explanatory Foreword by the Head of Finance

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.

There are a number of entries in the accounts in making this provision. Under Government legislation any costs for which the Council is liable but which remain unpaid at the 31st March 2010 have been removed under the Statement of Movement on the General Fund Balance and transferred to an Equal Pay Account. This entry will be reversed in the year when the amounts are paid.

The Council has applied for a further capitalisation approval 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 2010 the Council had a pension liability of £302.8m, (£231.5m at 31st March 2009). This amount represents what the Council would have to pay out at the balance sheet date to meet the full future cost of all employee pensions, in line with the terms and conditions of the Tyne and Wear Pension Fund.

If the Council ceased operations, this liability would have to be taken over by the successor body or ultimately funded by Central Government.

The increase in the liability compared to the previous year is mainly due to a change in the assumptions used to value the fund such as mortality rates and pay inflation.

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

The Council is part of a unique public/private partnership, known as InspiredSpaces STaG Limited to deliver our building schools for the future programme. This 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).

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 2009/10 work was completed on Mortimer Community College and Jarrow Comprehensive school. Work continued on St. Wilfrid's RC College and St. Joseph's RC Comprehensive that all involve a part re-build and part re-modelling of the existing buildings. Work on Harton Technology College has also progressed, including a 16-19 Vocational Centre being funded by the Young People's Learning Agency (formerly the Learning Skills Council) and work began on the new South Shields Community School with the creation of a new Company InspiredSpaces StaG (Holdings 2) Limited, of which the Council has a 5% shareholding of £500.

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. Full funding will be received from the BSF Capital Programme fund now administered by Partnerships for Schools.

Section 1 – Explanatory Foreword by the Head of Finance

Transforming Our Primary Schools (TOPS)

The Council is also upgrading its primary schools through a similar arrangement with InspiredSpaces StaG Limited work began during 2009/10 on Harton Primary School and a minor scheme for disbursement of pupils at Boldon Church of England Primary School, which closed in July 2009, to Hedworth Lane and West Boldon Primary Schools.

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. Part–funding will be received from the Primary Capital Programme fund now administered by Partnerships for Schools.

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. 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. The pension liability for transferring staff remains with the Council as a result of a risk-sharing agreement between the two parties.

Changes in Accounting Policies

The following changes in accounting policy are reflected in these accounts:

- Effect of new Council Tax arrangements brought in by the 2009 SORP whereby the Council becomes an agent for collection of Council Tax and therefore needs to derecognise entries relating to the Police and Fire Authority.

- Effect of new NNDR arrangements brought in by the 2009 SORP whereby the billing Authority now acts as an agent on behalf of the Government therefore NNDR Debtors and Creditors are restated as a Net Debtor with the Government.

- Boldon School and Street Lighting PFI accounting restated in line with International Financial Reporting Standards (IFRS). Unitary charge now split between Service expenses, Interest charge, Contingent Rental and Finance Lease Creditor.

6. Material Movements in Assets and Liabilities

- The value of Dwellings has increased by £47.8m whilst other Land and Buildings has increased by £34.5m. These increases can be explained by the significant amount of capital investment undertaken by the Council in 2009/10 in relation to Decent Homes and Building Schools for the Future respectively. Long Term Borrowing has increased by £71.0m and Government Grants Deferred increased by £26.0m as the primary sources of funding for this spend. The increase in other Land and Buildings is also due to additions of the PFI scheme for Jarrow School, which became operational during the year leading to an increase in Finance Lease Liability of £25.7m.

- The Pension Liability has increased by £71.3m as a result of an actuarial loss on liabilities of £155.2m and underpayments in year against this liability offset by an actuarial gain of £89.6m on pension assets.

- At 31st March 2010 the Council held £20.8m more in short-term investments compared to the previous year. The majority of this (£17.4m) is held in Money Market Deposits providing good rates of return whilst retaining same-day access to funds and diversifying our investments to minimise risk.

- Creditor balances have increased by £17.4m for 2009/10 primarily due to South Tyneside Homes in respect of unpaid work in relation to the Decent Homes programme.

7. Reserves and Balances

Council agreed a risk based reserves strategy alongside the Medium Term Financial Plan for 2010-2015 and reviews all strategic reserves as part of the budget setting process.

As at the 31st March 2010 the Council held earmarked reserves of £29.6m (£31.2m in 2008/09).

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 2010 the Council held £2.9m in this reserve (£2.9m in 2008/09).

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

- Corporate Strategic Financial Risk Reserve; and
- Equal Pay and Job Evaluation Reserve.

We have added to both reserves in recent years to strengthen the Council's financial position. The overall balance of these reserves has reduced during 2009/10 as liabilities have crystallised.

As at 31st March 2010 the Council held £2.5m (£2.5m in 2008/09) in capital receipts for the purposes of investing in our assets in future years. We are also holding £3.9m in a PFI reserve (£3.8m in 2008/09) to assist in the smoothing out of unitary charge costs over the lifetime of the schemes.

8. Group Results

The Group results revealed a deficit for the year of £55.1m (deficit of £110.1m as adjusted in 2008/09) incorporating a net surplus of £0.091m (surplus of £0.814m in 2008/09) from Council subsidiaries and joint ventures. The net assets of the Group stood at £396.2m at 31st March 2010 (£489.4m restated at 31st March 2009).

9. Housing Revenue Account

The Housing Revenue Account is ringfenced and all expenditure must be met from rents or Government subsidy. After budgeted transfer to balances, the Housing Revenue Account achieved an additional surplus of £4.78m over and above the budgeted surplus of £1.0m (deficit of £0.13m in 2008/09). Revenue balances at 31st March 2010 stood at £9.5m (£3.7m in 2008/09) and this will be used to support future years' expenditure on Housing.

10. Private Finance Initiative Expenditure for the Year

Expenditure on Private Finance Initiative Schemes during the year was £6.8m (£5.8m in 2008/09). Revenue contributions provided funding of £1.6m (£1.8m in 2008/09), or 24% and the remaining 76% or £5.2m (£4.0m in 2008/09) was funded using PFI credits from Government.

11. 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 2009/10.

During the year, the Council increased its debt having taken out 15 loans totalling £75.0m (£33.0m in 2008/09) from the Public Works Loans Board (PWLB) but repaying 1 loan totalling £4.0m (£38.0m in 2008/09).

12. Medium Term Prospects

Our Medium Term Financial Plan for 2010-2015 was approved by Council and published in February 2010. 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 on setting the level of council tax and ensuring that our limited resources are directed to the top priorities for the residents of the Borough.

Our Medium Term Financial Plan for 2010-2015 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. There are significant risks facing the Council over the medium term not least an anticipated decline in central Government funding and these are identified alongside our financial plans. The actions we are taking to minimise these risks are outlined in the Plan.

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.

13. Further Information

The audited 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

Section 1 – Explanatory Foreword by the Head of Finance

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 2010-2015. This is also available from the address above as well as at www.southtyneside.gov.uk.

14. 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

29th September 2010

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, Business and Area Management

The Corporate Director, 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, 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, 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, Business and Area Management Certificate

I hereby certify that the Statement of Accounts for the year ended 31st March 2010, 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 2010, and their income and expenditure for the year ended 31st March 2010.

Signed: P. Melia Date: 29th September 2010

Patrick Melia, Corporate Director, Business and Area Management

Chair of General Purposes Committee Certificate

I can confirm that these unaudited Accounts were approved by the General Purposes Committee at its meeting held in September 2010.

Signed: Iai Malcolm. Date: 29th September 2010

Councillor Iain Malcolm, Chair of General Purposes Committee

Section 3 – Annual Governance Statement

South Tyneside Council and Tyne and Wear Pension Fund

Annual Governance Statement 2009/10

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.

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.

CIPFA/SOLACE published '*Delivering Good Governance in Local Government*' in 2007. This sets out the fundamental principles of corporate governance as follows:

- Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions that are subject to effective scrutiny and risk management.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

The Council has adopted and approved a code of corporate governance, which outlines how the Council complies with these principles. A copy of the code is on our website at: http://www.southtyneside.info/corporategovernance or can be obtained from the Corporate Assurance Manager and Head of Internal Audit.

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 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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.

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 of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework

The governance framework has been in place at the Council for the year ended 31st March 2010 and up to the date of approval of the Statement of Accounts by the General Purposes Committee, 29th September 2010. The key elements of the systems and processes that comprise the Council's governance arrangements are set out below:

- Extensive consultation with stakeholders and partners has been carried out to identify the vision, priorities and intended outcomes for the citizens and service users of South Tyneside. This is set out in 'Spirit of South Tyneside' the Council's combined Community Strategy, Local Neighbourhood Renewal Strategy and Local Area Agreement. The vision has been communicated to partners, stakeholders and the wider community.

- The Council has established clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

- The Council has established a robust performance management framework to measure the quality of services for users and ensure that services are delivered in accordance with the Council's objectives.

- The Council has a programme of reviews to ensure that services provide best value for money.

- The corporate plan, 'Performing Together' sets out the key actions and performance targets to monitor the Council's contribution to the vision for the Borough. Partner actions are set out and monitored in "theme plans".

- The Council has robust systems for financial planning which are fully integrated into the strategic planning framework ensuring that our financial plans are driven by our agreed corporate objectives. Full details are published in the Medium Term Financial Plan.

- The Council has embedded a system of budget monitoring which ensures that variations against budget are detected and rectified at an early stage. As well as financial information, our monitoring framework includes the reporting of key cost drivers, which are lead indicators of spend and provide a clear focus on any changes in volume and demand. The robust internal controls enabled the Council to identify and manage a number of demand led budget pressures during the year. For example, projected cost pressures were identified in adult care and looked after children. A budget recovery group was established to work across the Council and actions taken by the group included scrutinising filling vacant posts and examining supplies and services expenditure to reduce the overspend. The work of this group and the close monitoring and scrutiny of expenditure across Directorates enabled the Council to achieve an underspend for 2009/10 as reported in these accounts.

Section 3 – Annual Governance Statement

- The Council's constitution clearly defines and documents the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols to ensure effective communication.

- The Council has an agreed set of core values that are considered throughout council business. The Council has invested in an extensive Member and officer training programme to embed the core values into its everyday business.

- The Constitution includes codes of conduct for Members and staff that define the standards of behaviour expected.

- The Council has established procedures that clearly define how decisions are taken and the processes and controls required to manage risks. These include standing orders, standing financial instructions, a scheme of delegation, a risk management strategy and supporting procedure notes/manuals. Procedures are reviewed and updated where appropriate.

- The Council has agreed and maintains an Emergency Response Plan and has developed a specific plan to respond to an influenza pandemic.

- The Council has agreed a business continuity strategy, and has developed business continuity plans for key services to ensure that any disruption to Council services is minimised.

- The Council has established an Audit Committee that complies with best practice outlined in 'CIPFA's: Audit Committees – Practical Guidance for Local Authorities'. The Committee oversees the corporate governance arrangements and receives reports on risk, assurances and control improvements.

- The Pension Fund publishes a Governance Compliance Statement that sets out its governance structure and benchmarks it against good practice.

- A Pension Committee oversees the corporate governance arrangements for the Tyne and Wear Pension Fund. The Committee receives reports from the internal auditors (Deloitte) and the external auditors (PricewaterhouseCoopers LLP) on the Pension Fund's systems of internal control.

- The Council has an effective Internal Audit function that meets the professional standards as set out in CIPFA's Code of Practice for Internal Audit.

- The Council's scrutiny arrangements have been streamlined to ensure focus and challenge.

- The Council has opposition members in key chair and vice chair positions in accordance with best practice e.g. community area forums, and scrutiny, audit, appeals, human resources and pensions committees.

- The Council has put procedures in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer and Section 151 Officer are members of the Executive Team and all

Cabinet reports are reviewed for legal, financial and Value for Money (VFM), equalities and diversity, sustainability and other risk implications.

- The Council has an anti-fraud and corruption policy, a whistle blowing policy and a complaints procedure for receiving and investigating complaints from staff and the public.

- The Council has promoted its whistle blowing policy 'Speak Out' to employees and the public.

- The development needs of members and senior officers are identified in relation to their strategic roles. They are recorded on personal development plans and supported by appropriate training.

- The Council has achieved investors in people accreditation for its employees and elected Members as One Team, and has also been awarded the Regional Charter for Elected Member Development.

- The Council has identified its key partnerships, has carried out a review of governance arrangements and has an action plan to ensure improvement. In particular the Council has established effective and innovative governance arrangements in partnership with other councils, for building schools for the future and waste management. The Council has also established governance arrangements and systems of performance management to manage the strategic partnership with BT South Tyneside Limited, which have now been in operation for over 23 months.

- As part of identifying our priorities, the Council has identified 16 critical 4 star plus projects for 2009-11. Each project directly contributes to the Local Area Agreement top 10 priorities and has a senior officer as lead sponsor. These are subject to robust project monitoring and regular reports are made to the Executive Team.

- During 2009/10 the Council commenced a major organisational review. The purpose is to ensure that the Council's structure is the most appropriate to deliver the Council's objectives and provide value for money to the community. The review was carefully managed and impact assessments carried out to ensure there was no disruption to Council services and that internal controls remain robust.

Review of effectiveness

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, which is chaired by the Corporate Assurance Manager and Head of Internal Audit. The review follows the methodology set out by CIPFA in its publication 'Rough Guide for the Annual Governance Statement'.

Sources of assurance

The Council has identified sources of assurance to review the governance arrangements, and confirm that they are operating adequately or make suggestions for improvements. The assurance framework is described over the page:

Section 3 – Annual Governance Statement

- The opinion of internal audit team;
- The findings of external audit and inspection;
- The views of Members;
- Scrutiny commissions;
- Assurance statements from key partners and Heads of Service;
- Regular reports on performance, risk, budget monitoring and progress on the 4 star plus projects;
- The work of the Corporate Assurance Review Team (including the Monitoring Officer and S151 Officer) in overseeing the code of corporate governance;
- The work of the Audit Committee;
- The work of the Standards Committee;
- Self-assessment against the 'use of resources' audit requirements by the Use of Resources Steering Group, chaired by the Head of Finance;
- Self-assessment against the CIPFA paper, 'the Role of the Chief Financial Officer in Public Services Organisations', June 2009.

Improvements to internal control

The annual review of the assurance framework has identified the following areas that need to be improved. The actions of the Council in response to these concerns are set out below:

Efficient and effective use of financial resources

- The Council has initiated a project known as 'Acumen' to transform Council business practices and ensure efficient and effective control of resources. This project includes the implementation of Oracle ERP system with integrated general ledger, HR, payroll and procurement. The new systems and procedures will strengthen budget setting and financial management processes and further improve budgetary control. The Oracle system will go live in April 2011. In the transition to going live, a programme of changes is being implemented to improve the skills of budget holders, strengthen accountability and enhance financial control. Governance arrangements are in place to manage this project.

- The Council's Constitution has been updated (May 2010) to sharpen reports relating to budget monitoring and provide greater reassurance around plans to address financial pressures through additional reporting to elected member on areas where significant overspends are projected. These reports will also include clear actions to manage the spending pressures identified.

- The Council has recently updated its procurement strategy. This will be fully implemented during 2010/11.

Business Continuity Plans

- The Council will continue to develop and test its business continuity plans and ensure that key suppliers and partnerships have appropriate business continuity arrangements.

Way forward

The Council will take steps to address the need for improvements identified in the review of effectiveness to further enhance governance arrangements. The Council will monitor their implementation and operation as part of our next annual review.

Section 3 – Annual Governance Statement

The Audit Committee discussed and approved the audited statement on 27th September 2010 and has recommended that the Council adopt it.

Annual Governance Statement 2009/10

Signed: Iain Malcolm. Date: 29th September 2010

Councillor Iain Malcolm, Leader of the Council

Signed: Martin Swales Date: 29th September 2010

Martin Swales, Chief Executive

Section 4 – Independent Auditors' Report

Independent auditors' report to the Members of South Tyneside Council

Opinion on the financial statements

We have audited the financial statements of South Tyneside Council and its Group for the year ended 31 March 2010 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund, and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

Respective responsibilities of the Chief Finance Officer and auditor

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

This report, including the opinion, 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in April 2008. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

Section 4 – Independent Auditors' Report

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority and Group as at 31 March 2010 and of the Authority and Group income and expenditure and cash flows for the year then ended.

Paul Woolston

Paul Woolston (Engagement Lead)
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Newcastle upon Tyne
30 September 2010

Opinion on the pension fund accounts

We have audited the pension fund accounts for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, including the opinion, 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in April 2008. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the pension fund accounts give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword of the Head of Finance. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Section 4 – Independent Auditors' Report

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

Opinion

In our opinion the pension fund accounts and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Paul Woolston

Paul Woolston (Engagement Lead)
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Newcastle upon Tyne
30 September 2010

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

Authority's Responsibilities

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

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. 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.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, we are satisfied that, in all significant respects, South Tyneside Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

Section 4 – Independent Auditors' Report

Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Woolston

Paul Woolston (Engagement Lead)
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
Newcastle upon Tyne
30 September 2010

Notes:

(a) The maintenance and integrity of the South Tyneside Council's website is the responsibility of the council; 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 5 – Statement of Accounting Policies

1. Introduction

The purpose of this statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

2. General Principles

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31st March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

3. 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.

- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as stock on the balance sheet.

- Works are charged as expenditure when they are completed, before which they are carried as work in progress on the balance sheet.

- Interest payable on borrowings and receivable on investments is accounted for 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 income 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 it is doubtful that debts will 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 entries represent exceptions to the statements made above:

- **Housing Rents** - the Council operates a 48-week 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. 2009/10 was a 48-week rent year. The average weekly rent receipt for 2009/10 was £1.022m.

4. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing or amount of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

The Council has made a provision for 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 Unequal Pay Back Pay Account that will be debited to the Statement of Movement in General Fund Balance in future years as payments are made.

5. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for retirement benefits and tangible fixed assets and do not represent usable resources for the Council. These particular reserves are explained in the relevant accounting policy notes 7 and 11 respectively.

6. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

7. Retirement 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 Pension 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 the Council's liabilities for these benefits cannot be separately identified. The scheme is therefore accounted for as if it were a defined contributions scheme - no liability for future payments of benefits is recognised in the balance sheet and the Education and Children's service revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year.

(a) 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 and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on AA corporate bond yield or from yields on Government bonds).

- The assets of the 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 Income and Expenditure Account to the revenue accounts of 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 Net Cost of Services in the Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account.

- o 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 Net Operating Expenditure in the Income and Expenditure Account.
- o Gains/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 to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- o 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 to the Statement of Total Recognised Gains and Losses.
- o Contributions paid to the Tyne and Wear Pension Fund - cash paid as employer's contributions to the Pension Fund. 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 in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance 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 any amounts payable to the Fund but unpaid at the year-end. From 2009/10 this will include strain on the fund payments following a decision by the Tyne and Wear Pension Fund that such payments will be repaid over three years.

(b) 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 (including teachers) are accrued 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. Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

9. Overheads and Support Services

The costs of overheads and support services are charged to those directorates that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2009 (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 the cost associated with non-operational surplus assets.

These two cost categories are defined in BVACOP and are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

10. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The assets are valued on a cost basis and amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. In the case of software the economic life is usually 5 years.

11. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

(a) Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides are for more than one financial year. Expenditure that secures but does not extend the life or performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

In recognising capital expenditure as acquisition or enhancement of a fixed asset the following de minimis levels 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.
- £8,000 for vehicles procured as part of a planned replacement strategy.
- £10,000 per item elsewhere in the programme.

(b) Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Investment properties and assets surplus to requirements - lower of net current replacement cost or net realisable value.
- Dwellings, other buildings and land - lower of net current replacement cost or net realisable value in existing use.
- Infrastructure assets, community assets, vehicles, plant and equipment - depreciated historical cost.
- Assets under construction – historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties - existing use value.
- Specialised operational properties - depreciated replacement cost.
- Investment properties and surplus assets - market value.

Section 5 – Statement of Accounting Policies

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, 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 Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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.

(c) Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- A charge to the relevant service revenue account where there has been a clear consumption of economic benefit.
- Otherwise written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

In instances where a revaluation impairment loss is charged directly to service revenue accounts but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

(d) Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written-off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts 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 Usable 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 (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

(e) Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. Depreciation is not applied to land or assets under construction.

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the life of the property (between 10 to 50 years) as estimated by the valuer.
- Vehicles, plant and equipment – straight-line allocation over 5-7 years being the estimated remaining useful life.
- Community – straight-line allocation over 20 years.
- Infrastructure - straight-line allocation over 40 years (100 years for coastal protection).

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.

(f) Grants and contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

12. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service (less any grants and contributions released).
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written-off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance or loans fund principal charges). 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.
- 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 the year.
- To repay unsupported borrowing incurred by the HRA over 25 years.
- To defer repayment of MRP until assets under construction are brought into use.

Depreciation, impairment losses and amortisation are replaced by this revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

13. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year along with any associated external funding. Where the Council has determined to meet the unfunded cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on General Fund Balance so there is no impact on the level of council tax.

14. Leases

The Authority as Lessee

(a) Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset). The liability is written down as the rent becomes payable.

- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the assets' estimated useful life.

(b) Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

The Authority as Lessor

The Council also acts as lessor in relation to property rentals. All of these arrangements are operating leases meaning that rental income is credited to the relevant service revenue account on a straight-line basis over the term of the lease.

15. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. 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 Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructure 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 Income and Expenditure Account 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 Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over 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 Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instrument Adjustment Account via the Statement of Movement on the General Fund Balance.

16. 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.

(a) Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where loans have been made at less than market rates (soft loans), a loss is recorded in the Income and Expenditure Account 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 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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

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 Income and Expenditure Account.

Any gains and losses that arise on derecognition of an asset are credited/debited to the Income and Expenditure Account. Under the SORP any premiums incurred on derecognition of external borrowing can be released to revenue over the number of years outstanding of either the loan redeemed or the new loan whichever is the greater. However the Council has decided to accelerate the release of these premiums to either the length outstanding on the loan redeemed or 10 years, whichever is the greater, to bring it in line with the release of any discounts received.

(b) Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost 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 Income and Expenditure Account when it becomes receivable by the Council.

These 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.
- Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the 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 Income and Expenditure Account.

Any gains and losses that arise on derecognition of an asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

17. Stocks and Work in Progress

Stocks, where material, are included in the balance sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works.

18. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts.

Section 5 – Statement of Accounting Policies

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 Income and Expenditure Account 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 Fixed Assets

There are no transactions between the Group Income and Expenditure Account and the Capital Adjustment Account in relation to charges for fixed 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 fixed assets held by South Tyneside Homes Limited and what would have been the historical cost depreciation for the year.

In the Council's own single entity accounts, the interest in companies and other entities are recorded as financial assets at cost, less any provision for losses.

19. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets 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 fixed assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

- 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.

Fixed 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 Income and Expenditure Account.

- Finance cost – an interest charge of 13.5% for Boldon School, 6.5% for Street Lighting and 9.5% for Jarrow School on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.

- Lifecycle replacement costs – the Council has reviewed these costs and concluded that they represent payments to maintain the asset rather than being a fixed asset addition. They have been charged to the relevant service in the Income and Expenditure Account.

20. Equal Pay Compensation Payments

The Council has a policy of seeking to capitalise such payments as they arise. Capitalisation is subject to approval by the Secretary of State and currently only applies to backdated pay settlements. The full cost of any forward-looking element has been included in the Income and Expenditure Account.

21. Changes to Accounting Policies

The following changes in accounting policy are reflected in these accounts:

- New Council Tax arrangements brought in by the 2009 SORP whereby the Council becomes an agent for collection of Council Tax and therefore needs to derecognise entries relating to the Northumbrian Police Authority and Tyne and Wear Fire and Civil Defence Authority. This represents better accounting practice because income is recognised as the actual amount receivable to each precepting body instead of an estimate of income assumed in the Medium Term Financial Plan (MTFP). Also £0.109m (£0.104m in 2008/09) has been reclassified from creditor income in advance to offset debtors and additional income of £0.524m (£0.089m additional expenditure in 2008/09) has been charged through the Income and Expenditure Accounts to be removed in the Statement of Movement on General Fund Balances.

- New NNDR arrangements brought in by the 2009 SORP whereby the billing Authority acts as an agent on behalf of the Government. This is better accounting practice, as although the Council is directly responsible for collecting the debt, all monies received have to be paid over to the Government to be pooled and redistributed by them back to local authorities as part of the RSG settlement. The Government also meets the cost of any uncollectible debt. The change removes all NNDR debtors and creditors and consolidates them as a Net Government Debtor. As a result £0.550m (£0.366m in 2008/09) has transferred from creditors to debtors on the face of the Balance Sheet.

- Boldon School and the Street Lighting PFI schemes have been accounted for in line with changes to the 2009 SORP. This is better accounting practice as provides a more rigorous test of control of assets and results in most PFI arrangements coming onto the balance sheet. Unitary charge payments previously reported under the net cost of services of the appropriate service have now been split between service expenses, interest charges and contingent rental and repayments of the liability. £3.385m (£2.399m in 2008/09) has been removed from the net cost of services, with £3.123m (£2.067m in 2008/09) added to interest and similar charges and £0.262m (£0.332m in 2008/09) in additional debt set aside. The opening balance sheet has been restated to recognise net assets of £28.797m and short and long-term liabilities of £23.555m. In 2009/10 a further £26.107m of PFI assets have been recognised offset by depreciation of £1.060m and impairment of £4.674m. The new accounting arrangements have also been applied to Jarrow School PFI which commenced during the year and so has not resulted in any Prior Period Adjustment.

- In previous years the Council has varied from the policy on accruals of income and expenditure in relation to employee wages. The last week of March as well as any adjustment for part weeks has traditionally not been accrued in either year such that 52 weeks remained in the accounts. The Council has now fully accrued for its liability up to 31st March 2010 resulting in an additional charge to Income and Expenditure of £0.462m. This represents better accounting practice as it fully complies with the accruals concept.

Section 6 – Income and Expenditure Account

The Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Council during the year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2008/09 Net Expenditure (as restated) £m		Note	2009/10 Gross Expenditure £m	2009/10 Gross Income £m	2009/10 Net Expenditure £m
3.417	Central Services to the Public		20.608	(17.989)	2.619
43.946	Cultural, Environmental, Regulatory and Planning Services		64.021	(19.195)	44.826
45.952	Education and Children's Services	7	206.695	(163.254)	43.441
10.146	Highways and Transport Services		12.769	(3.491)	9.278
69.879	Housing Services		120.047	(122.693)	(2.646)
49.694	Adult Social Care Services		87.097	(32.138)	54.959
6.498	Corporate and Democratic Core		9.682	(3.764)	5.918
5.085	Non Distributed Costs		11.036	(0.220)	10.816
15.379	Exceptional Items - Equal Pay	8	8.978	(0.093)	8.885
249.996	**Net Cost of Services**	**9**	**540.933**	**(362.837)**	**178.096**
0.584	Loss on the Disposal of Fixed Assets				11.253
9.725	Precepts of other Public Bodies				9.894
0.186	Deficits on Trading Undertakings and Dividends Receivable	6			0.361
15.327	Interest Payable and Similar Charges	46			16.630
1.340	Amount Payable to Housing Capital Receipts Pool				1.493
(5.582)	Interest and Investment Income	46			(2.160)
8.320	Pension Interest Cost and Expected Return on Pension Assets	22			16.290
279.896	**Net Operating Expenditure**				**231.857**
(53.966)	Income from the Collection Fund				(55.931)
(38.262)	General Government Grants	5			(48.422)
(76.793)	Non-domestic Rates Redistribution				(72.284)
110.875	**Deficit for the Year**				**55.220**

Section 6 – Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the useable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future liabilities are recognised.
- Equal Pay and interest on financial instruments are charged to the General Fund only when they become payable under statute.

This reconciliation statement summarises the differences between the deficit on the Income and Expenditure Account and the movement in General Fund balance.

2008/09 as restated £m		**Note**	**2009/10 £m**
110.875	Deficit for the Year on the Income and Expenditure Account		55.220
(111.126)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the Year	1	(55.421)
(0.251)	**Increase in General Fund Balance for the Year**		**(0.201)**
(0.917)	General Fund Balance brought forward		(1.168)
(1.168)	**General Fund Balance carried forward**		**(1.369)**

The increase in the General Fund balance of £0.201m represents the surplus of income (which includes sums raised through local taxation) over expenditure in respect of services financed through the General Fund. This is after taking into account transfers to and from reserves. The Council's Medium Term Financial Plan included a budgeted use of General Fund balance of £0.251m in 2009/10, which results in the in-year revenue underspend of £0.507m.

Section 6 – Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate change in its net worth. In addition to the deficit or (surplus) generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008/09 (as restated) £m		**Note**	**2009/10 £m**
110.875	Deficit for the Year on the Income and Expenditure Account		55.220
0.696	Adjustment for Finance Leases		-
(23.478)	Surplus arising on Revaluation of Fixed Assets		(34.087)
5.960	Deficit arising on Revaluation of Available for Sale Financial Assets		0.382
98.930	Actuarial Losses on Pension Fund Assets and Liabilities	22	65.590
192.983	**Total Recognised Losses for the Year**		**87.105**
	Prior Period Adjustments		6.827
	Total Recognised Losses since previous financial statements		**93.932**

The Council has made prior period adjustments to the balance sheet figures reported against 2008/09 as detailed below. The reason for these adjustments can be found in Note 3 to the accounts.

Details of Prior Period Adjustments:	**£m**
Boldon School PFI Liabilities	2.670
Street Lighting PFI Liabilities	4.157
Total Prior Period Adjustments	**6.827**

Section 6 – Balance Sheet

This statement provides a summary of the Council's financial position as at 31st March 2010. It shows the balances and reserves at the Council's disposal, fixed assets and current assets employed in its operations and the Council's long-term borrowing position.

31 March 2009 (as restated) £m		**Note**	**31 March 2010 £m**	**31 March 2010 £m**
1.887	**Intangible Fixed Assets**	24		2.577
	Tangible Fixed Assets			
	Operational Assets			
616.656	Council Dwellings	25	664.488	
281.657	Other Land and Buildings	25	316.128	
8.739	Vehicles, Plant, Furniture and Equipment	25	12.278	
70.097	Infrastructure Assets	25	77.898	
5.235	Community Assets	25	5.271	1,076.063
	Non-Operational Assets			
3.029	Investment Properties	25	3.029	
2.857	Assets under Construction	25	9.892	
32.756	Surplus Assets held for Disposal	25	29.206	42.127
1,022.913	**Total Fixed Assets**			**1,120.767**
10.817	Long Term Investments	35		5.435
1.433	Long Term Debtors	36,37		1.543
1,035.163	**Total Long Term Assets**			**1,127.745**
	Current Assets			
0.562	Stocks and Work in Progress	38	0.582	
26.734	Debtors	39	35.061	
36.217	Investments		57.032	
22.677	Cash and Bank	41	26.397	119.072
1,121.353	**Total Assets**			**1,246.817**
	Current Liabilities			
(4.958)	Borrowing Repayable within 12 months	43	(5.309)	
(0.262)	Finance Lease Repayable within 12 months		(0.482)	
(66.227)	Creditors	42	(83.610)	
(0.800)	Bank Overdraft	41	(0.740)	(90.141)
1,049.106	**Total Assets Less Current Liabilities**			**1,156.676**
(217.367)	Long-Term Borrowing	43	(288.375)	
(20.008)	Provisions	47	(19.284)	
(42.080)	Government Grants Deferred		(68.044)	
(24.017)	PFI and Finance Lease Liability	44	(49.698)	
(0.960)	Deferred Liabilities	44	(2.396)	
(231.470)	Liability related to Defined Benefit Pension Scheme	22	(302.780)	(730.577)
513.204	**Total Assets Less Liabilities**			**426.099**
	Financed By			
(102.003)	Fixed Asset Revaluation Reserve	49		(126.784)
(0.807)	Available for Sale Financial Instrument Reserve			(0.425)
(601.207)	Capital Adjustment Account	50		(558.430)
(0.753)	Financial Instruments Adjustment Account			(0.716)
0.114	Collection Fund Adjustment Account			(0.435)
231.470	Pensions Reserve	22		305.999
(2.540)	Useable Capital Receipts Reserve	51		(2.468)
(0.061)	Deferred Capital Receipts Reserve	45		(0.038)
(1.168)	General Fund Balances			(1.369)
(31.212)	Earmarked Reserves	52		(29.605)
7.566	Equal Pay Account			3.021
(8.859)	Housing Major Repairs Reserve			(5.325)
(3.744)	Housing Revenue Account Balances			(9.524)
(513.204)	**Total Net Worth**	**48**		**(426.099)**

Section 6 – Cash Flow Statement

The Cash Flow Statement provides a summary of the cash received and payments made by the Council to third parties for both revenue and capital purposes.

2008/09 £m		Note	2009/10 £m
(12.765)	**Net Cash Flow from Revenue Activities**	**59**	**3.279**
	Returns on Investment and Servicing of Finance		
	Cash Outflows		
0.103	Finance Lease Interest Paid		0.004
13.056	Other Interest Paid		16.148
	Cash Inflows		
(6.552)	Interest Received		(2.750)
6.607	**Returns on Investment and Servicing of Finance**		**13.402**
	Capital Activities		
	Cash Outflows		
56.071	Purchase of Fixed Assets		94.290
10.000	Purchase of Long Term Investments		-
23.886	Other Capital Cash Payments		-
89.957			**94.290**
	Cash Inflows		
(7.351)	Sale of Fixed Assets		(2.008)
(45.059)	Capital Grants Received		(56.696)
(0.275)	Other Capital Cash Receipts		(1.242)
(52.685)			**(59.946)**
37.272	**Total Capital Activities**		**34.344**
31.114	**Net Cash Outflow before Financing**		**51.025**
	Management of Liquid Resources		
(48.985)	Net (Decrease)/Increase in Short Term Deposits		17.402
-	Other Liquid Resources		(1.514)
(48.985)	**Management of Liquid Resources**		**15.888**
	Financing		
	Cash Outflows		
41.000	Repayments of Amounts Borrowed		4.000
(0.674)	Capital Element of Finance Lease Rental Payments		0.307
	Cash Inflows		
(36.000)	New Loans Raised		(75.000)
4.326	**Financing**		**(70.693)**
(13.545)	**Net Increase in Cash**	**41**	**(3.780)**

Section 6 – Notes to the Core Financial Statements

Note 1. Movement on the General Fund Balance

The following table details the items that reconcile the deficit reported on the Council's Income and Expenditure Account with the movement in General Fund balances.

2008/09 (as restated) £m		2009/10 £m
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the Year.	
(0.556)	Amortisation of Intangible Fixed Assets	(0.767)
(7.239)	Excess Depreciation from Housing Major Repairs Reserve	0.505
(94.651)	Other Depreciation and Impairment of Fixed Assets	(33.309)
13.927	Government Grants Deferred Amortisation	3.163
(28.980)	Revenue Expenditure Funded from Capital under Statute	(19.508)
(0.584)	Removal of Loss on Sale of Fixed Assets	(11.253)
(0.040)	Difference in amounts payable/receivable under statute and actual payments/receipts in respect of soft loans and early repayment of debt	(0.037)
6.230	Equal Pay Costs due but not yet paid	4.545
0.515	Capital Receipts not linked to Fixed Assets	0.363
(0.089)	Difference in amounts payable/receivable under statute and actual payments/receipts in respect of Council Tax Income	0.549
(19.230)	Net charges made for Retirement Benefits in accordance with FRS17	(29.679)
(130.697)		**(85.428)**
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the Year.	
5.520	Revenue Provision for Capital Financing	6.196
1.600	Capital Expenditure charged in-year to the General Fund Balance	0.391
(1.340)	Transfer from Usable Capital Receipts to meet Payments to the Housing Capital Receipts Pool	(1.493)
19.710	Employer's Contributions payable to the Tyne and Wear Pension Fund and Retirement Benefits payable direct to Pensioners	20.740
25.490		**25.834**
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the Year.	
(0.131)	Housing Revenue Account Balance	5.780
(5.788)	Net transfer from Earmarked Reserves	(1.607)
(5.919)		**4.173**
(111.126)	**Net Additional amount required to be credited to the General Fund Balance for the Year**	**(55.421)**

Section 6 – Notes to the Core Financial Statements

Note 2. Best Value Accounting Code of Practice

The Income and Expenditure Account has been compiled under the 2009 Best Value Accounting Code of Practice (BVACOP). The BVACOP "establishes standard practice for the consistent financial reporting of the cost of providing Local Authority Services".

The main areas covered by the code are:

- Determining the total cost of a service;
- Detailing the requirements for the maintenance of trading accounts and the disclosure of the performance of in-house trading operations;
- Provision of a service expenditure analysis for the accumulation of costs.

Note 3. Prior Period Adjustments

The Council has reflected a number of Prior Period Adjustments in its accounts for 2009/10 that have required changes to balances brought forward from 2008/09. The adjustments are:

Council Tax

The 2009 SORP has brought in new arrangements for the accounting and operation of Council Tax whereby the Council becomes an agent for collection of Council Tax and therefore needs to derecognise entries relating to the Police and Fire Authorities. The Collection Fund Adjustment Account has replaced the Collection Fund balance but remains a useable reserve. Actual amounts transferred under regulation will be replaced by accrued income. Each preceptor's percentage share of accrued Council Tax income has been used to re-apportion the income. Council Tax debtors, creditors and the bad debt provision have also been re-allocated in the same way. The adjustment has led to £0.104m creditors being netted off against debtors.

National Non-Domestic Rates

The 2009 SORP has brought in new arrangements for the accounting and operation of NNDR whereby the Council as billing authority becomes an agent on behalf of the Government. As a result, billing authorities should no longer recognise NNDR debtors or creditors in their Balance Sheet and instead a net amount representing the total amount of NNDR cash collected (less a cost of collection allowance) that has not yet been paid (or has been overpaid) to the Government will be treated as a Debtor (or Creditor) with the Government. This also applies to the impairment allowance for bad debt. Following restatement of the 2008/09 closing balances, the only net movement is the netting off of £0.366m of prepaid amounts.

Boldon School and Street Lighting PFI

PFIs have previously been accounted for in the Council's accounts reflecting unitary charge payments as expense within the Income and Expenditure Account adjusted for residual interest that will return to the Council for nil cost at the end of the contracts and residual prepayments for any transfer of assets as part of the contract.

Section 6 – Notes to the Core Financial Statements

As a result of changes to the SORP the statement of accounts, for the first time, reflect the value of the asset created with a corresponding liability for the outstanding funding used to create that asset. In addition the unitary charge payments have been apportioned between service expenses, interest charge, contingent rental and repayments of the finance lease liability. The asset values have been subject to impairment and depreciation in the same way as the rest of the Council's asset portfolio.

The net position at the end of 2008/09 is that Boldon PFI and Street Lighting have added £15.891m and £12.906m respectively to the value of fixed assets. The finance lease liability created for these assets is £13.603m and £9.951m respectively.

The following table showing a Balance Sheet extract provides a summary of the Prior Period Adjustments outlined above.

2008/09 before adjustment £m	Council Tax and NNDR Adjustment £m	PFI Adjustment £m	2008/09 after adjustment £m		2009/10 £m
				Extract from Income and Expenditure	
45.225	-	0.727	45.952	Education and Children's Services	43.441
10.679	-	(0.533)	10.146	Highways and Transport Services	9.278
249.802	-	0.194	249.996	Net Cost of Services	178.096
13.260	-	2.067	15.327	Interest Payable and Similar Charges	16.630
277.635	-	2.261	279.896	Net Operating Expenditure	231.857
(54.055)	0.089	-	(53.966)	Income from the Collection Fund	(55.931)
108.525	0.089	2.261	110.875	Deficit or (Surplus) for the year	55.220
(108.776)	(0.089)	(2.261)	(111.126)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the Year	(55.421)

31st March 2009 before adjustment £m	Council Tax and NNDR Adjustment £m	PFI Adjustment £m	31st March 2009 after adjustment £m		31st March 2010 £m
				Extract from Balance Sheet	
265.766	-	15.891	281.657	Other Land and Buildings	316.128
57.191	-	12.906	70.097	Infrastructure	77.898
994.116	-	28.797	1,022.913	Total Fixed Assets	1,120.767
13.502	-	(12.069)	1.433	Other Long Term Debtors	1.543
27.204	(0.470)	-	26.734	Debtors	35.061
-	-	(0.262)	(0.262)	Finance Lease Repayable within 12 months	(0.482)
(66.697)	0.470	-	(66.227)	Creditors	(83.610)
(0.724)	-	(23.293)	(24.017)	PFI and Finance Lease Liability	(49.698)
(608.034)	-	6.827	(601.207)	Capital Adjustment Account	(558.430)
0.114	(0.114)	-	-	Collection Fund	-
-	0.114	-	0.114	Collection Fund Adjustment Account	(0.435)
(520.031)	-	6.827	(513.204)	Total Net Worth	(426.099)

Note 4. Changes in Presentation

The only presentational change to the Income and Expenditure Account has been that the Court Services line is now reported as part of the Central Services to the Public line.

Section 6 – Notes to the Core Financial Statements

Note 5. General Government Grants

The following table details the grants included in the General Government Grants line of the Income and Expenditure Account:

	2008/09 £m	2009/10 £m
Revenue Support Grant	(10.690)	(16.684)
Area Based Grant	(20.783)	(22.064)
Private Finance Initiative	(4.037)	(5.197)
Benefits Administration	(1.907)	(2.017)
Other Unringfenced Grants	(0.845)	(2.460)
Total General Government Grants	**(38.262)**	**(48.422)**

Note 6. Trading Operations

A summary of the deficit / (surplus) earned by each of our trading services is shown on the next table:

2008/09 (Surplus) / Deficit £m		2009/10 Income	2009/10 Expenditure	2009/10 Deficit £m
0.090	South Shields Open Air Market	(0.256)	0.346	0.090
0.206	School Catering	(6.102)	6.373	0.271
0.296	**Total Trading Activity**	**(6.358)**	**6.719**	**0.361**
(0.110)	Newcastle Airport Dividend			-
0.186	**Actual Trading Deficit**			**0.361**

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 remained low during 2009/10, due to the economic downturn, resulting in a deficit of £0.090m.

The 2008/09 underlying deficit made by the schools catering service has increased in 2009/10. This deficit is against a gross budget of £5.942m. The reason for this increase is primarily due to increased food costs, reduced take up within schools and external factors such as schools closures during the harsh winter.

There was no dividend declared for Newcastle Airport for the financial year to 31st December 2010.

Note 7. 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 elements for a restricted range of services provided on a Council-wide basis and for 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 2009/10 are as follows:

	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)**

In 2009/10 the Council received total DSG of £89.472m (£87.718m in 2008/09), which has been credited against the Education and Children's Services line in the Income and Expenditure Account. The level of unspent DSG from the 2009/10 allocation is £0.437m (£0.117m in 2008/09) and this has been set aside for future spending on schools via the movement in earmarked reserves.

Note 8. Exceptional Items – Equal Pay

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 as a separate line on the face of the Income and Expenditure Account rather than be subsumed within the direct service lines.

Note 9. Specific Government Grants

The following table details the Specific Government Grant included within the income totals for the appropriate net cost of services:

	2008/09 £m	2009/10 £m
Dedicated Schools Fund	(87.718)	(89.472)
Housing Benefit	(49.601)	(56.770)
Supporting People	(5.346)	(5.073)
Surestart	(5.593)	(6.633)
Council Tax Benefit	(15.429)	(16.751)
Learning and Skills Council	(5.874)	(7.552)
Standards Fund	(13.999)	(14.670)
School Standards	(4.871)	(4.846)
Other	(3.249)	(5.556)
Total	**(191.680)**	**(207.323)**

Note 10. Members' Allowances

Included within Corporate and Democratic Core are all remuneration payments to Members. The note reflects all remuneration payments made to Members net of recovery from third parties.

	2008/09 £m	2009/10 £m
Total Members' Allowances paid	0.756	0.794

Section 6 – Notes to the Core Financial Statements

Note 11. Officers' Emoluments

This disclosure note has been amended in several ways since last year.

- Reporting bands have been reduced from £10,000 to £5,000 (table 1);
- Most Senior Officers are omitted from the numbers included in the analysis of remuneration by bands and are now provided in a separate disclosure table (table 2);
- Remuneration for the most senior officers are provided individually identified by job title unless their remuneration is £150,000 or more per year when they are also identified by name (table 3);
- 2008/09 calculations have been restated taking the amendments into account.

Employee Remuneration over £50,000

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

Table 1

Remuneration Bands	Number of Employees 2008/09 Council	School Based	Total	Left During Year	2009/10 Council	School Based	Total	Left During Year
£50,000 - £54,999	30	32	62	2	53	34	87	8
£55,000 - £59,999	13	25	38	5	16	26	42	8
£60,000 - £64,999	6	13	19	2	16	12	28	8
£65,000 - £69,999	-	6	6	1	4	8	12	4
£70,000 - £74,999	-	3	3	-	4	7	11	6
£75,000 - £79,999	-	2	2	-	2	2	4	2
£80,000 - £84,999	-	3	3	1	4	4	8	5
£85,000 - £89,999	-	-	-	-	1	-	1	1
£90,000 - £94,999	2	3	5	3	1	-	1	1
£95,000 - £99,999	-	-	-	-	1	1	2	1
£105,000-£109,999	1	-	1	1	-	-	-	-
£110,000 - £114,999	-	1	1	1	1	-	1	1
£180,000 - £184,999	-	-	-	-	-	1	1	1
	52	**88**	**140**	**16**	**103**	**95**	**198**	**46**

During 2009/10, the Council has continued the programme of removing surplus places in Schools and also undertaken a major organisational review to ensure that the Council's structure is the most appropriate to deliver the Council's objectives and provide value for money to the community. Both reviews have resulted in redundancies. A further column has been included to show the 46 employees (including 10 teachers) within the total of 198 who have received more than £50,000 inclusive of redundancy payments.

Our revised job evaluation structure was implemented from 1st January 2007. During 2009/10, Job Evaluation grading appeals were agreed resulting in a number of employees receiving backdated pay to 1st January 2007 and thus taking them above the £50,000 threshold for one year only.

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

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Table 1a

Remuneration Bands	Number of Employees 2008/09 School Based	2009/10 School Based
£50,000 - £54,999	11	12
£55,000 - £59,999	6	9
£60,000 - £64,999	1	-
£65,000 - £69,999	2	1
£70,000 - £74,999	-	1
£85,000 - £89,999	1	-
£90,000 - £94,999	-	1
£95,000 - £99,999	1	-
£100,000-£104,999	-	1
	22	**25**

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

Under the revised disclosure requirements, Senior Officers are now separately disclosed with further information on remuneration packages (table 2). Those Senior Officers with salaries in excess of £150,000 per annum are disclosed in table 3. The 2008/09 comparative figures are shown in table 2a and table 3a.

Table 2

Post Title	Salary	Allowances	Compensation For loss of Office	Total Remuneration Excluding Pension Contribution	Pension Contribution	Total 2009/10 Remuneration Including 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 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

Section 6 – Notes to the Core Financial Statements

Table 2a

Post Title	Salary	Allowances	Compensation For loss of Office	Total Remuneration Excluding Pension Contribution	Pension Contribution	Total 2008/09 Remuneration Including Pension Contribution
	£	£	£	£	£	£
Chief Executive *	67,684	98	-	67,782	10,017	77,799
Assistant Chief Executive	91,281	1,343	-	92,624	13,510	106,134
Assistant Chief Executive *	31,957	19	-	31,976	4,523	36,499
Executive Director Children and Young People	103,429	1,482	-	104,911	15,308	120,219
Executive Director Regeneration and Resources *	59,530	657	-	60,187	8,828	69,015
Executive Director Neighbourhood Services	101,895	1,228	-	103,123	15,081	118,204
Head of Social Inclusion and Achievement	83,670	730	-	84,400	12,347	96,747
Head of Enterprise and Regeneration	91,767	950	-	92,717	13,852	106,569
Head of Culture and Neighbourhoods	80,123	2,011	-	82,134	11,858	93,992
Head of Early Intervention and Safeguarding	81,012	1,865	-	82,877	11,990	94,867
Head of Transition and Wellbeing	71,108	1,498	-	72,606	10,524	83,130
Head of Sustainable Communities	76,297	1,631	-	77,928	11,334	89,262
Head of Pensions	73,600	1,587	-	75,187	10,893	86,080
Head of Health and Social Inclusion	79,237	1,355	-	80,592	11,727	92,319
Head of Change Management	70,306	1,226	-	71,532	10,405	81,937
Head of Strategic Partnership	81,012	1,042	-	82,054	11,990	94,044
Head of Policy Performance and Partnerships	65,104	-	-	65,104	9,550	74,654
Head of Corporate Governance	73,600	1,120	-	74,720	10,893	85,613
Head of Communications	75,372	1,116	-	76,488	11,155	87,643
Head of Finance *	13,616	-	-	13,616	2,015	15,631
Head of Adult Social Care *	68,654	851	44,300	113,805	8,902	122,707
Head of Community Services	97,679	1,618	83,327	182,624	11,596	194,220
Head of Organisation, Development and People	71,108	1,462	71,957	144,527	10,524	155,051
Acting Head of Strategy and Regulatory Services *	30,902	-	-	30,902	4,573	35,475
Head of Strategy and Regulatory Services *	34,076	422	-	34,498	5,040	39,538
Total Remuneration	**1,774,019**	**25,311**	**199,584**	**1,998,914**	**258,435**	**2,257,349**

* Denotes not a Full Year Salary

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

Table 3

Post Title	Salary	Allowances	Compensation For loss of Office	Total Remuneration Excluding Pension Contribution	Pension Contribution	Total 2009/10 Remuneration Including 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 6 September 2009; her annualised salary was £152,229.

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

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

Table 3a

Post Title	Salary	Allowances	Compensation For loss of Office	Total Remuneration Excluding Pension Contribution	Pension Contribution	Total 2008/09 Remuneration Including Pension Contribution
	£	£	£	£	£	£
Chief Executive - I Lucas (Note 4)	76,114	98	-	76,212	11,265	87,477
Total Remuneration	**76,114**	**98**	**-**	**76,212**	**11,265**	**87,477**

Note 4 Ms I Lucas annualised salary was increased to £152,229 on 1 October 2008.

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Note 12. Related Party Transactions

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 £255.745m (£229.920m in 2008/09) in support of its revenue spending as detailed in Notes 5 and 9.

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

- Grants totalling £0.074m paid to a voluntary/third sector organisation of which a Member has an interest. This funding formed a significant proportion of the organisations annual income.

- A Council Member is Vice Chairman 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.

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

From examination of returns completed by Chief Officers there are no cases where we consider that disclosure is required.

The Council administers the Tyne and Wear Pension Fund and charged £0.698m (£0.719m in 2008/09) in respect of support services provided – primarily financial, legal and information technology. It also paid to the Fund £0.049m (£0.048m in 2008/09) 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 £1.021m in respect of support services provided – primarily legal, insurance and administrative buildings. In 2008/09 this charge was significantly higher (£2.509m) as this included support services which are now delivered through a separate service level agreement with BT South Tyneside Limited which are independently invoiced by BT South Tyneside Limited. The Council paid a management fee, including capital programme management of £13.345m (£12.352m in 2008/09) and £66.727m (£40.407m in 2008/09) for the provision of construction services. The latter fee has increased significantly this year due to the Decent Homes Programme.

The Net Liabilities of South Tyneside Homes Limited amount to £31.836m at 31st March 2010 (£25.567m at 31st March 2009). The company made a net surplus of £0.011m in 2009/10 (surplus of £0.758m in 2008/09). Were the company to be wound up, the Council under the terms of the management agreement is committed to meeting any accumulated deficit, including outstanding pension liabilities as set out in Note 56.

A review across the Council of all related organisations identified three third sector organisations that received financial support totalling £0.166m. Payments made to Hebburn Neighbourhood Advice Centre and Boldon Lane Neighbourhood Advice Centre represents a significant proportion of those organisations' annual income.

Community Associations in the Borough received indirect financial support from the Council of £2.160m. The funding was used to pay for all 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. From April 2009, BT South Tyneside Limited charged these two parties directly for back office services reducing the overall charge disclosed by the Council (see above paragraphs). In the first full year of the partnership the Council paid a unitary charge fee of £12.774m 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, Unit 14, Blue Sky Way, Monkton, South Tyneside, NE31 2EQ.

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.

The Council used Royal Bank of Scotland and NatWest Bank during the year for financial services. NatWest Bank are the Council's bankers. At 31st March 2010, the Council had a £5.0m fixed term deposit (£5.0m in 2008/09) with Royal Bank of Scotland.

Section 6 – Notes to the Core Financial Statements

Note 13. Amounts Due to or from Related Parties

The following tables show the related party amounts due to or from the Council as at 31st March 2010. We have made provision for bad debts against our debtors for Government Bodies of £0.065m (£0.052m in 2008/09), relating to South Tyneside Primary Care Trust, reducing our net debtor to related parties to £18.793m (£12.172m as restated in 2008/09).

2008/09 £m As restated	Amount due to the Council	2009/10 £m
9.380	Government Bodies	13.213
0.653	Tyne and Wear Pension Fund	1.313
2.139	South Tyneside Homes Limited	4.100
-	InspiredSpaces	0.167
12.172	**Total**	**18.793**

2008/09 £m	Amount due from the Council	2009/10 £m
(28.653)	Government Bodies	(29.716)
(2.356)	Tyne and Wear Pension Fund	(6.228)
(5.536)	South Tyneside Homes Limited	(18.296)
(36.545)	**Total**	**(54.240)**

Note 14. Schemes under the Transport Act 2000

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 £0.331m under these provisions in 2009/10 (£0.116m in 2008/09), which has been fully utilised on transport purposes.

Note 15. Health Act 1999 Pooled Funds and Similar Arrangements

The Council has five pooled arrangements with the South Tyneside Primary Care Trust (PCT) under Section 31 of the Health Act 1999. 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 facilitate the achievement of the delayed discharge targets from hospital is achieved.
- An arrangement whereby the Council can commission Nursing and Continuing Care on behalf of the PCT.
- A new arrangement whereby the Council can commission after-care services, provided under Section 117 of the 1983 Mental Health Act, on behalf of the PCT.

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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 Services line of the Income and Expenditure Account. Details of the expenditure are shown in the following table:

2008/09 Total Council Share £m		2009/10 Council Gross Income £m	2009/10 Council Gross Cost £m	2009/10 Council Share of Net Cost £m
0.756	Joint Equipment Store	(0.711)	1.243	0.532
0.046	The South Tyneside Arts Studio	(0.056)	0.083	0.027
0.934	Perth Green	(0.307)	1.230	0.923
-	Nursing Care and Continuing Care	(5.129)	5.129	-
0.731	S117 Mental Health	(1.301)	2.530	1.229
2.467	**Totals**	**(7.504)**	**10.215**	**2.711**

In addition to these pooled arrangements the Children and Young People Directorate 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 Income and Expenditure Account.

Note 16. External Audit Fees

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 Income and Expenditure Account. 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.

2008/09 £m		2009/10 £m
0.348	Fees Payable in respect of External Audit Services	0.337
0.042	Fees Payable in respect of Grant Claim Certification	0.118
0.390	**Total Fees Payable to External Auditors**	**0.455**
0.072	Non Statutory Services	0.004
0.462	**Total Costs**	**0.459**

In addition to the above the Council paid £0.070m (£0.070m in 2008/09) to PricewaterhouseCoopers LLP in relation to audit of the Tyne and Wear Pension Fund. These costs were fully recovered from the Fund. The 2009/10 audit fees include £0.040m that relate to additional work completed for the 2008/09 financial year.

Note 17. Operating Leases – Council as Lessee

Expenditure in the year on operating leases by category of asset is as follows:

2008/09 £m		2009/10 £m
0.156	Other Land and Buildings	0.180
0.618	Vehicles and Equipment	0.474
0.774	**Total Expenditure on Operating Leasing**	**0.654**

The Council was committed at 31st March 2010 to making payments of £0.131m (£0.277 in 2008/09) under equipment operating leases against an initial investment of £0.939m (£1.346m in 2008/09). A further £1.236m (£1.163m in 2008/09) is committed on the future rental of these properties.

A breakdown of the commitments in 2009/10 based on the date of expiry of the lease is as follows:

2009/10	**Other Land and Buildings £m**	**Vehicles, Plant and Equipment £m**
Lease expires within 1 year	0.020	0.131
Lease expires in 2 - 5 years	0.031	-
Lease expires in more than 5 years	0.130	-
Total Repayable	**0.181**	**0.131**

Note 18. Finance Leases – Council as Lessee

The Council is 27 years into a 35-year lease for office accommodation at Landreth House, 4 years into a 20 year lease for office accommodation at 9-10 Charlotte Terrace, and 21 years into a 50 year lease in respect of a lease on a property at Pier Head Yard.

Expenditure in the year on finance leasing by category of asset is as follows:

2008/09 £m		**2009/10 £m**
0.110	Other Land and Buildings	0.110
0.021	Vehicles and Equipment	0.021
0.131	**Total Expenditure on Finance Leasing**	**0.131**

The above payments include finance costs of £0.095m (£0.089m in 2008/09).

The value of fixed assets held by the Authority and funded through finance leases is as follows:

	Other Land and Buildings £m	**Vehicles, Plant and Equipment £m**
Gross Value at 1st April 2009	**0.905**	**0.113**
Accumulated Depreciation	(0.416)	(0.100)
Net Value at 1st April 2009	**0.489**	**0.013**
Additions	0.010	-
Revaluations in year	0.114	-
Write out depreciation in year	0.416	-
Depreciation in Year	(0.070)	(0.013)
Net Value at 31st March 2010	**0.959**	**-**

A breakdown of the commitments in 2009/10 excluding finance costs, based on the date of expiry of the lease is as follows:

2009/10	**Other Land and Buildings £m**
Repayable within 1 year	0.030
Repayable in 2 - 5 years	0.170
Repayable in more than 5 years	0.524
Total Repayable	**0.724**

On 30th July 2008 the Council committed to a lease on the Cleadon Park Community Facility for 25 years. Payments will not start until the building becomes operational, early in 2010/11. The obligations under this lease total £0.320m per annum.

Note 19. The Council as Lessor

The Council earns income on a number of leases on commercial premises such as shops and industrial units that are accounted for as operating leases. In 2009/10, income of £1.775m has been generated from these leases (£1.857m in 2008/09). The gross book value of these assets is £22.784m with accumulated depreciation of £0.937m, resulting in a Net Book Value of £21.847m. The Authority does not act as lessor with regards to any finance leases.

Note 20. PFI and Other Long Term 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 SORP requires the Council to provide details about the outstanding payments in relation to these contracts. Due to the application of new accounting standards, the assets and liabilities associated with these schemes are now reflected on the Council's balance sheet.

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 (£15.9m in 2008/09).

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 and is estimated to cost in the region of £0.150m per annum.

In 2009/10 unitary charge payments of £2.7m (£3.0m in 2008/09) had been paid out whilst £1.5m (£1.5m in 2008/09) was recovered through PFI credits. Unitary charge payments over the whole life of the contract will total £65.6m 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.

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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 £18.4m (£12.9m in 2008/09), with the initial capital investment period running to February 2011. The contract runs for 25 years, expiring on 26th 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 2009/10 unitary charge payments of £3.1m (£2.8m in 2008/09) had been paid out whilst £2.5m (£2.5m in 2008/09) was recovered through PFI credits. Over the lifetime of the contract the unitary charge will 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.

Jarrow School

The Council's third PFI scheme became operational on 26th October 2009. This school has been built through the Building Schools for the Future programme. The contract is with a public/private partnership, known as InspiredSpaces STaG Limited (see below).

The contract for Jarrow School will run for 25 years, expiring on 25th October 2034. The opening net book value of the school is £15.2m. In 2009/10 unitary charge payments of £1.3m (nil in 2008/09) were made, with £1.2m (nil in 2008/09) received through PFI credits. Unitary charge payments over the life of the contract are expected to be £87.9m 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.

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, which is now operational, and South Shields Community School, which is planned to be operational from September 2011.

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 £12.8m were paid in 2009/10 (£5.8m in 2008/09) 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 estimated outstanding unitary charge payments for all long-term PFI contracts are analysed in the following table:

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 on (21 years and beyond)	10.391	2.097	(0.004)	14.553	27.037
Totals	**55.559**	**69.061**	**1.906**	**106.894**	**233.420**

This 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. It should be noted that the total repayment of the liability is higher than the level of PFI-related liability reflected in the Balance Sheet as at 31st March 2010. This is due to the fact that the Street Lighting capital investment phase is not due for completion until February 2011.

The following table represents amounts due to BT South Tyneside Limited in relation to the remaining term of their contract. These figures are not included in the table above.

2009/10	Unitary Charge £m
Amounts due:	
Within one year (2010/11)	11.832
2011/12 to 2014/15	46.865
2015/16 to 2019/20	44.368
Totals	**103.065**

Note 21. Minimum Revenue Provision (MRP)

Following the implementation of the Prudential Code for Capital there is no longer a requirement to make a Minimum Revenue Provision (MRP) in respect of the Housing Revenue Account. New rules came into effect in calculating MRP for 2007/08 and as a result Council approved a new MRP Policy. In February 2010, as part of the approval of the Medium Term Financial Plan, the Council approved an amendment to the MRP policy. This followed a review by treasury advisors, Sector, and a recommendation to apply the use of option 3 of the 2008 Government guidance on MRP. The following are exceptions to Government guidance that the 4% of the Capital Financing Requirement be written down annually in calculating the level of MRP:

- Capital expenditure financed by supported borrowing.
- Directions given by the Secretary of State that allows us to capitalise expenditure that is usually revenue in nature to be repaid over 20 years.

- Equipment and vehicles purchased using borrowing rather than leasing to be repaid over the remaining useful life of the assets concerned (normally 3 to 7 years).
- Finance lease to be repaid in line with repayment schedule.
- To defer repayment of MRP until assets under construction are brought into use.

A small amount of unsupported borrowing relates to HRA spend and a contribution of £0.018m (£0.018m in 2008/09) is made.

Following an MRP review by Sector, the Council's treasury advisors, an adjustment to the in year charge was made of £0.326m. This relates to recognition that previous charges did not reflect the status of assets such as Cleadon Park being an asset under construction.

This year also sees the inclusion of a charge to cover bringing of PFI assets onto the balance sheet. The total amount repaid in 2009/10 in relation to PFI is £0.262m.

The following table shows the amount set aside for the repayment of debt in 2009/10.

2008/09 as restated £m		2009/10 £m
5.188	Minimum Revenue Provision	6.260
-	MRP Review	(0.326)
0.332	Private Finance Initiative MRP	0.262
5.520	**Total Debt Set Aside**	**6.196**

Note 22. Retirement Benefits

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.

The Accounting Standards Board published an amendment to FRS17 on 7th December 2006. The amendment is effective for accounting periods beginning on or after 6th April 2008 and has therefore been incorporated into the following notes.

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 2009/10, the Council made direct payments to the Pension Fund in respect of early retirements (known as "strain on the fund"). As a result of a change to the Fund regulations the Council will now repay any liability over a period of three years instead of in full in the year of departure as in previous years. Early retirements result in reduced pension contributions payable to the Fund and earlier payments of benefits. The sum paid was estimated at £0.453m (£0.728m in 2008/09).

The outstanding liability of the Council for pensions scheme stands at £302.780m at 31st March 2010 (£231.470m in 2008/09). This has reduced the reported net worth of the Council by £71.310m in the year (14% reduction). 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. The Council expects to make payments of £19.9m to the Fund in 2010/11.

(a) Local Government Pension Scheme funded benefits

The employers' regular contributions to the Fund for the financial year ending 31st March 2011 are estimated to be £19.00m (£18.60m to 31st March 2010) in addition to £2.05m (£1.72m to 31st March 2010) payable by British Telecom South Tyneside Limited. In addition, further Strain on Fund Contributions may be required.

The latest actuarial calculation of South Tyneside Council's liabilities took place as at 31st March 2007. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were as follows:

The main financial assumptions adopted as at 31st March 2010

	31st March 2010 % per annum	31st March 2009 % per annum	31st March 2008 % per annum
Discount rate	5.50	6.60	6.80
Inflation rate	3.90	3.50	3.70
Rate of increase to pensions in payment	3.90	3.50	3.70
Rate of increase to deferred pensions	3.90	3.50	3.70
Rate of general increase in salaries	5.40	5.00	5.20

The main demographic assumptions adopted as at 31st March 2010

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

Post retirement mortality	**31st March 2010**	**31st March 2009**
Males		
Future lifetime from age 65 (currently aged 65)	20.0	19.9
Future lifetime from age 65 (currently aged 45)	22.2	22.1
Females		
Future lifetime from age 65 (currently aged 65)	22.9	22.8
Future lifetime from age 65 (currently aged 45)	25.1	25.0

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 2010.

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	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	Long-term expected rate of return at 31st March 2008	Asset split at 31st March 2008
	(% per annum)	**(%)**	**(% per annum)**	**(%)**	**(% per annum)**	**(%)**
Equities	8.0%	67.8%	7.0%	66.1%	7.6%	63.7%
Property	8.5%	7.4%	6.0%	8.4%	6.6%	10.5%
Government Bonds	4.5%	9.3%	4.0%	10.2%	4.6%	11.0%
Corporate Bonds	5.5%	11.4%	5.8%	10.4%	6.8%	8.9%
Cash	0.7%	1.3%	1.6%	0.7%	6.0%	0.0%
Other Investments	8.0%	2.8%	1.6%	4.2%	6.0%	5.9%
Total	**7.3%**	**100.0%**	**6.2%**	**100.0%**	**7.0%**	**100.0%**

The following table reconciles the funded status of assets and liabilities to the balance sheet:

	31st March 2010	31st March 2009	31st March 2008
	£m	**£m**	**£m**
Notional value of assets	399.880	286.560	343.920
Present value of liabilities	(671.210)	(488.890)	(448.500)
Net Pension Liability	**(271.330)**	**(202.330)**	**(104.580)**

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 Income and Expenditure Account.

2008/09		2009/10
£m		**£m**
10.35	Current Service Cost	8.99
0.56	Past Service Cost	1.18
30.49	Interest on Pension Scheme Liabilities	32.19
(24.03)	Expected Return on Fund Assets	(17.75)
17.37	**Expense Recognised**	**24.61**

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 the STRGL.

Changes to the present value of liabilities during the accounting period

2008/09		2009/10
£m		**£m**
(448.50)	**Opening present value of liabilities**	**(488.89)**
(10.35)	Current Service Cost	(8.99)
(30.49)	Interest on Pension Scheme Liabilities	(32.19)
(6.11)	Contributions by participants	(7.95)
(10.16)	Actuarial losses on liabilities	(152.47)
17.28	Net benefits paid out	20.46
(0.56)	Past service cost	(1.18)
(488.89)	**Closing present value of liabilities**	**(671.21)**

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Changes to the fair value of assets during the accounting period

2008/09 £m		2009/10 £m
343.92	**Opening fair value of assets**	**286.56**
24.03	Expected return on assets	17.75
(87.70)	Actuarial (losses)/gains on assets	89.56
17.48	Contributions by the employer	18.52
6.11	Contributions by participants	7.95
(17.28)	Net benefits paid out	(20.46)
286.56	**Closing fair value of assets**	**399.88**

Actual return on assets

2008/09 £m		2009/10 £m
24.03	Expected return on assets	17.75
(87.70)	Actuarial (loss)/gain on assets	89.56
(63.67)	**Actual return on assets**	**107.31**

Analysis of amount recognised in Statement of Recognised Gains and Losses

2008/09 £m		2009/10 £m
(97.86)	Total actuarial losses	(62.91)
(97.86)	**Total Loss in STRGL**	**(62.91)**

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

2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m		2009/10 £m
(357.53)	(349.61)	(343.92)	(286.56)	Fair value of assets	(399.88)
539.35	492.26	448.50	488.89	Present value of liabilities	671.21
181.82	**142.65**	**104.58**	**202.33**	**Deficit**	**271.33**

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

2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m		2009/10 £m
(51.13)	(2.09)	(36.23)	(87.70)	Experience (losses)/gains on assets	89.56
14.3%	0.6%	10.5%	-30.6%	Percentage of scheme assets	22.4%
(0.37)	(1.27)	(0.92)	(2.18)	Experience (losses)/gains on liabilities	6.42
0.1%	0.3%	0.2%	-0.4%	Percentage of the present value of liabilities	1.0%

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.

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

The Council pays employer's contributions to the Department for Education in relation to teachers' pensions. It also pays former teachers directly for additional pension costs arising from added years or Pension Increase Act payments. The relevant details are given below:

2008/09 Employer's Contributions	2008/09 Added Years		2009/10 Employer's Contributions	2009/10 Added Years
£6.9m	£1.4m	Amount Paid	£6.9m	£1.4m
14.1%	2.8%	Percentage of Pensionable Pay	14.1%	2.9%

The Teachers' Pension Scheme is a defined benefit scheme, however the Council is unable to identify its share of the underlying assets and liabilities. Hence the employers' contributions are set in relation to the current service period only and no provision has been made in the balance sheet.

In the financial year ending 31st March 2011 the employer expects to pay £2.22m (£2.30m to 31st March 2010) directly to beneficiaries.

The latest actuarial calculation of unfunded LGPS benefits took place as at 31st March 2008. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund:

The main financial assumptions adopted as at 31st March 2010

	31st March 2010 % per annum	31st March 2009 % per annum	31st March 2008 % per annum
Discount rate	5.50	6.60	6.80
Inflation rate	3.80	3.50	3.70
Rate of increase to pensions in payment	3.80	3.50	3.70

The main demographic assumptions adopted as at 31st March 2010

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

Post retirement mortality	**31st March 2010**	**31st March 2009**
Males		
Future lifetime from age 65 (currently aged 65)	20.0	19.9
Future lifetime from age 65 (currently aged 45)	22.2	22.1

Post retirement mortality	**31st March 2010**	**31st March 2009**
Females		
Future lifetime from age 65 (currently aged 65)	22.9	22.8
Future lifetime from age 65 (currently aged 45)	25.1	25.0

The following table reconciles the liabilities to the balance sheet:

	31st March 2010 £m	31st March 2009 £m	31st March 2008 £m
Present value of liabilities	(31.450)	(29.140)	(28.440)
Net Pension Liability	**(31.450)**	**(29.140)**	**(28.440)**

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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 Income and Expenditure Account:

2008/09 £m		2009/10 £m
1.86	Interest on Pension Scheme Liabilities	1.85
-	Strain on the Fund Deferred	3.22
1.86	**Expense Recognised**	**5.07**

The strain on the fund payment is an estimate based on figures provided to the actuary at the end of February. Due to the Councils modernisation programme additional liabilities were paid in March such that actual payments exceeded the estimated amount by £0.115m.

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 the STRGL.

Changes to the present value of liabilities during the accounting period

2008/09 £m		2009/10 £m
(28.44)	**Opening present value of liabilities**	**(29.14)**
(1.86)	Interest on Pension Scheme Liabilities	(1.85)
(1.07)	Actuarial losses on liabilities	(2.68)
2.23	Net benefits paid out	2.22
(29.14)	**Closing present value of liabilities**	**(31.45)**

Analysis of amount recognised in Statement of Recognised Gains and Losses

2008/09 £m		2009/10 £m
(1.07)	Total actuarial losses	(2.68)
(1.07)	**Total Loss in STRGL**	**(2.68)**

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

2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m		2009/10 £m
n/a	n/a	28.44	29.14	Present value of liabilities	31.45
-	**-**	**28.44**	**29.14**	**Deficit**	**31.45**

History of experience gains and losses

2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m		2009/10 £m
n/a	n/a	(1.77)	(0.35)	Experience (losses)/gains on liabilities	0.97
n/a	n/a	-6.2%	-1.2%	Percentage of the present value of liabilities	3.1%

In accordance with paragraph 79 of FRS17 (as revised), 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.

Section 6 – Notes to the Core Financial Statements

Note 23. Euro

The Council has incurred no material expenditure on the Euro pending clarification of the Government's position with regard to adoption of the European Currency.

Note 24. Intangible Fixed Assets

The following table shows the movement in the value and amortisation provision of intangible fixed assets. All intangible assets owned by the Council at 31st March 2010 relate to software licences, which are amortised to Income and Expenditure on a straight-line basis using an average useful life of 5 years. Any goodwill paid on extinguishment of businesses as part of local regeneration schemes has been written out in year as a disposal.

	Software Licences £m
Gross Book Value 31st March 2009	3.253
Accumulated Amortisation and Impairment	(1.366)
Net Book Value at 31st March 2009	**1.887**
Additions	1.457
Amortisation	(0.767)
Net Book Value at 31st March 2010	**2.577**

Note 25. Movement of Tangible Fixed Assets

The following table analyses the movement in **operational** tangible fixed assets and the nature of asset holding.

Operational Fixed Assets	**Council Dwellings**	**Other Land and Buildings**	**Comm. Assets**	**Infra-structure**	**Vehicles Plant and Equip**	**Total**
Cost or valuation	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1st April 2009 (As restated)	691.894	309.415	5.511	82.427	32.209	1,121.456
Additions	56.240	47.303	0.328	10.198	8.092	122.161
Disposals	(3.237)	(10.363)	-	-	(0.858)	(14.458)
Reclassifications	(0.770)	1.885	-	-	-	1.115
Revaluations	(6.780)	(1.271)	-	0.026	0.084	(7.941)
At 31st March 2010	**737.347**	**346.969**	**5.839**	**92.651**	**39.527**	**1,222.333**
Depreciation and Impairments						
At 1st April 2009 (As restated)	(75.238)	(27.758)	(0.276)	(12.330)	(23.470)	(139.072)
Charge for 2009/10	(17.278)	(12.633)	(0.292)	(2.423)	(4.612)	(37.238)
Disposals	0.415	0.401	-	-	0.858	1.674
Reclassifications	0.107	(0.125)	-	-	-	(0.018)
Revaluations	19.135	9.274	-	-	(0.025)	28.384
At 31st March 2010	**(72.859)**	**(30.841)**	**(0.568)**	**(14.753)**	**(27.249)**	**(146.270)**
Balance Sheet amount at 31st March 2009	**616.656**	**281.657**	**5.235**	**70.097**	**8.739**	**982.384**
Balance Sheet amount at 31st March 2010	**664.488**	**316.128**	**5.271**	**77.898**	**12.278**	**1,076.063**
Nature of Asset Holding						
Owned	664.488	284.430	5.271	59.466	12.278	1,025.933
Finance Leases	-	0.959	-	-	-	0.959
Private Finance Initiative	-	30.739	-	18.432	**-**	49.171
Balance Sheet amount at 31st March 2010	**664.488**	**316.128**	**5.271**	**77.898**	**12.278**	**1,076.063**

Section 6 – Notes to the Core Financial Statements

The following table analyses the movement in **non-operational** tangible fixed assets and the nature of asset holding.

Non Operational Fixed Assets	Investment Properties	Assets under Construction	Surplus Assets	Total
Cost or valuation	**£m**	**£m**	**£m**	**£m**
At 1st April 2009 (As restated)	3.029	2.857	33.089	38.975
Additions	-	6.490	0.548	7.038
Disposals	-	-	(0.389)	(0.389)
Reclassifications	-	-	(1.115)	(1.115)
Revaluations	-	0.545	1.594	2.139
At 31st March 2010	**3.029**	**9.892**	**33.727**	**46.648**
Depreciation and Impairments				
At 1st April 2009 (As restated)	-	-	(0.333)	(0.333)
Charge for 2009/10	-	-	(0.066)	(0.066)
Reclassifications	-	-	0.018	0.018
Revaluations	-	-	(4.140)	(4.140)
At 31st March 2010	**-**	**-**	**(4.521)**	**(4.521)**
Balance Sheet amount at 31st March 2009	**3.029**	**2.857**	**32.756**	**38.642**
Balance Sheet amount at 31st March 2010	**3.029**	**9.892**	**29.206**	**42.127**
Nature of Asset Holding				
Owned	3.029	9.892	29.206	42.127
Balance Sheet amount at 31st March 2010	**3.029**	**9.892**	**29.206**	**42.127**

The following table analyses the value of the fixed assets held, broken down by valuation method. Where current value is used, the assets have been further broken down into the year of the last valuation under the Council's 5-year rolling programme of revaluation.

	Operational Assets					Non	Total
	Council Dwellings	Other Land and Buildings	Comm. Assets	Infra-structure	Vehicles Plant and Equip	Operational Land and Buildings	
	£m	£m	£m	£m	£m	£m	£m
Valued at historical cost	-	-	5.271	77.898	12.278	9.340	104.787
Valued at current value in:							
2009/10	168.766	67.794	-	-	-	16.338	252.898
2008/09	0.002	111.430	-	-	-	-	111.432
2007/08	132.233	39.826	-	-	-	3.400	175.459
2006/07	363.487	30.020	-	-	-	0.249	393.756
2005/06 or prior	-	67.058	-	-	-	12.800	79.858
Balance at 31st March 2010	**664.488**	**316.128**	**5.271**	**77.898**	**12.278**	**42.127**	**1,118.190**

Note 26. Ownership of Net Assets

The following table shows how net assets are split between the General Fund, Housing Revenue Account and Trading activities:

31st March 2009 (as restated) £m	Net Assets	31st March 2010 £m
(44.623)	General Fund	(144.561)
557.757	Housing Revenue Account	570.604
0.070	Trading Activities	0.056
513.204	**Total Net Assets**	**426.099**

The majority of the decrease in General Fund net assets is due to the £71.310m increase in pension liability.

Note 27. Information on Fixed Assets Held

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

	2009	2010		2009	2010
Council Dwellings	17,093	16,964	Youth and Community Centres	28	27
Sheltered Housing Units	1,201	1,238	Sports Stadia	2	2
Garages	2,727	2,727	Children's Homes	2	2
Town Hall and Civic Offices	13	13	Family Centres	3	3
Homes for the Elderly	5	4	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	50	51	Shops	193	193

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.

During the year 37 dwellings were reclassified as sheltered accommodation. 2 schools were brought into the analysis as PFI arrangements and one former school was demolished. Murtagh Diamond House (Homes for the elderly) was part demolished during the year and the site is currently being redeveloped.

Note 28. Assets Recognised under a PFI Arrangement

The Council has three operational PFI schemes, which involve significant assets which are now included in the Balance Sheet. The net book value of these assets is shown in the table over the page, including charges arising from Depreciation and impairment of these assets:

	Boldon School £m	Street Lighting £m	Jarrow School £m	Total £m
Cost or valuation				
At 1st April 2009 (As restated)	16.718	13.655	-	30.373
Additions	-	6.129	19.979	26.108
Revaluations	-	-	(4.674)	(4.674)
At 31st March 2010	**16.718**	**19.784**	**15.305**	**51.807**
Depreciation and Impairments				
At 1st April 2009 (As restated)	(0.827)	(0.749)	-	(1.576)
Charge for 2009/10	(0.324)	(0.603)	(0.133)	(1.060)
At 31st March 2010	**(1.151)**	**(1.352)**	**(0.133)**	**(2.636)**
Net Book Value at 31 March 2010	**15.567**	**18.432**	**15.172**	**49.171**

As the Council now recognises the PFI assets on the Balance Sheet, a corresponding liability is also required. This is the liability that the Council will repay to the PFI Operators over the course of the contract period. The annual unitary charge is split into payments for services, repayment of the creditor, principal and interest charges. The following table reflects the element of the unitary charge that relates to this liability:

	Boldon School £m	Street Lighting £m	Jarrow School £m	Total £m
Outstanding liability at 31 March 2008	(10.193)	(8.873)	-	(19.066)
Asset additions in 2008/09	-	(4.821)	-	(4.821)
Lease repayments in 2008/09	1.566	0.833	-	2.399
Interest charge for 2008/09	(1.325)	(0.742)	-	(2.067)
Balance at 31 March 2009	**(9.952)**	**(13.603)**	**-**	**(23.555)**
Asset additions in 2009/10	-	(6.129)	(19.978)	(26.107)
Lease repayments in 2009/10	1.555	1.067	0.573	3.195
Interest charge for 2009/10	(1.293)	(1.152)	(0.678)	(3.123)
Balance at 31 March 2010	**(9.690)**	**(19.817)**	**(20.083)**	**(49.590)**

Note 29. Valuation Information

The valuations have been undertaken in-house and approved by the 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 Tangible Fixed Assets have been valued other than at historical cost the date of the valuation is **1st April 2009**. The total revaluation for 2009/10 increased asset values by £18.572m (£28.461m increase in 2008/09) prior to the impact of any impairment review. All assets 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 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.

Non-operational assets defined as surplus or investments are valued at Market Value whilst those defined as assets under construction are valued at historical cost.

Community Assets, equipment and infrastructure are valued at historical cost. However plant and machinery that would normally be regarded as an integral part of the buildings on letting or sale have been included in the valuation of the building.

Note 30. Depreciation and Impairment

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

- Land is not depreciated and an estimate of the land value in properties has been made.

- A straight-line method of depreciation has been adopted based on the expected remaining useful life. For buildings (including dwellings) and infrastructure, this is usually forty years, for equipment and vehicles, five years and for community assets twenty years.

£31.610m depreciation has been charged to the Income and Expenditure Account for 2009/10 (£29.578m in 2008/09).

The valuations 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.

The current economic climate has had a material effect on the value of assets held by all councils. Last year the Council assessed the impact of the economic downturn on each category of asset, taking into account the valuation method, national market valuation data and local market conditions and evidence. The outcome of this assessment was that the majority of asset categories were impaired. In 2009/10 the Valuation Manager has prepared a similar report that makes the following recommendations:

- No further impairment in year, including infrastructure assets.
- Reverse the 2.1% impairment applied to DRC valued assets as the index for construction prices had gone up.
- Reverse 5.9% of 17.1% impairment on surplus assets following a reversal in national market values.
- Retain all other impairments until the local market shows signs of stabilising.

The net impairment charge through Income and Expenditure for 2009/10 was £21.220m (£115.101m in 2008/09). Revaluation impairment is charged, first to the revaluation reserve where a previous gain exists, and secondly through income and expenditure.

Section 6 – Notes to the Core Financial Statements

Note 31. Capital Finance

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

2008/09 £m		2009/10 £m
209.409	**Opening Capital Financing Requirement**	**254.069**
-	**Adjustment for PFI Leases**	23.554
209.409	**Opening Capital Financing Requirement (as restated)**	**277.623**
0.775	**Adjustment for Property Finance Leases (PFI additions)**	**26.108**
	Capital Investment	
1.194	Intangible Assets	1.457
54.160	Operational Assets	96.053
4.227	Non Operational Assets	7.038
28.980	Revenue Expenditure Funded from Capital under Statute	44.776
88.561	**Total Capital Investment**	**149.324**
	Sources of Finance	
(5.118)	Capital Receipts	(0.884)
(29.351)	Government Grants and other Contributions	(54.394)
(3.419)	Housing Revenue Account Sums Set Aside from Revenue	(23.698)
(6.788)	General Fund Sums Set Aside from Revenue	(6.569)
(44.676)	**Total Finance Used**	**(85.545)**
44.660	**Movement in Capital Financing Requirement**	**89.887**
254.069	**Closing Capital Financing Requirement**	**367.510**
	Explanation of Movement in Year	
24.778	Increase in underlying need to borrow (supported by Government Financial Assistance)	66.208
19.882	Increase in underlying need to borrow (unsupported by Government Financial Assistance)	23.679
44.660	**Increase in Capital Financing Requirement**	**89.887**

Note 32. Significant Items of Capital Expenditure

The total expenditure on the capital programme was £149.324m (£88.561m in 2008/09). The programme has significantly increased primarily due to the Housing Decent Homes and Building Schools for the Future programmes. The most significant items during 2009/10, excluding planned maintenance, are shown in the table over the page.

	£m
Decent Homes programme	53.580
Building Schools for the Future	35.829
Single status compensation payments	6.225
Redundancies	4.096
Primary Schools reorganisation (TOPS)	3.594
Capital spend on empty homes	3.355
Customer Services and ICT Partner Capital	2.579
Schools Devolved capital expenditure	2.013
Replacement Vehicles	1.844
Improving Private Housing In the Borough	1.825
Whitburn/Cleadon Schools project	1.527
Pier Parade Acquisitions	1.383
Disabled Facilities in Private Housing	1.382
LTP - Highways Maintenance	1.348
LTP- Integrated transport Schemes	1.303
BT Oracle Procurement	1.295
Alternative Waste Collection / Recycling Project	1.054
Social Housing New Build	0.834
Office Accommodation	0.682
Sheltered Accommodation	0.644
Harton Staithes	0.600
South Shields Community Pool	0.583
Harnessing Technology	0.553
Regeneration and Transformation Fund	0.538
Playbuilder	0.523
School Asset Condition Suitability Work	0.508

Note 33. Capital Commitments

Details of commitments over £0.5m under capital contracts as at 31st March 2010 are as follows:

		Net Commitment at 31 March 2010 £m	Period of Commitment Years
Capital Scheme			
Harton 16-19 College	BSF School refurbishment	14.921	3
St Josephs School	BSF School refurbishment	9.661	3
St Wilfrid's School	BSF School refurbishment	3.316	3
Mortimer School	BSF School refurbishment	0.819	3
Harton Primary School	Creation of a new combined primary school	5.931	2
Sea Change	Upgrading the foreshore	1.712	1
Council Housing New Build Schemes	27 units of Council house building	2.386	1

Note 34. Revenue Expenditure Funded from Capital under Statute

Certain expenditure incurred by Local Authorities does not fall within the Code of Practice definition of fixed 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 Church owned schools and Housing grants. The total of revenue expenditure funded from capital for the year, net of any external funding received, was £19.508m (£28.980m in 2008/09) and has been amortised to the Income and Expenditure Account.

Section 6 – Notes to the Core Financial Statements

Note 35. Long-term Investments

31st March 2009 £m	Long Term Investments	31st March 2010 £m
0.808	Newcastle Airport Local Authority Holding Company Limited and Inspired Spaces	0.426
10.000	Investments more than 1 year	5.000
0.009	Government Securities and other Investments	0.009
10.817	**Total Long Term Investments**	**5.435**

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. The reduction during 2009/10 in the estimated valuation of the shareholding of £0.382m has been charged to the Statement of Total Recognised Gains and Losses.

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 2005/06, of which the Council will receive £2.4m over the 10 years.

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 04184967) 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 2009 or 31st December 2008.

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 £4.171m and a loss after tax of £3.161m for the year ended 31st December 2009.

Investments more than 1 year

A Barclay's loan of £5m matures in December 2010 and has therefore been transferred to short-term investments.

LEP and Government Stock

The balance on Government Stock has remained the same as the Council no longer purchases such stock and there have been no sales in the year. Investments have been impaired following a sale of similar stocks, held on behalf of our Trust Funds, in 2005/06 where we failed to receive cost value.

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.

Note 36. 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 three years.

Note 37. Other Long-term Debtors

An analysis of our other long-term debtors:

	1st April 2009 £m	Expenditure During Year £m	Repaid During Year £m	31st March 2010 £m
Assisted Vehicle Purchase	0.160	0.175	(0.140)	0.195
Social Care and Health Fees	0.484	0.315	(0.144)	0.655
South Shields Community School Sub Debt	-	0.167	-	0.167
Housing Advances (including Council Housing)	0.069	-	(0.023)	0.046
Airport Loan Notes	0.720	-	(0.240)	0.480
Total Long Term Debtors	**1.433**	**0.657**	**(0.547)**	**1.543**

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.

South Shields Community School 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 loan is due to start 6 months following the opening of the new school (projected to be September 2011) and 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.

Note 38. Stock and Work in Progress

An analysis of our stock balances is shown below. The Council has no material work in progress:

31st March 2009 £m	Stock	31st March 2010 £m
0.326	Home Loan Equipment Centre	0.405
0.106	Catering Service	0.113
0.130	Other Stock	0.064
0.562	**Total Stock**	**0.582**

Note 39. Short Term Debtors

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

31st March 2009 as restated £m		31st March 2010 £m
	Amounts Falling Due in One Year	
9.397	Government Bodies	13.278
1.199	Other Local Authorities	0.927
3.124	Housing Tenants	3.140
4.559	Council Tax Payers	4.433
2.139	South Tyneside Homes Limited	4.100
12.178	Sundry Debtors	15.100
32.596	**Total Amounts Falling Due in One Year**	**40.978**
	Provisions for Bad debts	
(2.045)	Housing Rents	(2.109)
(1.804)	Council Tax	(1.901)
(2.013)	All Other Debtors	(1.907)
(5.862)	**Total Bad Debt Provisions**	**(5.917)**
26.734	**Net Debtors**	**35.061**

31st March 2009 £m	Debts Written Off During the Year	31st March 2010 £m
	Amounts Written Off During the Year	
0.416	Housing Rents (excluding write ons)	0.279
0.146	Council Tax (excluding write ons)	0.143
0.281	All Other Debtors (net of VAT recovered)	0.218
0.843	**Total Amounts Written Off During the Year**	**0.640**

In addition to the above the Council wrote off £0.564m (£0.480m in 2008/09) in debtors. The Government met this cost.

Note 40. Management of Liquid Resources

The movement in liquid resources for the year is as follows:

	As at 1st April 2009	As at 31st March 2010	Movement in Year
Short Term Investments	36.217	39.630	3.413
Money Market Deposits	-	17.402	17.402
Amounts relating to Council Tax and NNDR	1.376	0.862	(0.514)
Total Liquid Resources	**37.593**	**57.894**	**20.301**

Liquid resources represent short-term lending by the Council to banks and other financial institutions. Money Market Fund Deposits are pooled short-term investments, mainly with Ignis and Insight, and are monitored on a daily basis. The Council also has £5.000m deposits with banks and other financial institutions that are repayable in more than one year. These are disclosed in Long-Term Investments (see Note 35).

Note 41. Increase in Cash

The net movement in cash resources between the balance sheet dates:

	As at 1st April 2009	Movement in Year	As at 31st March 2010
Cash in Hand and at Bank	22.677	3.720	26.397
Bank Overdraft	(0.800)	0.060	(0.740)
Net Cash and Bank Position	**21.877**	**3.780**	**25.657**

Note 42. Creditors

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

31st March 2009 as restated £m		31st March 2010 £m
(28.653)	Government Bodies	(29.716)
(0.843)	Other Local Authorities	(0.759)
(0.645)	Housing Tenants	(0.845)
(0.846)	Council Tax Payers	(0.896)
(5.536)	South Tyneside Homes Limited	(18.296)
(29.704)	All Other Creditors	(33.098)
(66.227)	**Total Creditors**	**(83.610)**

Note 43. Long-term Borrowing

An analysis of borrowing in excess of one year is as follows:

	Percentage Range of Interest Rate Payable	Amounts Outstanding 31st March 2009	31st March 2010
	%	£m	£m
Public Works Loan Board	2.100 - 9.375	(207.128)	(278.128)
Market Loans	2.99 - 9.50	(10.239)	(10.247)
Total Long Term Borrowing		**(217.367)**	**(288.375)**

An analysis of these loans by maturity is:

31st March 2009 £m		31st March 2010 £m
(4.000)	1 - 2 years	(30.000)
(31.800)	2 - 5 years	(53.800)
(57.000)	5 - 10 years	(66.000)
(124.567)	Over 10 years	(138.575)
(217.367)	**Total Long Term Borrowing**	**(288.375)**

Borrowing falling due within one year is:

	Amounts Outstanding	
	31st March 2009 (As Restated) £m	31st March 2010 £m
Public Works Loan Board	(4.851)	(5.192)
Market Loans	(0.062)	(0.087)
Finance Leases	(0.045)	(0.030)
Total Borrowing repayable in 12 months	**(4.958)**	**(5.309)**

This includes accrued interest as well as borrowing with maturity dates.

Note 44. Deferred Liabilities and PFI and Finance Lease Liabilities

The following table summarises the Council's deferred liabilities:

31st March 2009 (as restated) £m		31st March 2010 £m
(0.960)	Newcastle Airport Loan Notes	(0.720)
-	Deferred Pensions Strain on the Fund	(1.676)
(0.960)	**Total Deferred Liabilities**	**(2.396)**
(0.724)	Outstanding Non PFI Finance Leases liabilities	(0.694)
(23.293)	Outstanding PFI finance lease liabilities	(49.004)
(24.017)	**Total PFI and Finance Lease Liability**	**(49.698)**

The Newcastle Airport Loan Notes are an amount set aside in lieu of the loan notes described in note 35 being repaid.

The outstanding finance lease relates to 3 long-term property lease agreements, in respect of Landreth House, Charlotte Terrace and Pier Head Yard.

The PFI liability is being reflected in these accounts for the first time following new SORP guidance. The liability covers 3 schemes; Boldon School, Jarrow School and street lighting replacement. Further details can be found in Note 20 on page 56.

As at the balance sheet date, the Council is confident that all of these liabilities will be cleared in future years.

Note 45. Deferred Capital Receipts Reserve

This balance relates to mortgages formally granted by the Council for the sale of Council Houses. The Council cannot use the capital receipt until the debt has been repaid. £0.023m has been released to the Useable Capital Receipts Reserve (£0.048m in 2008/09) in relation to repaid sums in year.

Note 46. Financial Instruments Disclosure

Since 2007/08, Local Authorities have had to provide more extensive disclosure on 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":

Financial Instrument Balances	LONG- TERM		CURRENT		TOTAL	
	31 March 2009 £m	31 March 2010 £m	31 March 2009 £m	31 March 2010 £m	31 March 2009 £m	31 March 2010 £m
Financial liabilities at amortised cost	(217.367)	(288.375)	(4.913)	(5.279)	(222.280)	(293.654)
Total Financial Liabilities	**(217.367)**	**(288.375)**	**(4.913)**	**(5.279)**	**(222.280)**	**(293.654)**
Loans and receivables	11.433	6.543	36.457	57.272	47.890	63.815
Available for sale financial assets	0.009	0.009	-	-	0.009	0.009
Unquoted equity investment (Newcastle Airport and InspiredSpaces)	0.808	0.426	-	-	0.808	0.426
Total Financial Assets	**12.250**	**6.978**	**36.457**	**57.272**	**48.707**	**64.250**

The financial liabilities and assets are disclosed in the table above as current (due within 12 months) or long-term (over 1 year). The current financial liabilities include interest payable within 12 months of £1.279m.

Lending Option Borrowing Option (LOBO) loans totalling £5m have interest review dates within 12 months, and have been categorised as long-term liabilities in line with SORP guidance.

Section 6 – Notes to the Core Financial Statements

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

2008/09 Total as restated £m		2009/10 Financial Liabilities measured at amortised cost £m	Financial Assets Loans and receivables £m	Available for sale assets £m	Total £m
15.337	Interest expense	16.630	-	-	16.630
0.643	Losses on derecognition	-	-	-	-
(0.652)	Gains on derecognition	-	-	-	-
0.638	Impairment losses	-	0.460	-	0.460
15.965	**Interest payable and similar charges**	**16.630**	**0.460**	**-**	**17.090**
(5.582)	Interest income	-	(2.160)	-	(2.160)
(5.582)	**Interest and investment income**	**-**	**(2.160)**	**-**	**(2.160)**
10.383	**Net loss/(gain) for the year for Income and Expenditure**	**16.630**	**(1.700)**	**-**	**14.930**

This table reflects the impact on Income and Expenditure. No discounts and premiums have been charged in 2009/10.

Fair Value of Assets and Liabilities Carried at Amortised Cost

The fair value of each class of financial assets and liabilities, which are carried in the balance sheet at amortised cost, is disclosed in the following table. There is no fair value disclosure for items where the carrying amount is a fair approximation of fair value such as short-term trade receivables and payables and cash and bank.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the net present value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in todays terms.

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.

Our treasury management consultants obtained the rates quoted in this valuation from the market on 31st March 2010, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 063/10.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.

- No early repayment or impairment is recognised.
- We have 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 trade and other receivables is taken to be the invoiced or billed amount.

The fair values for assets and liabilities where there is a material difference from the carrying value are:

	31 March 2009		31 March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
PWLB - maturity	(211.979)	(235.384)	(283.320)	(296.584)
Lenders Option Borrower's Option (LOBO)	(10.301)	(12.897)	(10.334)	(14.166)
Financial Liabilities	**(222.280)**	**(248.281)**	**(293.654)**	**(310.750)**

	31 March 2009		31 March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
Deposits with banks and building societies	46.217	36.612	44.630	45.013
Money Market Deposits	-	-	17.402	17.402
Financial Assets	**46.217**	**36.612**	**62.032**	**62.415**

The fair value of liabilities 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. This commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

The Council also has an investment in Newcastle Airport that is an equity instrument that does not have a quoted market price. This is carried in the balance sheet at £0.426m (£0.808m in 2008/09) following a revaluation in the year (see note 35 for further information). The Council has no plans to dispose of this investment in the near future.

Nature and Extent of Risks Arising from Financial Instruments

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/councillorsandcommittees/viewdocument.aspx?id=18002

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 also has a policy of limiting deposits with institutions to a maximum of £15m and a separate limit of £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 to. 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 2010, 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.

Section 6 – Notes to the Core Financial Statements

There has never been any default on the repayment of Housing Advances or 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 secured against the client property.

Credit Risk of Financial Assets	Amount at 31 March 2010	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2010	Estimated maximum exposure to default and uncollectablility 31 March 2010	Estimated maximum exposure to default and uncollectablility 31 March 2009
	£m	%	%	£m	£m
	A	B	C	A x C	-
Deposits with banks and other financial institutions	44.630	0%	0%	-	-
Customers	32.256	3%	3%	0.968	0.807
Airport Loan Notes	0.960	0%	0%	-	-
Assisted vehicle scheme	0.195	0%	0%	-	-
Housing Advances (including Council Houses)	0.046	0%	0%	-	-
South Shields Community School Sub Debt	0.167	0%	0%	-	-
Social care and health fees	0.655	0%	0%	-	-
Total	**78.909**			**0.968**	**0.807**

Impairment

The Council has impaired its financial assets by a total of £0.842m and this impairment is included in the reported financial asset figures.

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

- A separate review for each class of customer such that Housing Rents, Housing Benefits overpaid, Council Tax and NNDR 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 no impairment of accrued debt.
- Impairment factors taken into consideration include the age of debt, past experience of recoverability and in the case of NNDR and 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.

Whilst payment for other asset types is not yet due, the Council does not generally allow credit for customers. £29.556m of the £32.256m 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 31 March 2010	Customers 31 March 2009
	£m	£m
Less than three months	20.426	18.707
Three to six months	1.438	1.029
Six months to one year	2.396	1.544
More than one year	5.296	2.751
Total	**29.556**	**24.031**

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. 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 not 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:

31 March 2009 £m	Loans outstanding	31 March 2010 £m
(211.979)	Public Works Loans Board	(283.407)
(10.301)	Market Debt	(10.247)
(222.280)	**Total**	**(293.654)**
(4.913)	Less than 1 year	(5.279)
(4.000)	Between 1 and 2 years	(30.000)
(31.800)	Between 2 and 5 years	(53.800)
(57.000)	Between 5 and 10 years	(66.000)
(124.567)	More than 10 years	(138.575)
(222.280)	**Total**	**(293.654)**

In the 5-10 year category there are £2 million 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 trade and other payables 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 Income and Expenditure Account.

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

- 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 in the Balance Sheet, which would also be reflected in the STRGL.

- 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 ameliorated 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 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as shown in the following table:

2008/09 £m	**Interest Rate Risk**	**2009/10 £m**
2.211	Increase in interest payable on variable rate borrowings	2.921
(1.047)	Increase in interest receivable on variable rate investments	(1.061)
(0.291)	Increase in Government grant receivable for financing costs	(0.186)
0.873	**Impact on Income and Expenditure Account**	**1.674**
0.946	**Share of overall impact debited to HRA**	**1.153**
-	Decrease in fair value of 'available for sale' fixed rate investment assets	-
1.528	**Impact on Statement of Total Recognised Gains and Losses (STRGL)**	**2.827**
(0.322)	Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	(0.228)
(24.784)	Decrease in fair value of fixed rate borrowings liabilities (no impact on I&E account or STRGL)	(25.361)

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 £0.426m in Newcastle Airport (£0.807m in 2008/09). 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 £0.426m shares are classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in the STRGL. The impact of the 2009/10 valuation can been seen in the STRGL in 2009/10.

Section 6 – Notes to the Core Financial Statements

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 47. Provisions

	Balance 1st April 2009 £m	Increase During Year £m	Applied During Year £m	Balance 31st March 2010 £m
Insurances	(2.040)	(1.635)	1.672	(2.003)
Car Parking VAT	(0.517)	-	0.517	-
Local Authority Traded Waste (LATS)	-	(0.009)	-	(0.009)
Pay Settlements (including Equal Pay)	(17.451)	(14.960)	15.139	(17.272)
Total Provisions	**(20.008)**	**(16.604)**	**17.328**	**(19.284)**

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 2010, the Council faced outstanding claims of £2.003m. Based on our past history of claims we expect £1.042m to be settled in 2009/10, £0.581m to be settled in 2010/11 and £0.380m 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 Council is in litigation with HMRC over whether VAT should be declared on off street parking income. Following a decision by the European Court the VAT being retained had to be paid over to HMRC during the year however litigation is still ongoing at the VAT Tribunal. See also note 55 on Contingent Assets.

The Council is involved in the local authority trading scheme (LATS) in respect of waste disposal at landfill. The current scheme of LATS ended in March 2009 however the Council must maintain sufficient LATS to meet its waste targets.

The Council is facing significant liabilities in relation to Equal Pay and Equal Value claims, which are reflected in the pay settlement provision. It is anticipated that most liabilities will be settled by 2011/12. The Council implemented a revised pay structure through Job Evaluation during 2008/09, which is now at the second appeal stage. A provision of £0.5m has been included for the potential back pay costs from these appeals.

Note 48. Net Worth

The net worth of the Council at the balance sheet date stands at £426.099m (2008/09 £513.204m restated), a reduction of £87.105m on the previous year. The Statement of Total Recognised Gains and Losses analyses this reduction in terms of surplus or deficit on the Income and Expenditure Account, revaluation of assets or liabilities and any prior period adjustments.

Section 6 – Notes to the Core Financial Statements

	31st March 2009 £m	Contributions (to)/from reserves £m	Transfers between reserves £m	31st March 2010 £m	Purpose of Reserve	Further Detail of Movements
Fixed Assets Revaluation Reserve	(102.003)	(33.912)	9.131	(126.784)	Store of gains on revaluation of fixed assets not yet realised through sales	See note 49
Available for Sale Financial Instrument Reserve	(0.807)	0.382	-	(0.425)	Store of gains on revaluation of Airport shares not yet realised through sales	See notes 35 and 46
Capital Adjustment Account	(601.207)	56.831	(14.054)	(558.430)	Store of capital resources set aside to meet past expenditure and losses on revaluation not met from the Fixed Asset Revaluation Reserve	See note 50
Financial Instruments Adjustment Account	(0.753)	0.037	-	(0.716)	Balancing account to allow for differences in statutory requirements and proper accounting practice for borrowings and investments	See note 46
Collection Fund Adjustment Account	0.114	(0.549)	-	(0.435)	Balancing account to allow recognition of income only in the year that it is received	See Collection Fund
Pensions Reserve	231.470	74.529	-	305.999	Balancing account to allow inclusion of Pension Liability in the Balance Sheet	See note 22
Useable Capital Receipts Reserve	(2.540)	(0.789)	0.861	(2.468)	Proceeds of fixed asset sales available to meet future capital expenditure	See note 51
Deferred Capital Receipts Reserve	(0.061)	-	0.023	(0.038)	Outstanding balance of mortgages granted by the Council for the sale of Council houses	See note 45
General Fund Balances	(1.168)	(0.201)	-	(1.369)	Balance available to support future Council Tax	See SMGFB
Earmarked Reserves	(31.212)	1.607	-	(29.605)	Resources set aside to support specific future cost pressures	See note 52
Equal Pay Account	7.566	(4.545)	-	3.021	Balancing account to allow recognition of costs only in the year that they are paid	See Foreword to the Accounts
Housing Major Repairs Reserve	(8.859)	(0.505)	4.039	(5.325)	Resources available to meet capital investment in Council Housing	See HRA note 11
Housing Revenue Account Balances	(3.744)	(5.780)	-	(9.524)	Resources available to meet future running costs of HRA services	See HRA
Total Net Worth	**(513.204)**	**87.105**	**-**	**(426.099)**		

Note 49. Fixed Asset Revaluation Reserve

The purpose of the reserve is to record the gains on revaluation of fixed assets that have not yet been realised through the disposal of the asset.

	£m
Balance as at 1st April 2009	**(102.003)**
Defect or (Surplus) arising on Revaluation of Fixed Assets	(34.027)
Adjustments with Capital Adjustment Account	9.131
Disposal of Fixed Assets	0.115
Balance as at 31st March 2010	**(126.784)**

Note 50. Capital Adjustment Account

The capital adjustment account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

	£m
Balance as at 1st April 2009 (As Restated)	**(601.207)**
Disposal of fixed assets	13.058
Reversal of Charges made to the Income and Expenditure Account	50.421
Adjustments with Revaluation Reserve	(9.131)
Adjustments with Major Repairs Reserve	(4.039)
Other Movements	(7.532)
Balance as at 31st March 2010	**(558.430)**

Note 51. Usable Capital Receipts Reserve

The Useable Capital Receipts Reserve is the earmarked element of income from the disposal of assets available to be spent on capital projects.

	£m
Balance as at 1st April 2009	**(2.540)**
Net receipts in year	(0.812)
Applied to support capital spending in year	0.884
Balance as at 31st March 2010	**(2.468)**

Note 52. Earmarked Reserves

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 lists our earmarked reserve balances at the start and the end of the 2009/10 financial year.

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

	31 March 2009	Transfers between Reserves	Contribution (to)/from Reserves	31 March 2010
	£m	£m	£m	£m
Strategic Reserve	(2.872)	(0.020)	-	(2.892)
School Balances	(6.787)	-	(0.205)	(6.992)
Structural Change Reserve	(1.674)	(0.187)	1.785	(0.076)
Maintenance Fund	(1.390)	-	0.046	(1.344)
Insurance Reserve	(3.763)	-	(0.172)	(3.935)
Corporate Strategic Financial Risk Reserve	(2.953)	-	0.200	(2.753)
Private Finance Initiative	(3.842)	-	(0.061)	(3.903)
Partnership Working	(0.224)	-	0.025	(0.199)
Grant Clawback	(0.160)	0.207	(0.196)	(0.149)
Retained Income	(0.078)	-	(0.391)	(0.469)
Other Reserves	(7.469)	-	0.576	(6.893)
Total Earmarked Reserves	**(31.212)**	**-**	**1.607**	**(29.605)**

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 (after netting off Area Based Grant). This is felt to be an appropriate level as separate earmarked reserves are created for identified risks.

Section 6 – Notes to the Core Financial Statements

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. The balances are committed to be spent on education. Of the school balances only 3 schools are in deficit totalling £0.078m.

Structural Change/Invest to Save
This reserve was created in 2006/07 to provide resources to manage the revenue cost of achieving structural changes facing the Council. These structural changes are required to ensure that the Council has sufficient funds to achieve its priorities. The reserve has been almost fully utilised during 2009/10 to support the modernisation and restructure programme implemented by 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.

Corporate Strategic Financial Risk 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 has been extended from 2009/10 to cover the budget risks from the economic downturn as well as from demand led budgets.

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 grant or contribution received that subsequently becomes repayable.

Retained Income
Income generated by specific services carried forward to allow that service to break even over the medium term.

Other reserves
Amounts set aside for specific expenditure commitments within Directorates. The most significant item relates to the revenue cost of fighting and settling potential equal pay claims

and the implementation cost of job evaluation. Significant drawdowns have been made in 2009/10 for settlements reached in these areas.

Note 53. Reserves and Balances held by Schools under Delegated Schemes

As at 31st March 2010, the Council was holding £6.993m school balances (£6.788m at 31st March 2009). 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.

Note 54. Trust Funds

The Council acts as sole trustee for legacies left by inhabitants of the Borough, the value of which at 31st March 2010 was £0.722m (£0.722m on 31st March 2009).

The largest of these legacies is the Westoe Trust that has investments worth £0.355m as at 31st March 2010 (£0.359m on 31st March 2009). 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 which are held by the Council and are there to provide a wide variety of assistance.

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 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 £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**

There were no outstanding liabilities on the Trusts at the balance sheet date.

Note 55. 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. 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.

Note 56. 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 2010, the Actuary assessed the deficit at £32.280m (£25.230m in 2008/09). 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 57. Post Balance Sheet Events

The Chancellor announced in his emergency Budget on 22nd June 2010 that, from April 2011, increases to public sector pensions will be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). It is the view of the actuary that the CPI will be significantly lower than the RPI and this will reduce the value of our Pension Liabilities. We are unable at this time to estimate the beneficial impact this will have on the Net Worth of the Council and so the figures presented in these accounts remain on the assumption of an RPI increase in pensions.

Note 58. Reconciliation of Movement in Cash to Net Debt

The movement in cash balances can be reconciled to the movement in net debt as follows:

	£m
Net Debt at 1st April 2009	**(188.094)**
New Loans Raised	(75.000)
Loans Repaid	5.222
Other Non Cash Changes	(23.591)
Increase in Debt	**(93.369)**
Increase in Liquid Resources	16.002
Increase in Cash Balances	3.780
Net Debt at 1st April 2010	**(261.681)**

Section 6 – Notes to the Core Financial Statements

Note 59. Reconciliation to Net Cashflow from Revenue Items

This table reconciles the deficit from the Income and Expenditure Account to the net cashflow from revenue items.

2008/09 (as restated) £m		2009/10 £m
110.875	**Deficit for the year in the income and expenditure account**	**55.220**
	Returns on Investment and Service of Financing	
0.110	Newcastle Airport Dividend	-
(0.584)	Gain or Loss on Disposal of Assets	(11.253)
(7.678)	Net Interest Payments	(14.470)
(8.152)	**Total Returns on Investment and Service of Financing**	**(25.723)**
	Non-Cash Transactions	
0.480	Pension Fund Adjustments	(8.939)
(95.207)	Depreciation and Impairment	(34.076)
13.927	Deferred Government Grants	28.431
0.089	Collection Fund Adjustment	(0.549)
7.032	Contributions from Provisions	0.724
(37.236)	Other Items	(18.790)
(110.915)	**Total Non-Cash Transactions**	**(33.199)**
	Items on an Accruals Basis	
0.062	Stock Increase / (Decrease)	0.020
3.041	Debtors Increase / (Decrease)	9.292
(7.676)	Creditors (Increase) / Decrease	(2.331)
(4.573)	**Total Items on an Accruals Basis**	**6.981**
(12.765)	**Net Cash Flow from Revenue Activities**	**3.279**

Note 60. Financing

The following table analyses cash paid or received during the year in relation to our borrowing:

	As at 1st April 2009	31st March 2010	Movement in Year
Liquid Resources			
Cash and Bank	21.877	25.657	3.780
Short Term Deposits	-	17.402	17.402
Short Term Investments	36.217	39.630	3.413
Amounts relating to major preceptors and NNDR	1.376	0.862	(0.514)
Total Liquid Resources	**59.470**	**83.551**	**24.081**
Financing			
Borrowing Due within 1 year	(4.913)	(5.279)	(0.366)
Long Term Borrowing	(217.367)	(288.375)	(71.008)
Other Financing	(25.284)	(52.606)	(27.322)
Total Financing	**(247.564)**	**(346.260)**	**(98.696)**
Net Debt	**(188.094)**	**(262.709)**	**(74.615)**

Section 6 – Notes to the Core Financial Statements

Note 61. Government Grant Cash Analysis

The following table shows government grants for both capital and revenue activities expressed in cash terms.

	2008/09 £m	2009/10 £m
Building Schools for the Future	(23.300)	(31.483)
Transforming Primary Schools	-	(3.000)
Other Capital Grants	(15.454)	(14.731)
Dedicated Schools Fund	(87.718)	(89.472)
Housing Benefit	(49.601)	(57.465)
Area Based Grant	(20.783)	(22.064)
Revenue Support Grant	(10.690)	(16.684)
Supporting People	(5.346)	(5.073)
Surestart	(5.665)	(6.561)
Private Finance Initiative	(4.037)	(5.197)
Council Tax Benefit	(15.429)	(16.751)
Learning and Skills Council	(5.819)	(5.973)
Standards Fund Revenue	(14.588)	(14.327)
School Standards	(4.871)	(4.846)
Benefits Administration	(1.907)	(2.017)
Other Revenue Grants	(4.267)	(8.132)
Total	**(269.475)**	**(303.776)**

Note 62. Local Area Agreement

The Council is the lead authority and accountable body for the South Tyneside Local Strategic Partnership (LSP), whose members are:

- South Tyneside Council for Voluntary Services;
- South Tyneside Primary Care Trust;
- TEDCO;
- Northumbria Police;
- South Tyneside College;
- Job Centre Plus;
- Tyne and Wear Fire and Rescue Service;
- South Tyneside NHS Foundation Trust;
- South Tyneside Homes;
- BT South Tyneside;
- Groundwork South Tyneside and Newcastle;
- Culture and Wellbeing Partnership;
- Children and Young People Alliance;
- South Tyneside Enterprise Partnership (STEP);
- Blissability.

In addition there is a member on the LSP who represents the Black and Minority Ethnic communities in South Tyneside. The LSP partners have agreed a shared vision and ten key priorities to be delivered by the Local Area Agreement.

In 2008/09, the Local Area Agreement grant was replaced by Area Based Grant (ABG). ABG is a non-ringfenced grant and no conditions for use are imposed, unlike LAA where the grant had to be used to support the achievement of LAA targets. Our 2009/10 allocation for ABG of £22.064m (£20.783m in 2008/09) included a notional allocation of Working Neighbourhoods Fund. We have chosen to allocate a budget from this funding to the LSP to be awarded to projects that meet our top ten priorities.

Section 6 – Notes to the Core Financial Statements

Note 63. Authorisation of Accounts

These audited accounts were authorised for issue on 29th September 2010 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 2010.

Section 7 – Housing Revenue Account

The Local Government and Housing Act 1989 (Section 74) requires local housing authorities to keep, in accordance with proper practices, an account called the Housing Revenue Account. This account 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.

2008/09 £m		Note	2009/10 £m
	Income		
(47.831)	Rent Income from Dwellings	14	(49.053)
(0.824)	Rent Income from Non-Dwellings		(0.972)
(2.230)	Charges for Services and Facilities		(2.313)
-	Subsidy Receivable from the Secretary of State	2	(6.920)
(1.228)	Contributions towards Expenditure		(1.112)
(0.012)	Government Grant Deferred		(0.054)
(52.125)	**Total Income**		**(60.424)**
	Expenditure		
14.081	Repairs and Maintenance		10.317
16.002	Supervision and Management		15.954
0.629	Rents, Rates, Taxes and Other Charges		0.810
2.667	Negative Subsidy Payable to the Secretary of State		-
0.346	Increased Provision for Bad or Doubtful Debts		0.404
15.974	Depreciation of Fixed Assets (Dwellings)		16.969
3.461	Depreciation of Fixed Assets (Other Assets)		2.671
65.929	Impairment of Fixed Assets	3	6.616
0.505	Revenue Expenditure Funded from Capital under Statute	3	0.711
0.048	Amortisation of Intangible Assets	3	0.063
0.034	Debt Management Costs		0.085
119.676	**Total Expenditure**		**54.600**
67.551	**Net Cost of Services per Council Income and Expenditure Account**		**(5.824)**
0.204	HRA share of Corporate and Democratic Core		0.277
0.237	HRA share of Non Distributed Cost		0.346
67.992	**Net Cost of HRA Services**		**(5.201)**
1.059	Loss on the Disposal of Fixed Assets		1.292
5.832	Interest Payable and similar Charges	3	6.302
(0.202)	Interest and Investment Income	3	(0.110)
74.681	**Deficit for the Year on HRA Services**		**2.283**
(74.550)	Net additional amount required by statute to be debited or credited to the HRA Balance for the Year	1	(8.063)
0.131	**Decrease/(Increase) in HRA Balance for the Year**		**(5.780)**
(3.875)	**Housing Revenue Account Balance brought forward**		**(3.744)**
(3.744)	**Housing Revenue Account Balance carried forward**		**(9.524)**

Section 7 – Housing Revenue Account

Note 1. Movement on the Housing Revenue Account Balance

The following table details the items that reconciles the deficit reported on the HRA Income and Expenditure Account with the reported movement in the HRA balances:

2008/09 £m		2009/10 £m
	Amounts included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the Year	
(0.048)	Amortisation of Intangible Fixed Assets	(0.063)
(65.929)	Impairment of Fixed Assets	(6.616)
0.012	Government Grants Deferred Amortisation	0.054
(0.505)	Revenue Expenditure Funded from Capital under Statute	(0.711)
(0.022)	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	(0.073)
0.218	Capital Receipts not related to sale of a Fixed Asset	0.108
(1.059)	Net Loss on Disposal of HRA Fixed Assets	(1.292)
(0.020)	Net charges made for Retirement Benefits in accordance with FRS17	(0.016)
(67.353)		**(8.609)**
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the Year	
(7.239)	Transfer(from)/to Major Repairs Reserve	0.505
0.023	Employer's contributions payable to the Tyne and Wear Pension Fund and Retirement Benefits payable direct to Pensioners	0.022
0.019	Voluntary set aside for debt repayment	0.019
(7.197)		**0.546**
(74.550)	**Net additional amount required by statute to be credited to the HRA balance for the year**	**(8.063)**

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 2009/10 has been used:

Actual Entitlement 2008/09 £m		Estimated Entitlement 2009/10 £m
	Subsidy Allowances for Expenditure Items	
(9.961)	Management Allowance	(10.459)
(19.677)	Maintenance Allowance	(19.434)
(12.196)	Major Repairs Allowance	(20.144)
(7.559)	Charges for Capital	(7.681)
(49.393)	**Total Subsidy Allowance Expenditure Items**	**(57.718)**
	Subsidy Withdrawn for Income Items	
52.023	Rent Income	50.833
0.009	Interest on Receipts	0.004
52.032	**Total Subsidy Withdrawn Income Items**	**50.837**
2.639	**Net Subsidy**	**(6.881)**
-	Prior Year Adjustment	(0.039)
-	**Subsidy Receivable from the Secretary of State**	**(6.920)**
2.639	**Negative Subsidy Payable to the Secretary of State**	**-**

Section 7 – Housing Revenue Account

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 2009/10. It is made up of a number of components that are recorded in different sections of the housing revenue account.

	£m	Reference to main statements
Credit Items		
Interest Adjustments		
Amortised Discounts	-	Income and Expenditure - Interest Payable and similar Charges
Mortgage Interest	(0.004)	Income and Expenditure - Interest and Investment Income
Interest on Cash Balances	(0.106)	Income and Expenditure - Interest and Investment Income
Total Interest Adjustments	**(0.110)**	
Transfer to the Major Repairs Reserve		
Dwellings Major Repairs Allowance> Depreciation	3.176	Statement of Movement - Housing Major Repairs Reserve
Depreciation - Other Assets	(2.671)	Statement of Movement - Housing Major Repairs Reserve
Total Major Repairs Reserve	**0.505**	
Total Item 8 Credit	**0.395**	
Debit Items		
Capital Asset Charges		
Impairment Charges	6.616	Net cost of services - Impairment of Fixed Assets
Amortisation of Deferred Charges	0.711	Net cost of services - Amortisation of Deferred Charges
Amortisation of Intangible Assets	0.063	Net cost of services - Amortisation of Intangible Assets
Government Grant Deferred Adjustment	(0.054)	Net cost of services - Government Grant Deferred
Total Capital Charges	**7.336**	
Depreciation Charges		
Dwellings	16.969	Net cost of services - Depreciation of Dwellings
Other Assets	2.671	Net cost of services - Depreciation of other Assets
Total Depreciation Charges	**19.640**	
Debt Repayment and Management Costs		
Debt Management Expenses	0.085	Net cost of services - Debt Management Costs
Amortised Premiums	-	Income and Expenditure - Interest Payable and similar Charges
Total Debt Repayment and Management	**0.085**	
Capital Asset Charges Accounting Adjustment		
Capital asset charges are reversed so they do not impact on tenants' rents. The adjustment is calculated thus:		
Interest Payable on Capital Financing Requirement	6.302	Income and Expenditure - Interest Payable and similar Charges
Removal of Premiums and Discounts Amortised	(0.072)	Statement of Movement on HRA Balances
Removal of Capital Asset Charges	(7.336)	Statement of Movement on HRA Balances
Total Adjustments	**(1.106)**	
Total Item 8 Debit	**25.955**	

Note 4. HRA Share of Contributions to the Pension Reserve

An apportionment has been made to reflect FRS17 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 £0.022m (Income of £0.023m in 2008/09) has been reversed out in the Statement of Movement in the HRA balance 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 2009/10 was £0.346m (£0.237m in 2008/09).

Section 7 – Housing Revenue Account

Note 5. Rent Income

Rents were increased with effect from Monday 5th April 2009 by 3.1% to achieve an average actual rent of £56.89 on a 48-week collection. Individual dwelling rents were set based on the Government's rent restructuring formula, which will be fully implemented by 2025. 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 £1.017m, 1.61% of the total net rent collectable for Housing Revenue Account dwellings (£0.892m and 1.50% in 2008/09).

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 revised approval from the Government of £167m additional funding from 2008 to 2013, following notification from the Audit Commission that South Tyneside Homes had been rated as a two star service.

During 2009/10 South Tyneside Council paid South Tyneside Homes Limited a management fee, including capital programme management, of £13.345m (£12.352m in 2008/09).

In 2007/08 it was agreed that the sum of £0.300m would be held in a specific reserve within the Housing Revenue Account for any costs resulting from the job evaluation process. In 2009/10, £0.093m of South Tyneside Homes Limited job evaluation costs were charged to the Housing Revenue Account and funded from this earmarked reserve.

Under the housing management function, South Tyneside Homes Limited manages the collection of rents of £52.339m in 2009/10 (£50.885m in 2008/09), the repairs and maintenance of the homes of £10.317m in 2009/10 (£14.081m in 2008/09) and the delivery of the capital programme of £61.541m in 2009/10 (£28.544m in 2008/09).

The accounts for South Tyneside Homes Limited are not included within the accounts for the Housing Revenue Account.

Section 7 – Housing Revenue Account

Note 7. Housing Stock

The Council was responsible for managing an average of 18,248 dwellings and sheltered units during 2009/10. The variations during the year were:

	2009/10
Opening Balance	
Dwellings	17,081
Sheltered Units	1,201
Shared Ownership	4
Non HRA Services	8
Opening Balance as at 1st April 2009	**18,294**
Less Reductions	
Right to Buys	(36)
Demolitions	(56)
Leasehold Expiry	-
Other Disposals	-
Reclassify Dwellings as Sheltered	(37)
	(129)
Additions	
House Reinstated	-
Reclassify Dwellings as Sheltered	37
	37
Net Reduction in Stock	**(92)**
Closing Balance	
Dwellings	16,952
Sheltered Units	1,238
Shared Ownership	4
Non HRA Services	8
Closing Balance as at 31st March 2010	**18,202**

	31st March 2010
Houses	10,642
Bungalows	2,779
Flats and Maisonettes	4,781
Total Housing Stock as at 31st March 2010	**18,202**

Section 7 – Housing Revenue Account

Note 8. Movement of Fixed Assets 2009/10

The following table shows the movement of tangible fixed assets held by the Housing Revenue Account:

	Operational Assets			Non Operational Assets	
	Social Housing Dwellings £m	Other Property £m	Vehicles, Plant and equipment £m	Open Market Value Surplus Land £m	Total £m
Gross Book Value at 31st March 2009	**691.894**	**41.393**	**13.093**	**17.109**	**763.489**
Accumulated Depreciation and Impairment (as restated)	(75.238)	(5.996)	(10.609)	-	(91.843)
Net Book Value at 31st March 2009	**616.656**	**35.397**	**2.484**	**17.109**	**671.646**
Additions	56.240	3.576	-	1.253	61.069
Disposals	(3.237)	-	-	(0.389)	(3.626)
Reclassification	(0.770)	1.338	-	(0.431)	0.137
Revaluation	(6.780)	0.573	-	3.219	(2.988)
Depreciation	2.661	(0.578)	(1.664)	-	0.419
Impairment	(0.282)	-	-	(1.540)	(1.822)
Net Book Value at 31st March 2010	**664.488**	**40.306**	**0.820**	**19.221**	**724.835**

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 1st April 2009 utilising selected beacon properties. The Guidance issued by the Government in July 2005 recommended that a downward adjustment factor of 49% be applied to vacant possession values to arrive at the existing use social housing values. The factor applying prior to 1st April 2005 was 65%.

The Housing Revenue Account also holds some intangible fixed assets in the form of computer software. In 2009/10, £0.153m was added to these assets (no spend in 2008/09) and their net book value at 31st March 2010 stood at £0.224m (£0.135m in 2008/09).

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. Valuations are as at 1st April at the start of the year when the following values apply:

Section 7 – Housing Revenue Account

	1st April 2008	1st April 2009
	£m	£m
Vacant Possession Value	1,209.129	1,356.096
Existing Use Social Housing Value	(616.656)	(664.488)
Economic Cost to the Government	**592.473**	**691.608**

Note 10. Depreciation and Impairment

The Accounting Standards Board and CIPFA have accepted the Major Repairs Allowance as a reasonable estimate for the basis of calculating depreciation for Council dwellings. Due to the increase in average values because of house price inflation for 2009/10, 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 below:

	Operational Assets			
	Existing Use Value Social Housing Dwellings	Existing Use Value Other Property	Vehicles, Plant and Equipment	Total Operational Assets
	£m	£m	£m	£m
Balance at 1st April 2009	**(75.238)**	**(5.996)**	**(10.609)**	**(91.843)**
Charges in year - depreciation	(16.969)	(1.007)	(1.664)	(19.640)
Charges in year - impairment	(0.306)	-	-	(0.306)
Charges written out - depreciation	19.630	0.429	-	20.059
Charges written out -impairment	0.024	-	-	0.024
Balance at 31st March 2010	**(72.859)**	**(6.574)**	**(12.273)**	**(91.706)**

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

In 2008/09, due to the economic downturn, a 10% impairment charge was applied to all dwellings and sheltered housing units, and 17.1% on surplus land. The report of the valuation manager recommended a reversal of 5.9% of the impairment on surplus land in 2009/10 and that the 10% impairment of dwellings be maintained.

Note 11. Major Repairs Reserve

The movement in the major repairs reserve is as follows:

Major Repairs Reserve	£m
Balance at 1st April 2009	**(8.859)**
Depreciation all HRA Assets	(19.640)
Capital Expenditure from MRA (Houses)	23.679
MRA higher than Depreciation	(0.505)
Balance at 31st March 2010	**(5.325)**

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.

Section 7 – Housing Revenue Account

Spending 2008/09 £m	Capital Expenditure	Spending 2009/10 £m
	Expenditure	
27.030	Operational Dwellings	56.240
1.953	Other Land and Buildings	3.576
-	Non Operational Assets	1.253
0.166	Equipment and Intangible Assets	0.153
0.505	Revenue Expenditure Funded from Capital under Statute	0.711
29.654	**Total Spending**	**61.933**

Funding 2008/09 £m	Capital Funding	Funding 2009/10 £m
	Funding Source	
(3.419)	Major Repairs Reserve	(23.679)
(24.944)	Borrowing	(37.282)
(1.263)	Capital Receipts	-
(0.028)	Housing Revenue Contributions	-
-	General Fund Revenue Contributions	(0.019)
-	Grants and other External Income	(0.953)
(29.654)	**Total Funding**	**(61.933)**

The revenue expenditure funded from capital under statute represents home loss compensation payments and decoration allowances to tenants.

Note 13. Capital Receipts Summary

2008/09 £m		2009/10 £m
(1.714)	House Sales	(1.947)
(4.712)	Land Sales	(0.023)
(0.049)	Mortgage Principal Repayments	(0.023)
(0.093)	Discount Repayments	(0.085)
(6.568)	**Total Receipts for the Year**	**(2.078)**

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.

2008/09 Actual £m		2009/10 Estimate £m
56.570	Gross Rent Collectable (including water and sewerage charges)	58.713
3.124	Overall Arrears as at 31st March (including water and sewerage charges)	3.140
5.52%	**Overall Arrears as a percentage of gross rent collectable**	**5.35%**
3.268	Rent Arrears as at 31st March (excluding water and sewerage rates)	3.166
0.416	**Amounts written off during the year**	**0.279**
(2.045)	**Balance Sheet Provision for Bad Debts**	**(2.109)**

Whilst overall arrears at 31st March represent 5.35% of the Gross Rent Collectable (including water and sewerage charges), monies received on 1st to 2nd April 2010 have been excluded. The total amount collected in this period was £0.320m, which would reduce outstanding arrears to £2.820m representing 4.80% of the Gross Rent Collectable for the 48 weeks.

Section 7 – Collection Fund Revenue Account

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 Income and Expenditure Account. The Collection Fund is compiled on an accruals basis and consolidated with other accounts of the billing authority.

2008/09 £m		Note	2009/10 £m
	Income		
(45.788)	Council Tax	1	(46.469)
(15.348)	Transfer from General Fund - Benefits		(16.656)
(25.801)	Income Collectable from Business Ratepayers	2	(26.461)
-	Contribution towards previous years Collection Fund deficit	3	(0.028)
(86.937)	**Total Income**		**(89.614)**
	Expenditure		
60.690	Precept Payments	4	62.190
25.649	Non-Domestic Rates – Payment to National Pool		26.306
0.152	Non-Domestic Rates – Cost of Collection Allowance		0.155
25.801	Total Non-Domestic Rates	5	26.461
0.146	Council Tax Written Off		0.138
0.400	Transfer to Council Tax Bad Debt Provision		0.209
0.546	Total Bad and Doubtful Debts		0.347
-	Contribution towards previous years Collection Fund surplus		-
87.037	**Total Expenditure**		**88.998**
0.100	**Deficit/(Surplus) for the Year**		**(0.616)**
0.028	Balance brought forward from previous year		0.128
0.128	**Collection Fund Balance as at 31st March**	**6**	**(0.488)**
0.014	Deficit/(Surplus) relating to other Precepting Bodies		(0.053)
0.114	**Deficit/(Surplus) relating to South Tyneside Council**		**(0.435)**

Section 7 – Collection Fund Revenue Account

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: 44,100 in 2009/10 (44,271 in 2008/09). Council tax is calculated by multiplying the basic amount of council tax for Band D by the proportion for that particular band. In 2009/10 the Band D equivalent was £1,410.21 (£1,370.88 in 2008/09).

Council tax bills were based on the following proportions for Bands A to H:

Band	Proportion of Band D	Number of Dwellings (November 2008)
A	6/9ths	45,941
B	7/9ths	9,051
C	8/9ths	7,500
D	9/9ths	3,969
E	11/9ths	1,576
F	13/9ths	704
G	15/9ths	318
H	18/9ths	49
		69,108

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. The national poundage for 2009/10 was set at 48.1p for small businesses (45.8p 2008/09) and 48.5p for all other businesses (46.2p 2008/09).

The Non-Domestic Rates income, after reliefs and provisions, of £26.461m (£25.801m in 2008/09) was based on an average rateable value of £66.8m as at 31st March 2010 (£65.4m at 31st March 2009).

Note 3. Contribution towards previous year's Collection Fund Deficit

At 31st March 2008 the fund had a deficit of £0.028m and this has been recovered as part of the 2009/10 precepts as follows:

	2009/10 £m
South Tyneside Council	0.025
Northumbria Police Authority	0.002
Tyne and Wear Fire and Civil Defence Authority	0.001
Total Contribution towards Collection Fund Deficit	**0.028**

Section 7 – Collection Fund Revenue Account

Note 4. Precept Payments

The precept payments can be broken down as follows:

2008/09 £m		2009/10 £m
54.055	South Tyneside Council	55.407
3.465	Northumbria Police Authority	3.586
3.170	Tyne and Wear Fire and Civil Defence Authority	3.197
60.690	**Total Precept Payments**	**62.190**

Note 5. National Non-Domestic Rates Expenditure

National Non-Domestic Rates are paid by the occupiers or owners of business properties. 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.

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 SORP 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.

Note 7. Collection Fund Deficit

The Collection Fund Surplus/Deficit is shared between the Precepting bodies as follows:

2008/09 £m		2009/10 £m
0.114	South Tyneside Council	(0.435)
0.007	Northumbria Police Authority	(0.028)
0.007	Tyne and Wear Fire and Civil Defence Authority	(0.025)
0.128	**Total Contribution towards Collection Fund Balance**	**(0.488)**

The £0.128m deficit carried forward from 2008/09 has been used to reduce the amount of surplus to be distributed as at 31st March 2010.

Section 8 – Group Introduction

Group Accounts

Introduction

Many Local Authorities now provide services through partner organisations that operate under the control of the Authority. The Code of Practice on Local Authority Accounting in accordance with FRS2 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 consolidation into Group Accounts:

- South Tyneside Homes Limited
- Tyne and Wear Economic 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 18 of the policies (page 33).

South Tyneside Homes Limited (subsidiary company)

South Tyneside Council established an Arms Length Management Organisation 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. 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 £31.836m at 31st March 2010 (£25.567m at 31st March 2009).

The company made a net surplus of £0.011m in 2009/10 (surplus of £0.758m in 2009/10).

The Council's accounts include a debtor due from South Tyneside Homes of £4.100m (£2.139m at 31st March 2009) and a creditor due to South Tyneside Homes of £18.296m (£5.536m at 31st March 2009).

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 2010, the Actuary assessed the deficit at £32.280m (£25.230m at 31st March 2009). 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 8 – Group Introduction

Joint Venture – Tyne and Wear Development Company (TWEDCo)

Tyne and Wear County Council and the five district Councils of Tyne and Wear established TWEDCo in 1986. TWEDCo is a company limited by guarantee and does not have share capital. The proportion ownership within the Group Accounts is based upon population across Tyne and Wear. TWEDCo has been incorporated as a joint venture using the gross equity method, 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 amount to £14.531m at 31st March 2010 (£14.055m as restated at 31st March 2009). TWEDCo made a surplus of £0.515m in 2009/10 (surplus of £0.443m restated in 2008/09).

Joint Venture – Beamish

A Joint Committee of Local Authorities runs Beamish Museum. 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 has been incorporated as a joint venture using the gross equity method, 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 amount to £20.662m at 31st March 2010 (£20.064m at 31st March 2009). Beamish made a surplus of £0.308m in 2009/10 (deficit of £0.578m in 2008/09).

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 companies:

- 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 a joint venture.

Full details of the shareholding in Newcastle Airport Local Authority Holding Company Limited and InspiredSpaces can be found in Note 35 of the Council's single entity accounts.

Section 8 – Group Income and Expenditure

2008/09 Net Expenditure (as restated) £m		Note	2009/10 Gross Expenditure £m	2009/10 Gross Income £m	2009/10 Net Expenditure £m
3.417	Central Services to the Public		20.608	(17.989)	2.619
43.946	Cultural, Environmental, Regulatory and Planning Services		64.021	(19.195)	44.826
45.952	Education and Children's Services		206.695	(163.254)	43.441
10.146	Highways and Transport Services		12.769	(3.491)	9.278
68.060	Housing Services		120.048	(124.408)	(4.360)
49.694	Adult Social Care Services		87.097	(32.138)	54.959
6.498	Corporate and Democratic Core		9.682	(3.764)	5.918
5.605	Non Distributed Costs		11.036	(0.220)	10.816
	Share of operating results of Joint Ventures:				
(0.349)	- Turnover		-	(0.278)	(0.278)
0.319	- Cost of sales and operating expenses		0.207	-	0.207
15.379	Exceptional Items - Equal Pay		8.978	(0.093)	8.885
248.667	**Net Cost of Services**		**541.141**	**(364.830)**	**176.311**
0.584	Loss on the Disposal of Fixed Assets				11.253
9.725	Precepts of other Public Bodies				9.894
0.186	Deficits on Trading Undertakings and Dividends Receivable				0.361
15.329	Interest Payable and Similar Charges				16.631
1.340	Amount Payable to Housing Capital Receipts Pool				1.493
(5.654)	Interest and Investment Income				(2.167)
8.890	Pension Interest Cost and Expected Return on Pension Assets	8			17.990
0.015	Taxation of Group Entities	16			-
279.082	**Net Operating Expenditure**				**231.766**
(53.966)	Income from the Collection Fund				(55.931)
(38.262)	General Government Grants				(48.422)
(76.793)	Non-domestic Rates Redistribution				(72.284)
110.061	**Deficit for the Year**				**55.129**

Section 8 – Reconciliation of the Single Entity Surplus/Deficit to the Group

This statement shows how the group entities have contributed to the overall deficit on the Group Income and Expenditure Account.

2008/09 (as restated) £m		2009/10 £m
110.875	Deficit in the Group Income and Expenditure Account attributable to the Authority	55.220
	Surplus in the Group Income and Expenditure Account attributable to Group Entities:	
(0.784)	Subsidiaries	(0.020)
(0.030)	Joint Ventures	(0.071)
110.061	**Deficit for the Year on the Group Income and Expenditure Account**	**55.129**

Section 8- Group Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Group for the year and shows the aggregate change in net worth. In addition to the deficit or (surplus) generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008/09 (as restated) £m		**2009/10 £m**
110.061	Deficit for the Year on the Income and Expenditure Account	55.129
0.696	Adjustment for Finance Leases	-
(23.478)	Surplus arising on the Revaluation of Fixed Assets	(34.087)
5.960	Deficit arising on Revaluation of Available for Sale Financial Assets	0.382
115.300	Actuarial Losses on Pension Fund Assets and Liabilities	71.870
(0.756)	Surplus arising on other Reserves of Group Entities	(0.063)
207.783	**Total Recognised Losses for the year**	**93.231**
	Prior Period Adjustments	**6.827**
	Total Recognised Losses since previous financial statements	**100.058**

The Council has made prior period adjustments to the balance sheet figures reported against 2008/09 as detailed over the page. The reason for these adjustments can be found in Note 3 to the Council's single entity accounts.

Section 8 – Group Balance Sheet

This statement provides a summary of the Group's financial position as at 31st March 2010. It shows the balances and reserves at the Group's disposal, fixed assets and current assets employed in its operations and the Group's long-term borrowing position.

31st March 2009 (as restated) £m		Note	31st March 2010 £m	31st March 2010 £m
1.963	**Intangible Fixed Assets**	9		2.625
	Tangible Fixed Assets			
	Operational Assets			
616.656	Council Dwellings	10	664.488	
281.657	Other Land and Buildings	10	316.128	
8.747	Vehicles, Plant and Equipment	10	12.284	
70.097	Infrastructure	10	77.898	
5.235	Community Assets	10	5.271	1,076.069
	Non-Operational Assets			
3.029	Investment Properties		3.029	
2.857	Assets under Construction		9.892	
32.756	Surplus Assets Earmarked for Disposal		29.206	42.127
1,022.997	**Total Fixed Assets**			**1,120.821**
	Long Term Investments			
1.990	Long Term Investments: Joint Venture Assets		2.102	
(0.239)	Long Term Investments: Joint Venture Liabilities		(0.211)	
10.817	Other Long Term Investments		5.435	7.326
1.433	Long Term Debtors			1.543
1,036.998	**Total Long Term Assets**			**1,129.690**
	Current Assets			
0.843	Stocks and Work in Progress	12	0.946	
24.601	Debtors	13	31.432	
36.217	Investments		57.032	
25.794	Cash and Bank	14	27.556	116.966
1,124.453	**Total Assets**			**1,246.656**
	Current Liabilities			
(4.958)	Borrowing Repayable within 12 months		(5.309)	
(0.262)	Finance Lease Repayable within 12 months		(0.482)	
(66.590)	Creditors	15	(79.779)	
(2.074)	Bank Overdraft	14	(2.023)	(87.593)
1,050.569	**Total Assets Less Current Liabilities**			**1,159.063**
(217.367)	Long-Term Borrowing		(288.375)	
(20.008)	Provisions		(19.284)	
(42.080)	Government Grants Deferred		(68.044)	
(24.017)	PFI and Finance Lease Liability		(49.698)	
(0.960)	Deferred Liabilities		(2.396)	
(256.700)	Liability related to Defined Benefit Pension Scheme	8	(335.060)	(762.857)
489.437	**Total Assets Less Liabilities**			**396.206**

Section 8 – Group Balance Sheet

31st March 2009 (as restated) £m		Note	31st March 2010 £m	31st March 2010 £m
	Financed By			
(102.003)	Fixed Asset Revaluation Reserve			(126.784)
(0.807)	Available for Sale Financial Instrument Reserve			(0.425)
(601.207)	Capital Adjustment Account			(558.430)
(0.753)	Financial Instruments Adjustment Account			(0.716)
0.114	Collection Fund Adjustment Account			(0.435)
256.700	Pensions Reserve	8		338.279
(2.540)	Useable Capital Receipts Reserve			(2.468)
(0.061)	Deferred Capital Receipts Reserve			(0.038)
(1.168)	General Fund Balances			(1.369)
(31.212)	Earmarked Reserves			(29.605)
7.566	Equal Pay Account			3.021
(8.859)	Housing Major Repairs Reserve			(5.325)
(3.744)	Housing Revenue Account Balances			(9.524)
(1.463)	Profit / Loss and other Reserves of Group Entities			(2.387)
(489.437)	**Total Net Worth**	**17**		**(396.206)**

Section 8 – Group Cash Flow Statement

The Group Cash Flow Statement provides a summary of the cash received and payments made by the Group to third parties for both revenue and capital purposes.

2008/09 £m		Note	2009/10 £m
(13.579)	**Net Cash Flow from Revenue Activities**	**18**	**5.254**
	Returns on Investment and Servicing of Finance		
	Cash Outflows		
0.103	Finance Lease Interest Paid		0.004
13.058	Other Interest Paid		16.149
	Cash Inflows		
(6.624)	Interest Received		(2.757)
6.537	**Returns on Investment and Servicing of Finance**		**13.396**
	Capital Activities		
	Cash Outflows		
56.071	Purchase of Fixed Assets		94.288
10.000	Purchase of Long-term Investments		-
23.886	Other Capital Cash Payments		-
89.957			**94.288**
	Cash Inflows		
(7.351)	Sale of Fixed Assets		(2.008)
(45.059)	Capital Grants Received		(56.696)
(0.275)	Other Capital Cash Receipts		(1.242)
(52.685)			**(59.946)**
37.272	**Total Capital Activities**		**34.342**
30.230	**Net Cash Outflow before Financing**		**52.992**
	Management of Liquid Resources		
(48.985)	Net (Decrease)/Increase in Short Term Deposits		17.402
-	Other Liquid Resources		(1.514)
(48.985)	**Management of Liquid Resources**		**15.888**
	Financing		
	Cash Outflows		
41.000	Repayments of Amounts Borrowed		4.000
(0.674)	Capital Element of Finance Lease Rental Payments		0.307
	Cash Inflows		
(36.000)	New Loans Raised		(75.000)
4.326	**Financing**		**(70.693)**
(14.429)	**Net Increase in Cash**	**14**	**(1.813)**

Section 8 – 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 Economic 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. 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. Council Share in Group Entities

The following table gives a summary of each group entity's assets and liabilities and the Council's share in each:

	South Tyneside Homes Ltd	Tyne & Wear Economic Development Company	Beamish Museum	Total
	100% share	14% share	8% share	
	£m	£m	£m	£m
Fixed assets	0.054	1.471	-	1.525
Current assets	1.991	0.631	-	2.622
Liabilities due within one year	(15.740)	(0.080)	(0.059)	(15.879)
Liabilities due after one year	(32.280)	(0.020)	(0.052)	(32.352)
Reserves	**(45.975)**	**2.002**	**(0.111)**	**(44.084)**

Note 3. Prior Period Adjustments

The Group Balance Sheet reflects a number of Prior Period Adjustments where non-correction of opening balances would result in a material misstatement. Note 3 to the Council's Core

Section 8 – Notes to the Group Financial Statements

Financial Statements, outlines the Prior Period Adjustments recognised in the Single Entity Balance Sheet which become part of the opening Group Balance Sheet upon consolidation.

Note 4. Changes in Presentation

The presentation of certain items in the Single Entity accounts which have been incorporated in the Group Income and Expenditure Account are outlined in note 4 of the core financial statements.

Note 5. Officers' Emoluments

In accordance with Account and Audit Regulations 2003 (as amended), 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:

	Number of Employees	
	2008/09	**2009/10**
£50,000 - £54,999	62	88
£55,000 - £59,999	40	47
£60,000 - £64,999	20	28
£65,000 - £69,999	7	12
£70,000 - £74,999	4	11
£75,000 - £79,999	4	4
£80,000 - £84,999	3	10
£85,000 - £89,999	2	2
£90,000 - £94,999	5	1
£95,000 - £99,999	-	2
£100,000 - £104,999	1	-
£105,000-£109,999	1	1
£110,000 - £114,999	1	1
£180,000 - £184,999	-	1
	150	**208**

Note that this table excludes 20 senior officer posts within the Council. These have been disclosed in note 11 the single entity financial statements.

Note 6. External Audit Fees

The following table outlines the Group spending on external audit fees during the period:

2008/09		**2009/10**
£m		**£m**
0.348	Fees Payable in respect of External Audit Services	0.427
0.042	Fees Payable in respect of Grant Claim Certification	0.118
0.390	**Total Fees Payable to External Auditors**	**0.545**
0.072	Non Statutory Services	0.004
0.462	**Total Costs**	**0.549**

Note 7. Operating Leases

Group expenditure in the year on operating leasing by category of asset is as follows:

2008/09 £m		2009/10 £m
0.377	Other Land and Buildings	0.401
0.618	Vehicles and Equipment	0.474
0.995	**Total Expenditure on Operating Leasing**	**0.875**

A breakdown of the Group commitments in 2009/10 based on the date of expiry of the lease is as follows:

	Other Land and Buildings 2009/10 £m	Vehicles, Plant and Equipment 2009/10 £m
Lease expires within 1 year	0.020	0.131
Lease expires in 2 - 5 years	0.031	-
Lease expires in more than 5 years	0.351	-
Total Repayable	**0.402**	**0.131**

Note 8. Retirement Benefits

Both South Tyneside Council and South Tyneside Homes Limited employees are entitled to join the Tyne and Wear Pension Fund, which is administered by South Tyneside Council under the Regulations governing the Local Government Pension Scheme, a defined benefit scheme. The Accounting Standards Board (ASB) published an amendment to FRS17 on 7th December 2006. The amendment is effective for accounting periods beginning on or after 6th April 2008 and has therefore been incorporated into the following notes.

The key changes introduced by the amendment are as follows:

- Disclosures should show separate reconciliations of liabilities and assets from the prior years.
- Disclosure of the principal actuarial assumptions used at the balance sheet date, which includes disclosure of mortality rates if mortality is considered a material assumption.
- Unfunded liabilities should be separately disclosed.
- The fair value of the assets should comprise the bid-value for quoted securities rather than the mid-market value. This revised treatment has led to the adjustment of some of the previous year's balances.

The outstanding pension liability for the Group stands at £335.060m at 31st March 2010 (£256.700m in 2008/09).

Actuarial Assumptions Adopted

The main financial assumptions used by the Actuary for South Tyneside Homes Limited in 2009/10, 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 22 of the Council's Core Financial Statements provide the assumptions used by the Actuary for South Tyneside Council.

Section 8 – Notes to the Group Financial Statements

	31st March 2010 % per annum	31st March 2009 % per annum	31st March 2008 % per annum
Inflation rate	3.70	3.70	3.70
Rate of general increase in salaries	5.50	5.20	5.20
Rate of increase to pensions in payment	4.00	3.70	3.70
Rate of increase to deferred pensions	4.00	3.70	3.70
Discount rate	5.60	6.40	6.80

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 2010 £m	31st March 2009 £m	31st March 2008 £m
Notional value of assets	450.400	320.860	381.840
Present value of liabilities	(754.010)	(548.420)	(495.970)
Net Pension Liability	**(303.610)**	**(227.560)**	**(114.130)**

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 Income and Expenditure Account.

2008/09 £m		2009/10 £m
12.39	Current Service Cost	11.48
1.08	Past Service Cost	1.18
33.80	Interest on Pension Scheme Liabilities	36.07
(26.77)	Expected Return on Fund Assets	(19.93)
20.50	**Expense Recognised**	**28.80**

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 the Statement of Total Recognised Gains and Losses.

Changes to the present value of liabilities during the accounting period

2008/09 £m		2009/10 £m
(495.97)	**Opening present value of liabilities**	**(548.42)**
(12.39)	Current Service Cost	(11.48)
(33.80)	Interest on Pension Scheme Liabilities	(36.07)
(7.02)	Contributions by participants	(8.90)
(16.46)	Actuarial losses on liabilities	(169.79)
18.30	Net benefits paid out	21.83
(1.08)	Past service cost	(1.18)
(548.42)	**Closing present value of liabilities**	**(754.01)**

Section 8 – Notes to the Group Financial Statements

Changes to the fair value of assets during the accounting period

2008/09 £m		2009/10 £m
381.84	**Opening fair value of assets**	**320.86**
26.77	Expected return on assets	19.93
(97.77)	Actuarial (losses)/gains on assets	100.60
21.30	Contributions by the employer	21.94
7.02	Contributions by participants	8.90
(18.30)	Net benefits paid out	(21.83)
320.86	**Closing fair value of assets**	**450.40**

Actual return on assets

2008/09 £m		2009/10 £m
26.77	Expected return on assets	19.93
(93.97)	Actuarial (loss)/gain on assets	100.60
(67.20)	**Actual return on assets**	**120.53**

Analysis of amount recognised in Statement of Total Recognised Gains and Losses

2008/09 £m		2009/10 £m
(114.23)	Total actuarial losses	(69.19)
(114.23)	**Total Loss in STRGL**	**(69.19)**

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

2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m		2009/10 £m
(390.62)	(388.19)	(381.84)	(320.86)	Fair value of assets	(450.40)
588.64	545.94	495.97	548.42	Present value of liabilities	754.01
198.02	**157.75**	**114.13**	**227.56**	**Deficit**	**303.61**

History of experience gains and losses

2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m		2009/10 £m
(51.13)	(2.31)	(42.50)	(93.97)	Experience (losses)/gains on assets	100.60
(0.37)	(0.14)	1.30	(2.20)	Experience(losses)/gains on liabilities	6.50

In accordance with paragraph 79 of FRS17 (as revised), 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 restated for periods ending 2007 and 2006 and includes the experience relating to unfunded liabilities.

Unfunded Benefits

South Tyneside Homes Limited has no unfunded benefits in their accounts for 2009/10, in line with the Actuarial information provided. Disclosure information relating to unfunded benefits for South Tyneside Council can be found at note 22, section b of the core financial statements within this document.

Section 8 – Notes to the Group Financial Statements

Note 9. Intangible Fixed Assets

The following table shows the movement in the value and amortisation provision of intangible fixed assets. All intangible assets owned by the Group relate to software licences, which are amortised to Group Income and Expenditure on a straight-line basis using an average useful life of 5 years.

	Software Licences £m
Gross Book Value 31st March 2009	3.388
Accumulated Amortisation and Impairment	(1.425)
Net Book Value at 31st March 2009	**1.963**
Additions	1.457
Amortisation	(0.795)
Net Book Value at 31st March 2010	**2.625**

Note 10. Movement of Tangible Fixed Assets

The following table analyses the movement in operational tangible fixed assets for the Group and the nature of assets held.

Operational Fixed Assets	**Council Dwelling**	**Other Land and Buildings**	**Comm. Assets**	**Infra-structure**	**Vehicles Plant and Equip**	**Total**
Cost or valuation	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1st April 2009 (as restated)	691.894	309.415	5.511	82.427	32.221	1,121.468
Additions	56.240	47.303	0.328	10.198	8.092	122.161
Disposals	(3.237)	(10.363)	-	-	(0.858)	(14.458)
Reclassifications	(0.770)	1.885	-	-	-	1.115
Revaluations	(6.780)	(1.271)	-	0.026	0.084	(7.941)
At 31st March 2010	**737.347**	**346.969**	**5.839**	**92.651**	**39.539**	**1,222.345**
Depreciation and Impairments						
At 1st April 2009 (as restated)	(75.238)	(27.758)	(0.276)	(12.330)	(23.474)	(139.076)
Charge for 2009/10	(17.278)	(12.633)	(0.292)	(2.423)	(4.614)	(37.240)
Disposals	0.415	0.401	-	-	0.858	1.674
Reclassifications	0.107	(0.125)	-	-	-	(0.018)
Revaluations	19.135	9.274	-	-	(0.025)	28.384
At 31st March 2010	**(72.859)**	**(30.841)**	**(0.568)**	**(14.753)**	**(27.255)**	**(146.276)**
Balance Sheet amount at 31st March 2009	**616.656**	**281.657**	**5.235**	**70.097**	**8.747**	**982.392**
Balance Sheet amount at 31st March 2010	**664.488**	**316.128**	**5.271**	**77.898**	**12.284**	**1,076.069**
Nature of Asset Holding						
Owned	664.488	284.430	5.271	59.466	12.284	1,025.939
Finance Lease	-	0.959	-	-	-	0.959
Private Finance Initiative	-	30.739	-	18.432	-	49.171
Balance Sheet amount at 31st March 2010	**664.488**	**316.128**	**5.271**	**77.898**	**12.284**	**1,076.069**

Note 11. Depreciation and Impairment

Information on the treatment of depreciation and impairment for South Tyneside Council is included in note 30 to the Core Financial Statements included within this document. Depreciation charges for South Tyneside Homes Limited have been adjusted upon consolidation for Group Accounts to align accounting policies.

Section 8 – Notes to the Group Financial Statements

Note 12. Stock and Work in Progress

An analysis of stock balances for the Group is shown below:

31st March 2009 £m		31st March 2010 £m
0.326	Home Loan Equipment Centre	0.405
0.106	Catering Service	0.113
0.281	South Tyneside Homes Limited	0.364
0.130	Other Stock	0.064
0.843	**Total Stock**	**0.946**

Note 13. Debtors

An analysis of Group debtors is shown below:

31st March 2009 as restated £m		31st March 2010 £m
	Amounts Falling Due in One Year	
9.396	Government Bodies	13.279
1.199	Other Local Authorities	0.927
3.124	Housing Tenants	3.140
4.559	Council Tax Payers	4.433
12.185	Sundry Debtors	15.570
	Provisions for Bad debts	
(2.045)	Housing Rents	(2.109)
(1.804)	Council Tax	(1.901)
(2.013)	All Other Debtors	(1.907)
(5.862)	**Total Bad Debt Provisions**	**(5.917)**
24.601	**Net Debtors**	**31.432**

Note 14. Increase / (Decrease) in Cash

The net movement in cash resources between the balance sheet dates is as follows:

	As at 1st April 2009	As at 31st March 2010	Movement in Year
Cash in Hand and at Bank	25.794	27.556	1.762
Bank Overdraft	(2.074)	(2.023)	0.051
Net Cash and Bank Position	**23.720**	**25.533**	**1.813**

Note 15. Creditors

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

31st March 2009 as restated £m		31st March 2010 £m
(29.757)	Government Bodies	(30.048)
(0.843)	Other Local Authorities	(0.759)
(0.645)	Housing Tenants	(0.845)
(0.846)	Council Tax Payers	(0.896)
(34.499)	All Other Creditors	(47.231)
(66.590)	**Total Creditors**	**(79.779)**

Section 8 – Notes to the Group Financial Statements

Note 16. 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.

Note 17. Net Worth

The net worth of the Group at the Balance Sheet date stands at £396.206m (£489.437m as restated in 2008/09). The Group Statement of Total Recognised Gains and Losses analyses this growth in terms of surplus or deficit on the Group Income and Expenditure Account together with any revaluation of assets or liabilities.

Note 18. Reconciliation to Net Cashflow from Revenue Items

This table reconciles the deficit/surplus from the Income and Expenditure Account to the net cashflow from revenue items.

2008/09 (as restated) £m		2009/10 £m
110.061	**Deficit for the year on the income and expenditure account**	**55.129**
	Returns on Investment and Service of Financing	
0.110	Newcastle Airport Dividend	-
(0.584)	Gain or Loss on Disposal of Assets	(11.253)
(7.678)	Net Interest Payments	(14.464)
(8.152)	**Total Returns on Investment and Service of Financing**	**(25.717)**
	Non-Cash Transactions	
0.480	Pension Fund Adjustments	(9.709)
(93.440)	Depreciation and Impairment	(34.113)
13.927	Deferred Government Grants	28.431
0.089	Collection Fund Adjustment	(0.549)
7.032	Contributions from Provisions	0.724
(0.029)	Group Entities	0.081
(38.213)	Other Items	(18.790)
(110.154)	**Total Non-Cash Transactions**	**(33.925)**
	Items on an Accruals Basis	
(0.066)	Stock Increase / (Decrease)	0.103
4.345	Debtors Increase / (Decrease)	23.123
(9.613)	Creditors (Increase) / Decrease	(13.459)
(5.334)	**Total Items on an Accruals Basis**	**9.767**
(13.579)	**Net Cash Flow from Revenue Activities**	**5.254**

Note 19. Contingent Liabilities

Details of the Councils contingent liabilities can be found in note 56 of the core financial statements. This details a liability in relation to the Council's guarantee of the Pension Deficit within South Tyneside Homes Limited.

Section 8 – Notes to the Group Financial Statements

Note 20. Post Balance Sheet Events

Events since the balance sheet date have been reflected in the statement of accounts and can be found in the relevant notes to the accounts.

Note 21. Reconciliation of Movement in Cash to Net Debt

The movement in cash balances can be reconciled to the movement in net debt.

	£m
Net Debt at 1st April 2009	(188.094)
New Loans Raised	(75.000)
Loans Repaid	5.222
Other Non Cash Changes	(23.591)
Increase in Debt	**(281.463)**
Increase in Liquid Resources	16.002
Increase in Cash Balances	1.813
Net Debt at 1st April 2010	**(263.648)**

Note 22. Authorisation of Accounts

These audited accounts were authorised for issue on 29th September 2010 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 2010.

Section 9 – Tyne and Wear Pension Fund Accounts

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 2010, there were 145 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 110,450 members, made up of 48,142 active members, 34,551 pensioners and 27,757 deferred members.

Further information may be obtained from the Pension Fund Report and Accounts for 2009/10.

2. Legal Framework

The framework for the Scheme is contained in Regulations made by the Department for Communities and Local Government. These Regulations apply nationally to all local authorities in England and Wales.

The rules of the Scheme are set out in three sets of regulations. The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, as amended, 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 Tyne and Wear Pension Fund Accounts 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 2009/10 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, an increase of 1% over the rate of 20.1% that was set by the 2004 valuation. The future service element of the employer contribution rate was increased to 15.1% of pensionable pay, from 14.0% of pensionable pay at the 2004 valuation. The revised employers' contributions were implemented from 1st April 2008.

A valuation as at 31st March 2010 is currently being undertaken.

4. Funding Strategy

The strategy for the 2007 valuation is set out in the Funding Strategy Statement and in the Actuary's Statement. Both documents may be viewed on the Fund's website at www.twpf.info

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, including an extended deficit recovery period 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 1st April 2008.

Other measures were:

- An increase in the discount rate for scheduled bodies.
- 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.

5. Events since the 2007 Valuation

The experience of a number of factors that affect the funding level has been very 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 impact negatively on the funding position, which has deteriorated significantly.

So far, this has not affected contributions paid by those employers whose rates were set by the 2007 valuation. However, it has affected terminal valuations and rates set for new employers.

The Pensions Committee will review its funding strategy at the 2010 valuation, which will set revised contribution rates from April 2011.

Section 9 – Tyne and Wear Pension Fund Accounts

The Council of the Borough of South Tyneside
Statement of the Actuary for the year ended 31st March 2010

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 2007, in accordance with Regulation 77(1) of the Local Government Pension Scheme Regulations 1997.

Actuarial Position

1. Rates of contributions paid by the participating Employers during 2009/10 were based on the actuarial valuation carried out as at 31st March 2007.

2. The valuation as at 31st March 2007 showed that the funding ratio of the Fund had improved since the previous valuation with the market value of the Fund's assets at that date (of £3,726.5m) covering 79% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration. The main reasons for the improvement in the funding ratio since 31st March 2004 were higher than expected investment returns on the Fund's assets and additional employer contributions paid to reduce the deficit revealed at the 2004 valuation. These had been partially offset by the impact of changes in the actuarial assumptions used, including changes to reflect higher price inflation expectations and longevity improvements.

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 2008 was as set out below:

   - 15.1% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

   Plus

   - 6.0% of pensionable pay 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 2008.

   These figures were based on the Regulations in force, or enacted by Parliament and due to come into force, at the time of signing the valuation report and, in particular, allowed for the following changes to the Fund benefits since the previous valuation:

- The Rule of 85 retirement provisions were reinstated, and subsequently removed again. Transitional protections for some categories of member were extended to widen their coverage.
- Changes were made consistent with the Finance Act 2004.
- A new scheme had been put in place which came into effect as at 1st April 2008. All existing members transferred to the new scheme as at that date.

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 2008 to 31st March 2011 are set out in a certificate dated 27th March 2008 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.

7. The main actuarial assumptions were as follows:

Discount rate	
Scheduled Bodies	
Pre retirement:	6.6% a year
Post retirement:	5.6% a year
Admitted Bodies	
In service:	6.2% a year
Left service:	5.2% a year
Rate of general pay increases	4.7% a year
Rate of increases to pensions in payment	3.2% a year
Valuation of assets	market value

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. Since the actuarial valuation as at 31st March 2007 two such reviews have been carried out with effective dates of 31st March 2008 and 31st March 2009. A revised Rates and Adjustments Certificate was signed on 10th March 2009.

9. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31st March 2010 which is currently underway. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1st April 2011 to 31st March 2014 are required by the Regulations to be signed by 31st March 2011.

10. This statement has been prepared by the Actuary to the Fund, Hewitt Associates 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 2007. 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 valuation report which details fully the context and limitations of the actuarial valuation.

    Hewitt Associates Limited does not accept any responsibility or liability to any party other than our client, South Tyneside Council, in respect of this statement.

    Hewitt Associates Limited
    27th May 2010

Section 9 – Tyne and Wear Pension Fund Accounts

Fund Account

2008/09 £m		Note	2009/10 £m
	Contributions and Benefits		
(208.638)	Contributions Receivable - Employers	3	(239.097)
(59.806)	Contributions Receivable - Employees	3	(61.716)
(11.055)	Transfers In	4	(17.283)
(279.499)	**Total Contributions**		**(318.096)**
166.472	Benefits Payable	5	206.584
6.774	Leavers	6	21.828
2.680	Administrative Expenses	7	2.665
175.926	**Total Benefits**		**231.077**
(103.573)	**Net Additions from Dealings with Members**		**(87.019)**
	Returns on investments		
(85.268)	Investment Income	8	(68.276)
3.929	Non-Recoverable Tax	8	2.342
754.000	Change in Market Value of Investments	9	(1,054.399)
5.865	Investment Management Expenses	10	7.753
678.526	**Net Returns on Investments**		**(1,112.580)**
574.953	**Net Decrease/(Increase) in the Fund During the Year**		**(1,199.599)**
3,677.691	**Net Assets of the Fund at 1st April**		**3,102.738**
3,102.738	**Net Assets of the Fund at 31st March**		**4,302.337**

Section 9 – Tyne and Wear Pension Fund Accounts

Net Assets Statement

31st March 2009 £m		Note	31st March 2010 £m
3,092.885	Investment Assets	9	4,281.152
(11.263)	Investment Liabilities	9	(7.890)
28.220	Current Assets	11	49.295
(7.104)	Current Liabilities	11	(20.220)
3,102.738	**Net Assets of the Fund at 31st March**		**4,302.337**

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, which is attached. The financial statements should be read in conjunction with the Actuary's statement.

Section 9 – Tyne and Wear Pension Fund Accounts

Notes to the Tyne and Wear Pension Fund Financial Statements

1. Basis of Preparation

The financial statements have been prepared in accordance with the main recommendations of the Statement of Recommended Practice (SORP) (Financial Reports of Pension Schemes), revised May 2007, and subject to note 5 follow the 2009 Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. Accounting Policies

The accounts have been prepared on an accruals basis. The exception to this practice is Transfer Values which in line with SORP, 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 2010.

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 2010 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 2010.

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 2010.

Properties are shown as valued at 31st March 2010. 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 2010 have been accrued.

Section 9 – Tyne and Wear Pension Fund Accounts

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 2010.

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 2010 is credited to the Fund Account.

Interest on cash deposits has been accrued up to 31st March 2010.

Investment Management Expenses

Investment management expenses payable as at 31st March 2010 have been accrued.

Foreign Currencies

Assets and liabilities in foreign currencies have been converted into Sterling at the closing exchange rates on 31st March 2010.

Contributions

Contributions represent the amounts received from the organisations participating in the Fund; these may be district councils, other scheduled bodies or admitted bodies. 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 2010 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 payments/receipts basis.

Section 9 – Tyne and Wear Pension Fund Accounts

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, however these have been included as a note to the accounts.

3. Contributions Receivable

2008/09 £m		2009/10 £m
	Employers	
(140.917)	Normal	(145.356)
(67.418)	Deficit Funding	(93.066)
(0.303)	Augmentation	(0.675)
(208.638)		**(239.097)**
	Members	
(59.051)	Normal	(61.051)
(0.755)	In-House Additional Voluntary Contributions	(0.665)
(59.806)		**(61.716)**
(268.444)	**Total Contributions Receivable**	**(300.813)**

The contributions can be analysed by type of member body as follows:

2008/09 £m		2009/10 £m
(23.666)	South Tyneside Council (Administering Authority)	(27.842)
(158.694)	Other Metropolitan Councils	(179.117)
(52.759)	Other Part 1 Scheduled Bodies	(56.102)
(10.232)	Part 2 Scheduled Bodies	(11.528)
(23.093)	Admitted Bodies	(26.224)
(268.444)	**Total Contributions Receivable**	**(300.813)**

4. Transfers In

During the year, individual transfers in from other schemes amounted to £17.283m (£11.055m in 2008/09). There were no bulk transfers in during 2009/10 or 2008/09.

5. Benefits Payable

2008/09 £m		2009/10 £m
139.263	Pensions	152.174
34.064	Commutations and Lump Sum Retirement Benefits	61.663
3.685	Lump Sum Death Benefits	3.646
(10.540)	Recharges out	(10.899)
166.472	**Total Benefits Payable**	**206.584**

2008/09 £m		2009/10 £m
17.049	South Tyneside Council (Administering Authority)	21.029
109.327	Other Metropolitan Councils	135.612
20.267	Other Part 1 Scheduled Bodies	26.394
5.919	Part 2 Scheduled Bodies	6.648
13.910	Admitted Bodies	16.901
166.472	**Total Benefits Payable**	**206.584**

6. Leavers

2008/09 £m		2009/10 £m
6.745	Individual Transfers to Other Schemes	21.803
0.042	Refunds to Members Leaving Service	0.029
(0.013)	State Scheme Premiums	(0.004)
6.774	**Total Leavers**	**21.828**

There were no bulk transfers out of the scheme in 2009/10 or 2008/09.

7. Administration Expenses

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, as amended, 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:

2008/09 £m		2009/10 £m
1.590	Employee Expenses	1.622
0.441	Support Services Recharge	0.487
0.050	Audit Fees	0.090
0.136	External Computing Costs	0.119
0.115	Printing / Publications	0.088
0.314	Professional Fees	0.103
0.041	Other Expenses	0.161
(0.007)	Income	(0.005)
2.680	**Total Administration Expenses**	**2.665**

Employee expenses have been charged to the Fund on a time basis. Office expenses and other overheads have also been charged.

The Pension Fund is audited by PricewaterhouseCoopers LLP (PwC), the appointed auditors to South Tyneside Council. The audit fee in respect of the Pension Fund is charged by PwC to the Council, who then pass the cost on to the Pension Fund. The cost in 2009/10 of £90,000 in the Pension Fund financial statements consists of £70,000 in respect of the 2009/10 audit and £20,000 in respect of the 2008/09 audit; the fee of £20,000 in respect of 2008/09 was charged to the Pension Fund in 2009/10, hence its inclusion in the 2009/10 financial statements. The total fees payable by the Fund to the Council in respect of the audit of the Pension Fund financial statements is £70,000 for both 2008/09 and 2009/10.

8. Investment Income

2008/09 £m		2009/10 £m
(1.104)	Fixed Interest Securities	(0.682)
(50.746)	Equities	(31.378)
(0.512)	Index-Linked Securities	(0.589)
(11.841)	Pooled Investment Vehicles	(16.023)
(18.517)	Net Rents from Properties	(19.265)
(1.688)	Cash Deposits	(0.179)
(0.597)	Securities Lending	-
(0.103)	Commission Recapture	(0.024)
(0.160)	Underwriting Commission	(0.136)
(85.268)	**Sub-Total**	**(68.276)**
3.929	Non-Recoverable Tax	2.342
(81.339)	**Total Investment Income**	**(65.934)**

Section 9 – Tyne and Wear Pension Fund Accounts

9. Investments

31st March 2009 £m		31st March 2010 £m
	Investment Assets	
1.553	Fixed Interest Securities	30.887
891.996	Equities	1,310.835
19.930	Index-Linked Securities	33.363
1,858.658	Pooled Investment Vehicles	2,537.628
0.072	Derivative Contracts	0.209
259.610	Properties	321.235
51.689	Cash Deposits	36.126
9.377	Other Investment Balances	10.869
3,092.885	**Total Investment Assets**	**4,281.152**
	Investment Liabilities	
(0.264)	Derivative Contracts	-
(10.999)	Other Investment Balances	(7.890)
(11.263)	**Total Investment Liabilities**	**(7.890)**
3,081.622	**Net Investment Assets**	**4,273.262**

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 2009 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change in Market Value £m	Value at 31st March 2010 £m
Fixed Interest Securities	1.553	96.416	(66.922)	(0.160)	30.887
Equities	891.996	695.755	(681.036)	404.120	1,310.835
Index-Linked Securities	19.930	65.571	(55.531)	3.393	33.363
Pooled Investment Vehicles	1,858.658	207.020	(159.302)	631.252	2,537.628
Derivative Contracts	(0.192)	1.771	(2.093)	0.723	0.209
Properties	259.610	53.360	(7.750)	16.015	321.235
	3,031.555	**1,119.893**	**(972.634)**	**1,055.343**	**4,234.157**
Cash Deposits	51.689	-	(14.501)	(1.062)	36.126
Other Investment Balances	(1.622)	6.243	(1.760)	0.118	2.979
Total Investments	**3,081.622**	**1,126.136**	**(988.895)**	**1,054.399**	**4,273.262**

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31st March 2009 £m		31st March 2010 £m
	Fixed Interest Securities	
1.553	UK Public Sector	30.887
1.553	**Total Fixed Interest Securities**	**30.887**
	Equities	
165.413	UK Quoted	266.657
690.921	Overseas Quoted	997.488
3.300	UK Unquoted	3.300
32.362	Overseas Unquoted	43.390
891.996	**Total Equities**	**1,310.835**
	Index Linked Securities	
14.082	UK Public Sector	25.118
5.848	UK Non Public Sector	7.089
-	Overseas Public Sector	1.156
19.930	**Total Index-Linked Securities**	**33.363**
	Pooled Investment Vehicles	
69.621	Unit Trusts	103.848
1,090.465	Unitised Insurance Policies	1,529.485
698.572	Other Managed Funds	904.295
1,858.658	**Total Pooled Investment Vehicles**	**2,537.628**
	Derivative Contracts	
(0.264)	Futures Contracts	-
0.072	Forward Foreign Currency Contracts	0.209
(0.192)	**Total Derivative Contracts**	**0.209**
	Properties	
239.870	Freehold	279.845
19.740	Long Leasehold	41.390
259.610	**Total Properties**	**321.235**
	Cash Deposits	
36.301	Sterling	27.397
15.388	Foreign Currency	8.729
51.689	**Total Cash Deposits**	**36.126**
	Other Investment Balances	
0.264	Amounts Due for Variation Margin	-
(3.955)	Outstanding Trades	0.551
7.062	Outstanding Dividends and Tax Recoveries	8.045
2.051	Debtors	2.273
(7.044)	Creditors	(7.890)
(1.622)	**Total Other Investment Balances**	**2.979**
3,081.622	**Total Investments**	**4,273.262**

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 £4.846m (£6.756m in 2008/09). 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, as amended, 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 over the page:

2008/09 £m		2009/10 £m
5.718	Administration, Management and Custody	7.437
0.087	Performance and Risk Measurement Services	0.078
0.060	Other Advisory Fees	0.238
5.865	**Total Investment Management Expenses**	**7.753**

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 2009 £m		31st March 2010 £m
	Current Assets	
4.718	Contributions and Recharges Due - Employees	4.998
23.278	Contributions and Recharges Due - Employers	43.964
0.088	Investment Management Expenses	0.094
0.136	Other	0.239
28.220	**Total Current Assets**	**49.295**
	Current Liabilities	
(2.473)	Unpaid Benefits	(10.200)
(0.336)	Contributions and Recharges Due - Employers	-
(1.170)	Inland Revenue	(1.320)
(1.906)	Investment Management Expenses	(2.867)
(1.219)	Other	(5.833)
(7.104)	**Total Current Liabilities**	**(20.220)**

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, as amended, these amounts are not credited to the Fund and as such are excluded from the Fund's accounts.

Equitable Life has been experiencing financial difficulties in recent years, which 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 2009/10, £1.387m of contribution income was received into the AVC funds provided by The Prudential (£1.008m during 2008/09). As at 31st March 2010, these funds were valued at £8.765m (£7.653m as at 31st March 2009).

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During 2009/10, £0.004m contribution income was received into the AVC funds operated by Equitable Life (£0.004m during 2008/09). As at 31st March 2010, these funds were valued at £0.427m (£0.576m as at 31st March 2009).

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 seven specialist external investment managers on thirteen investment mandates 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.

A number of investments have been made in Private Equity funds. The Private Equity investment programme is well diversified across providers, geography, industry and vintage years. The Fund has made commitments to fund of funds managed 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.

Investments have been made in two infrastructure funds managed by Henderson Global Investors and M and G.

The market values of investments in the hands of each manager were:

31st March 2009 £m			31st March 2010 £m	
		Investment Managers		
259.610	8.4%	Aberdeen Property Investors	321.235	7.5%
281.931	9.2%	Capital International - Global Equities	410.111	9.6%
73.656	2.4%	Capital International - Emerging Markets	122.603	2.9%
320.103	10.4%	Henderson Global Investors	372.927	8.7%
904.915	29.4%	Legal and General Investment Management	1,250.824	29.4%
215.996	7.0%	M&G	346.956	8.1%
247.890	8.0%	Schroder Investment Management	346.969	8.1%
392.677	12.7%	UBS Global Asset Management	609.150	14.3%
63.986	2.1%	Active Currency	95.792	2.2%
272.874	8.9%	Private Equity	355.701	8.3%
31.467	1.0%	Infrastructure	27.337	0.6%
16.517	0.5%	Managed In-House	13.657	0.3%
3,081.622	**100.0%**	**Total Investments**	**4,273.262**	**100.0%**

14. Investment Performance

There has been an increase in value across the main asset classes since April 2009, with sharp rises in Global equity markets. Emerging and Pacific ex Japan equity markets returned 75.0% and 64.9% respectively, whilst the UK equity market rose by 52.3%.

The rise in equity markets led investors to move away from the safer haven of gilts, which only rose by 0.8% over the year. Property started to rally from mid year and ended the year up by 16.4%. Consequently, the value of UK pension fund assets rose in 2009/10 for the first time in three years.

The Fund's return for the year was 36.7%, which was 0.9% below its benchmark return of 37.6%. Inflation, as measured by the Retail Price Index, rose by 4.4% and average earnings excluding bonuses increased by 1.7%.

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 7.7% per annum this is 0.3% below the Fund's benchmark return for the period of 8.0% per annum, this underperformance is largely attributable to below benchmark returns from certain of the Fund's active equity managers and to very poor returns from the active currency mandates. These returns are above inflation at 3.0% per annum and the increase in average earnings of 3.1% per annum.

The Fund's annual return over the last ten years has been 4.8% per annum which is 0.6% above the Fund's benchmark return for the period of 4.2%. These returns are above inflation at 2.7% per annum and the increase in average earnings at 3.65% 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

As at 31st March 2010, the Fund did not hold any Futures contracts.

Forward Currency Contracts

The Fund has used Forward Currency Contracts to hedge the currency exposure on certain overseas investments. As at 31st March 2010, the Fund held five positions in foreign currency that together showed an unrealised profit of £0.209m, as shown in the following table:

Type of Forward Foreign Currency Contracts		Market Value £m
One Month - Over the Counter	Bought USD/Sold CHF	(0.076)
One Month - Over the Counter	Bought USD/Sold EUR	0.043
One Month - Over the Counter	Bought USD/Sold JPY	0.203
One Month - Over the Counter	Bought EUR/Sold AUD	0.035
One Month - Over the Counter	Bought USD/Sold GBP	0.004
		0.209

These positions were settled in April 2010 at an overall profit of £0.265m.

17. Securities Lending

The securities lending programme which is operated through the Fund's custodian, Northern Trust, was suspended from September 2008 due to market turmoil and resulting concern over counterparty risk. As the programme was suspended for the whole of 2009/10 the Fund had no stock out on loan as at 31st March 2010. Comparative figures have been shown as the programme was restarted from the 1st April 2010. As the Fund did not have any assets on loan as at 31st March 2010, it did not hold any collateral.

18. Significant Holdings

As at 31st March 2010, the Fund had two holdings that 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 2010, this was valued at £1,250.824m and represented 29.1% of the total net assets of the Fund. During 2009/10, the European ex UK Equities fund was closed, this reduced the split in the insurance contract into five individual funds, each representing a different asset class, as follows:

31st March 2009 £m		31st March 2010 £m
673.515	UK Equities	956.228
23.559	European ex UK Equities	-
97.156	North American Equities	134.119
10.916	UK Gilts	52.075
28.946	AAA Fixed Interest	30.166
70.823	Index-Linked Gilts	78.236
904.915	**Total**	**1,250.824**

- M and G Limited (formerly Prudential Pensions Limited) – Corporate Bond All Stocks Fund. As at 31st March 2010, this was valued at £278.662m (£185.551m as at 31st March 2009, restated) and represented 6.5% of the total net assets of the Fund.

19. Outstanding Commitments

As at 31st March 2010 the Fund had twenty-seven outstanding commitments to investments:

Name of Fund	Year	Value	Drawdowns Made	Commitment Outstanding	
		m	m	m	m
HarbourVest International Private Equity Partners IV	2002	$55.0	$50.6	$4.4	£2.9
HarbourVest Partners VII Cayman Buyout Fund	2002	$46.0	$35.0	$11.0	£7.3
HarbourVest Partners VII Cayman Mezzanine Fund	2002	$8.0	$6.5	$1.5	£1.0
HarbourVest Partners VII Cayman Venture Fund	2002	$28.0	$22.1	$5.9	£3.9
HarbourVest Partners 2004 Direct Fund	2004	$30.0	$29.6	$0.4	£0.3
Capital International Private Equity Fund IV	2004	$18.0	$17.2	$0.8	£0.5
HarbourVest International Private Equity Partners V - Partnership	2005	€ 100.0	€ 59.8	€ 40.2	£35.9
HarbourVest International Private Equity Partners V - Direct	2005	€ 30.0	€ 25.7	€ 4.3	£3.8
Pantheon Asia Fund IV	2005	$20.0	$11.2	$8.8	£5.8
Pantheon Europe Fund IV	2005	€ 25.0	€ 16.4	€ 8.6	£7.7
Pantheon USA Fund VI	2005	$30.0	$21.9	$8.1	£5.3
Lexington Capital Partners VI-B	2005	$30.0	$24.5	$5.5	£3.6
HarbourVest Partners VIII Cayman Buyout Fund	2006	$112.0	$43.7	$68.3	£45.0
HarbourVest Partners VIII Cayman Venture Fund	2006	$56.0	$27.7	$28.3	£18.7
Pantheon Europe Fund V	2006	€ 35.0	€ 17.0	€ 18.0	£16.1
Pantheon USA Fund VII	2006	$35.0	$12.5	$22.5	£14.8
Coller International Partners V	2006	$30.0	$16.4	$13.6	£9.0
HarbourVest Partners 2007 Direct Fund	2007	$30.0	$12.1	$17.9	£11.8
Pantheon Asia Fund V	2007	$20.0	$7.2	$12.8	£8.4
Pantheon Europe Fund VI	2007	€ 40.0	€ 8.4	€ 31.6	£28.2
Pantheon USA Fund VIII	2007	$35.0	$5.6	$29.4	£19.4
Capital International Private Equity Fund V	2007	$35.0	$25.4	$9.6	£6.3
Co-Investment Partners Europe	2007	€ 30.0	€ 14.9	€ 15.1	£13.5
Partners Group 2006 Direct Fund	2007	€ 30.0	€ 26.4	€ 3.6	£3.2
Infracapital	2007	£35.0	£24.6	£10.4	£10.4
Pantheon International Participations	2008	£10.0	£3.3	£6.7	£6.7
Total Outstanding Commitments					**£289.5**

The Sterling figures for these outstanding commitments are based on the closing exchange rates on 31st March 2010.

20. Related Party Transactions

Under FRS8 “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 2009/10, South Tyneside Council charged the Fund £0.698m (£0.719m in 2008/09) in respect of services provided, primarily financial, legal and information technology. The Fund charged South Tyneside Council £0.049m (£0.049m in 2008/09) in respect of Treasury Management services.

There were no material contributions due from employer bodies that were outstanding at the year-end.

Section 9 – Tyne and Wear Pension Fund Accounts

21. Policy Documents

The Pension Fund has a number of key policy documents that outline the framework within which the Fund operates, as follows:

- Governance Policy Statement
- Funding Strategy Statement
- Statement of Investment Principles
- Communications Policy Statement
- 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 9 – Tyne and Wear Pension Fund Accounts

Organisations Participating in the Fund as at 31st March 2010

Councils
Gateshead Council
Newcastle City Council
North Tyneside Council
South Tyneside Council
Sunderland City Council

Other Part 1 Scheduled Bodies
Academy 360
City of Sunderland College
Excelsior Academy
Former North East Regional Airport
Former Tyne and Wear County Council
Former Tyne and Wear Residuary Body
Gateshead College
Gateshead Housing Company
Monkwearmouth College
National Probation Service - Northumbria
Newcastle College
Newcastle Education Action Zone
North Tyneside College
Northumberland Magistrates Court
Northumbria Police Authority
Northumbria University
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
Your Homes Newcastle

Part 2 Scheduled Bodies
Birtley Town Council
Blakelaw and North Fenham Parish Council
Blue Square Trading
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 Ltd
Bullough Contracts Services
Carillion Services Ltd
Carillion (Jarrow School)
Castle View Academy
Castle View Leisure
Catholic Care North East
CBS Outdoor Limited
Community Action on Health
Compass Group UK and Ireland
Disability North
Gateshead Law Centre
Gentoo Group Ltd
Hebburn Neighbourhood Advice Centre
Higher Education Funding Council for England
Information North (Northern Regional Library System)
Insitu Cleaning
International Centre for Life

Section 9 – Tyne and Wear Pension Fund Accounts

Admitted Bodies

Jarvis Accommodation Services Limited
Jarvis-Sandhill View
Kenton Park Sports Centre
Kier North Tyneside Ltd
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
Redhouse Academy
RM Education (Sunderland)
Robertson FM Ltd
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 10 – 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 Code of Practice
The Accounting Code of Practice on Local Authority Accounting in Great Britain: A Statement of Recommended Practice defines proper accounting practices for Local Authorities in England, Wales and Scotland.

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
Procurement option whereby a company is created 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.

Area Based Grant
Unringfenced grant received from Government. The grant was introduced in 2009/10, bringing together a number of existing grants and removing any ring fencing requirements.

Asset
Something an organisation owns e.g. land or buildings, cash and debtors.

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 showing a snapshot of the assets and liabilities of an organisation at a given point in time.

Budgets
A statement of the Council's forecast expenditure, that is, net Income and Expenditure for the year.

Section 10 – 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 Account to represent the cost of using the assets.

Capital Expenditure
Spending on the acquisition of a tangible 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 UK GAAP 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 Receipts
Receipts that are generated by the disposal of fixed assets or classified under statute by the Secretary of State. Part of the monies received can be retained by the Authority 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.

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.

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.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Section 10 – Glossary of Financial Terms

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 depending 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.

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.

Section 10 – Glossary of Financial Terms

Depreciation
A method of measuring the wearing out (consumption) of a fixed 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.

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.

Finance Lease
A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. 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 Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund balance.

Financial Reporting Standards (FRS)
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. Local Authority accounts are expected to accord with FRS except where the Government considers their principles to be inappropriate or considers others to be more appropriate to Local Government accounting and reporting.

Fixed Assets
Assets that yield benefits to the Council and the services that it provides for a period of more than one year. Examples include land, buildings and vehicles.

Section 10 – Glossary of Financial Terms

General Fund
The General Fund includes the expenditure and income relating to the services provided by the Authority 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 Authority will continue in operational existence for the foreseeable future.

The **Government Grant Deferred Account** represents the balance of external funding received by the Council in support of its expenditure on the enhancement and acquisition of fixed assets. Each year an amount is written out of this account in line with the depreciation of those assets as well as an amount to reflect external funds in respect of capital expenditure that did not add to the value of assets.

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.

Impairment
A reduction in value of a fixed asset resulting from causes such as obsolescence or physical damage.

Infrastructure Assets
These are assets, expenditure on which is recoverable only by continued use of the asset created, examples being highways and footpaths.

Intangible Fixed Assets
Capital expenditure relating to the procurement of computer software. The value is written out to the Income and Expenditure Account 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.

Joint Venture
An entity in which the Authority 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

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 Income and Expenditure Account. The bodies that charge a levy on the Council are the Tyne and Wear Passenger Transport Authority and Environment Agency.

Section 10 – Glossary of Financial Terms

Liability
A financial obligation, any debt or money owed.

Liquid Resources
Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

The **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.

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 Local Authority 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 fixed assets are included in the balance sheet being the historical cost or current value less the cumulative amounts provided for depreciation and impairment.

Net Debt
The Authority's borrowings less cash and liquid resources.

Non-Distributed Costs
These are overheads for which no user benefits, and accordingly are not apportioned to services expenditure.

Non-Operational Assets
Fixed assets held but not directly occupied, used or consumed in the delivery of services.

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.

The **Pension Reserve** is the amount set aside to offset the FRS17 Pension Liability.

Section 10 – Glossary of Financial Terms

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 Head of Finance.

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 Authority, 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 concepts 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.

Public Works Loan Board
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. Such disclosures in respect of members and chief officers are required as a result of the incorporation of FRS8 into the Local Authority SORP.

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 the fixed assets held by the Authority 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.

Section 10 – Glossary of Financial Terms

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 Authority has a statutory powers to treat and fund as capital expenditure.

Revenue Support Grant
A Government Grant in aid of Local Authority services generally. It is based upon the Government assessment of how much a Local Authority needs to spend to provide an average level of service.

Specific Government Grants
Designed to aid particular services or projects administered by Local Authorities.

Statement of Recommended Practice (SORP)
Statements prepared by the Accounting Standards Committee (established by the major accountancy bodies) setting out the current best accounting practice.

Subsidiary
An entity wholly owned or controlled by the Authority.

Trust Funds
Funds administered by the Council on behalf of charitable or specific organisations.

The **Useable Capital Receipts Reserve** comprises monies from the sale of capital assets which are available for financing capital expenditure or repaying debt but which have not yet been applied.

Useful Life
The period over which the Authority will derive benefits from the use of a fixed asset.