

**Tyne and Wear
Economic Development
Joint Committee**

Annual Return 2011/2012

Contents

	Page
Introduction	3
Certification of the Annual Return	3
Membership of the Joint Committee	4
Foreword by the Treasurer to the Joint Committee	5
Statement of Responsibilities for the Annual Return	7
Statement of Accounting Policies	8
Annual Governance Statement	10
<u>Annual Return - Accounting Statements</u>	
Income and Expenditure Account	12
Statement of Total Recognised Gains and Losses	12
Balance Sheet	13
Cash Flow Statement	14
Notes to the Annual Return - Accounting Statements	15

Introduction

Tyne and Wear Economic Development Joint Committee is operated on the basis of a Joint Committee of Local Authorities. Primarily funded through contributions from Tyne and Wear Development Company which is a controlled local authority company jointly owned by the Councils of Tyne and Wear. These include Sunderland City, The City of Newcastle-upon-Tyne, Gateshead, North Tyneside and South Tyneside Councils.

I am pleased to present the Annual Return for the year 2011/2012. A published and audited Annual Return (accounts) is at the heart of ensuring proper accountability for the use of local taxpayers money. The members of the Joint Committee recognise, however, that the accounts of the Joint Committee can only tell part of the story. The Joint Committee also needs to demonstrate that it is aiming to operate to the highest standard of conduct and has a robust system of internal control in place.

The Joint Committee and its constituent local authority members agreed to the constitution of the Joint Committee upon its inception on 31st March 1999. This document sets out the objectives and regulations of the Joint Committee. Included in this agreement, were the appointments of the Chief Executive and Executive Director of Corporate and Commercial Services of Sunderland City Council to act as Secretary and Treasurer to the Joint Committee, respectively. In this respect the Joint Committee has adopted the procedures operated by Sunderland City Council which includes a code of conduct for its members, a scheme of delegation and financial and contract procedure rules. Where further developments are required, the Joint Committee will take appropriate action.

Elsewhere within the Annual Return an Annual Governance Statement has been included to comply with the Accounts and Audit Regulations 2003. This requirement came into effect for 2007/2008 and further widened the scope of the previously required Statement of Internal Control. This Statement now relates to the whole system of internal controls, both financial and non-financial, and confirms that there is a sound system of internal control in place. The Joint Committee will continue to ensure action is taken when necessary to maintain and develop the system of internal control in the future.

The further requirements of the Accounts and Audit Regulations 2011 have also been followed in producing the Statement of Accounts and Annual Return for 2011/2012.

P Watson

Chairman of the Joint Committee

Date: 20th September 2012

Certification of the Annual Return

As chairman of the Joint Committee held on 20th September 2012, I hereby acknowledge receipt of the Annual Return for 2011/2012 by this Committee, and in accordance with the Accounts and Audit Regulations 2003 Regulation 7(1), I confirm that the Annual Return, subject to audit was approved at the Joint Committee of 20th September 2012 in accordance with sub-paragraph 10 (3) (a) with regard to the aforementioned Regulations.

P Watson

Chairman of the Joint Committee

Date: 20th September 2012

Membership of the Joint Committee

The members, from each constituent authority, of the Joint Committee for the year 2011/2012 were as follows:

Sunderland City Council

Councillor P Watson (Chairman)
Councillor F Anderson resigned 24th June 2011
Councillor M Speding appointed 24th June 2011

Substitutes: Councillor P Gibson
Councillor D Allan resigned 24th June 2011
Councillor T Wright appointed 24th June 2011

Gateshead Council

Councillor M F Henry (Vice Chairman)
Councillor B Goldsworthy

Substitutes: Councillor G Haley appointed 24th June 2011
Councillor M Gannon

City of Newcastle Upon Tyne Council

Councillor R Armstrong resigned 22nd September 2011
Councillor B Shepard resigned 22nd September 2011
Councillor M Johnson appointed 22nd September 2011
Councillor N Forbes appointed 22nd September 2011

Substitutes: Councillor T Woodwark resigned 22nd September 2011
Councillor D Faulkner resigned 22nd September 2011
Councillor J McCarty appointed 22nd September 2011
Councillor A Schofield appointed 22nd September 2011

North Tyneside Borough Council

Mrs L Arkley (Mayor)
Councillor J Wallace

Substitutes: Councillor L Goveas resigned 24th June 2011
Councillor J MacNamara resigned 24th June 2011
Councillor G Partis appointed 24th June 2011
Councillor S Mortimer appointed 24th June 2011

South Tyneside Borough Council

Councillor H E McAtominey
Councillor A Kerr

Substitutes: Councillor M H Clare
Councillor J Foreman

Foreword by the Treasurer

The Joint Committee is defined in the Accounts and Audit Regulations as a smaller relevant body and as such is exempt from preparing a Statement of Accounts under the new SORP. It is, however, required to produce an Annual Return prepared in accordance with proper practices in relation to accounts. This means that the provisions of the 'Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012' published by the Chartered Institute of Public Finance and Accountancy (CIPFA) will be relevant, to the extent that they are not overridden or made redundant by statutory requirements.

The Annual Return of the Joint Committee for the financial year 2011/2012 is shown in the following pages and contains the following financial statements that are required to be prepared under the Code of Practice:

Statement of Responsibilities for the Annual Return

This discloses the respective responsibilities of the Joint Committee and the Treasurer.

Statement of Accounting Policies

This discloses the accounting policies that are significant to the understanding of the Annual Return.

Annual Governance Statement

This statement sets out the principal arrangements that are in place to ensure a sound system of internal control is maintained.

Income and Expenditure Account

This statement brings together expenditure and income relating to all of the Joint Committee's functions.

Balance Sheet

This shows the balances and reserves available to the Joint Committee, its long-term indebtedness, the fixed and net current assets employed by it, and information on the fixed assets held.

Cash Flow Statement

This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Statement of Total Recognised Gains and Losses

This brings together all the recognised gains and losses of the Joint Committee during the period, and identifies those, which have and have not been recognised in the Consolidated Revenue Account.

Foreword by the Treasurer

Summary

The constitution of the Joint Committee was agreed and signed by all of its members who represent the District Councils of the Tyne and Wear area. The Committee has operated successfully during the year, in order to both promote and achieve the aims and objectives of the Joint Committee with a view to securing best use of resources and ensuring sound systems of internal control.

The Tyne and Wear Economic Development Joint Committee currently receives financial support from the Tyne and Wear Development Company Limited (TWDCo). The board of TWDCo may transfer any amount that exceeds £250,000 in its net asset worth, calculated in its final audited group accounts, to the Joint Committee. This is, however, dependent on the results of the TWDCo group of companies and a contribution cannot be guaranteed in any specific year.

At the March 2009 meeting of the Joint Committee it was agreed to further extend the life of the Joint Committee for another 5 year period (March 2014). This recognises that the current arrangements have proved highly effective in fulfilling the aim of promoting the economic development interests of the participating district councils. To date the participating authorities have also had the option, under the Agreement, to withdraw from the arrangements by giving twelve months notice. This option is designed to both allow a member authority to withdraw for its own reasons, and for the service to be 'managed down' should the assets available prove insufficient to maintain a viable service. The success of the service to date means that this situation has not yet arisen.

During the year the Income and Expenditure Account shows a deficit for the year of £119,530 which has in turn reduced reserves to a total of £1,661,761 at the year end, after taking into account the awarding of grants and loans of £108,360 in 2011/2012 which has already been included in the reported position. This is expected as the aim of the Joint Committee is to award grants and loans each year to attract businesses and to increase economic development within the Tyne and Wear area. The reserves held by the Joint Committee continue to be used to meet both the running costs of the Joint Committee and for use in promoting economic activity throughout Tyne and Wear and are as such fully committed.

M Page, CPFA
Treasurer to the Joint Committee

Date: 20th September 2012

Statement of Responsibilities

The Joint Committee's Responsibilities

The Joint Committee is required:

1. To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Joint Committee, that officer is the Treasurer who is also the Executive Director of Corporate and commercial Services of the Lead Authority (Sunderland City Council).
2. To manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.

The Treasurer's Responsibility to the Joint Committee

The Treasurer is responsible for the preparation of the Joint Committee's Annual Return which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('The Code'), is required to present a true and fair view of the financial position of the Joint Committee at the accounting date and its income and expenditure for the year ended 31 March 2012.

In preparing this Annual Return, the Treasurer has:

1. Selected suitable accounting policies and then applied them consistently;
2. Made judgements and estimates that were reasonable and prudent;
3. Complied with the Code, except where disclosed.

The Treasurer has also:

1. Kept proper accounting records which were up to date;
2. Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Treasurer confirms that the above responsibilities have been observed and that the accounts set out in the following pages show a true and fair view of the financial position of Tyne and Wear Economic Development Joint Committee at 31st March 2012.

Malcolm Page CPFA
Treasurer to the Joint Committee

20th September 2012

Statement of Accounting Policies

General Principles

The Accounts have been prepared in accordance with the principles of the Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They conform with the requirements of the Code of Practice as required for smaller bodies except where disclosed in the following notes.

Debtors and Creditors

Revenue transactions are recorded on a system of receipts and payments during the year. At the end of the year payments are converted to expenditure by including relevant items paid within the first two weeks of the following year, together with any known outstanding items. The treatment of expenditure and income, which relates to periods which span the 31st March year end, requires further explanation.

Payments relating to the accounting year but paid after 31st March

In these cases the charges made in the financial year reflect the true and full cost of operating expenses for the Joint Committee applicable in the financial year.

Debtors

Recovery of sums due to the Joint Committee is recorded in the revenue account as cash is received. The debtors in the balance sheet represent sums due to the Joint Committee which had not been paid by the year end, but are regarded as collectable.

Cost of Support Services

Support services are provided to the Joint Committee by Sunderland City Council.

Provisions

Provisions are amounts set aside to meet specific future expenditure, the amount and timing of which cannot yet be accurately determined. At 31st March 2012 provision was made for expenditure relating to the external audit.

Internal Interest

Internal Interest is credited to the revenue account based on the level of fund balances. The amounts are calculated using 7-day money market rates.

External Interest

External Interest is credited to the revenue account based on the level of fund balances held and in the accounts of the period to which they relate.

Statement of Accounting Policies

VAT

The Joint Committee can recover VAT as it is a recognised local authority joint committee in accordance with the VAT Act 1994 Section 33. The revenue account as such is prepared net of the VAT recoverable.

Reserves

Reserves include earmarked reserves set aside for the specific purpose of promoting economic development of the Tyne and Wear area in accordance with the constitution of the Joint Committee and also includes balances which represent resources set aside for purposes such as a general contingency and cash flow management.

Investments

Investments are held both with Sunderland City Council as short term investments and also with external financial institutions and are shown in the balance sheet at cost. Provision for losses in value are made where appropriate in accordance with the SORP. No such provisions have been considered necessary at this time.

FRS17 / IAS19 (Accounting for Pension costs)

The Joint Committee does not employ any staff and as such the requirements of FRS17 do not apply.

Group Accounts

The Joint Committee as a smaller body has no financial relationships with any related companies, joint ventures or joint arrangements, consequently, the requirement to produce group accounts does not apply.

Adoption of FRS25, FRS26 and FRS29 (Financial Instruments)

The SORP changes applicable since 1st April 2007 do not apply to smaller bodies and as such are not reflected in these accounts.

Loans made and loan repayments

These transactions are included in the Income and Expenditure Account and all loans made and repayments received are accrued into the appropriate financial year they relate.

Annual Governance Statement

1. This statement is given in respect of the Annual Return 2011/2012 for the Tyne and Wear Economic Development Joint Committee. We acknowledge our responsibilities for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.
2. The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal control is based on a framework of regular management information, financial procedure rules, procedure manuals covering financial and administrative matters (including segregation of duties), management supervision, and a system of delegation and accountability and an annually reviewed Risk Assessment. The system includes:
 - A clear delegation scheme;
 - Comprehensive budgeting and financial control systems;
 - A robust system of budgetary control including formal reports at every meeting of the Joint Committee and an annual financial report which indicates financial performance against the budgets and commitments;
 - The preparation of regular financial reports for the Joint Committee which indicate actual expenditure against commitments and forecasts;
 - Clearly defined grant expenditure guidelines;
 - Use of appropriate project management disciplines;
 - An annually reviewed Risk Assessment.
4. In order to ensure an independent review of the adequacy, or otherwise, of the systems of internal control, Sunderland City Council maintains an adequate and effective internal audit which, provides internal audit services to the Joint Committee. The Internal Audit Division fully complies with all relevant professional standards.

The work of Internal Audit is based upon its three year Strategic Audit Plan which covers all areas of activity and the associated risks and is updated to reflect new initiatives, risk areas and legislation. The annual audit plan is drawn up from the Strategic Audit Plan and resources are allocated to reflect the level of assessed risk of each area.

The Head of Internal Audit reports the findings of audits to the Manager of the Joint Committee and if appropriate to the Treasurer, and action is agreed to address these findings as necessary.

5. The review of the effectiveness of the system of internal control is informed by:
 - The work of the Manager and the Joint Committee;
 - The annual risk assessment as reported;
 - The work of the Internal Audit Division as described above;
 - The effectiveness of Internal Audit (subject to review annually by the Audit Commission) and
 - The external auditors in their annual audit opinion on the accounts

Annual Governance Statement

6. Whilst the Internal Audit Section has concluded that, work performed in relation to the Joint Committee has not raised any issues of concern in relation to internal control, the internal control system can always be improved. We will ensure that any recommendations for improvement arising from findings from internal audit reports to the control system are implemented.

M Page, CPFA
Treasurer

P Buie
Manager

D Smith
Secretary

P Watson
Chairman

Dated: 20th September 2012

Annual Return - Accounting Statements

Income and Expenditure Account for the Year Ended 31 March 2012

	Notes	2011/2012		2010/2011	
		£	£	£	£
Income					
Contributions from TWDCo	1	0		0	
Interest received		7,933		8,045	
Grant funding and loan repayments		<u>11,660</u>	<u>19,593</u>	<u>10,250</u>	18,295
Expenditure					
Running expenses	2b	30,763		29,995	
Grant and Loan payments and write offs	3	<u>108,360</u>	<u>139,123</u>	55,000	84,995
Net surplus/(deficit) for year before appropriations			(119,530)		(66,700)
Less Appropriations:					
Transfer to earmarked reserves			119,530		66,700
Net surplus/(deficit) for the year			<u>0</u>		<u>0</u>

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2012

	2011/2012	2010/2011
	£	£
Surplus/(deficit) for the year on the Income and Expenditure Account	(119,530)	(66,700)
Surplus arising on revaluation of fixed assets	0	0
Actuarial gains/(losses) on pension fund assets and liabilities	0	0
Total recognised gains/(losses) for the year	<u>(119,530)</u>	<u>(66,700)</u>

Annual Return - Accounting Statements

Balance Sheet as at 31 March 2012

	Notes	2011/2012		2010/2011	
		£	£	£	£
Fixed assets			0		0
Current assets					
Debtors	7	22,834		24,116	
Cash at bank		(33,523)		4,575	
Investments - short term	8	1,673,000		1,753,000	
Total current assets		<u>1,662,311</u>		<u>1,781,691</u>	
Current liabilities					
Creditors		0		0	
Provisions		550		400	
Total current liabilities		<u>550</u>		<u>400</u>	
Net current assets/(liabilities)			1,661,761		1,781,291
Total assets less liabilities			<u>1,661,761</u>		<u>1,781,291</u>
General reserves					
General reserves brought forward		1,781,291		1,847,991	
Revenue account surplus/(deficit)		<u>(119,530)</u>	1,661,761	<u>(66,700)</u>	1,781,291
Total equity			<u>1,661,761</u>		<u>1,781,291</u>

Annual Return - Accounting Statements

Cash Flow Statement for the Year Ended 31 March 2012

This statement summarises the flow of cash from revenue and capital transactions with third parties.

	Notes	2011/2012		2010/2011	
		£	£	£	£
Revenue Activities					
Cash outflows					
Operating costs			(27,776)		(55,884)
Grants to organisations			(108,360)		(55,000)
			<u>(136,136)</u>		<u>(110,884)</u>
Cash inflows					
Other revenue cash income			10,250		34,555
			<u>(125,886)</u>		<u>(76,329)</u>
Returns on investments					
Cash inflows					
Interest received			7,788		8,324
			<u>7,788</u>		<u>8,324</u>
Net cash inflow/(outflow) from revenue activities	10		<u>(118,098)</u>		<u>(68,005)</u>
Capital activities					
Cash inflows			0		0
Cash outflows			0		0
			<u>0</u>		<u>0</u>
Net cash inflow/(outflow) before financing			<u>(118,098)</u>		<u>(68,005)</u>
Management of liquid resources					
Net (increase)/decrease in short term deposits	12		80,000		40,000
Increase/(decrease) in cash	11		<u><u>(38,098)</u></u>		<u><u>(28,005)</u></u>

Notes to the Accounting Statements

Notes to the Income and Expenditure Account

1. Contributions from Tyne and Wear Economic Development Company

	2011/2012 £	2010/2011 £
Payment on account	0	0
	<u>0</u>	<u>0</u>

Tyne and Wear Economic Development Company is not proposing to transfer any funds to the Joint Committee for 2011/2012.

2. Running Costs

- a) An application to H M Revenue and Customs to recover all of the VAT incurred by the Joint Committee was successful in 2002/2003, and the accounts prepared up to 2011/2012 showed the VAT recoverable separately as income in the Income and Expenditure Account. The amounts of VAT recoverable in each year's accounts are as follows:

	2011/2012 £	2010/2011 £
Recoverable VAT	6,123	8,959
	<u>6,123</u>	<u>8,959</u>

- b) Running costs are categorised as Supplies and Services under the CIPFA Best Value Accounting Code of Practice. An external audit recommendation states running costs should be shown net of VAT. The accounts, have, since 2004/2005, reflected this accounting treatment.

Notes to the Accounting Statements

3. Grant and Loan Payments and Write Offs

	2011/2012 £	2010/2011 £
TWDCo - Main Company grant	108,360	0
Economic Development Grants in:		
Gateshead	0	30,000
Newcastle	0	25,000
North Tyneside	0	0
South Tyneside	0	0
Sunderland	0	0
	<u>108,360</u>	<u>55,000</u>

The above figures includes grant and loan payments as agreed by the Joint Committee and include those grants originally transferred from Tyne and Wear Development Company Ltd. The Joint Committee has to agree and approve all additional schemes during the year and it also approves any loan arrangements, it considers are suitable, in each circumstance, in order to ensure the key objectives of this expenditure meets the aims of the Joint Committee. The above grant and loan payments met the aims and objectives of the Committee.

4. Audit Costs

In 2011/2012 the Tyne and Wear Economic Development Joint Committee incurred the following fees relating to external audit and inspection, which are also included in running costs shown in the Income and Expenditure Account.

	2011/2012 Provisional £	2010/2011 Actual £
Fees payable to the External Auditors	550	400
	<u>550</u>	<u>400</u>

5. Members Allowances and Officers Emoluments

The Joint Committee does not employ any staff and therefore has no employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000.

Any relevant Members Allowances are met by the constituent authorities and therefore no Councillors Allowances are included in the Annual Return of the Joint Committee.

Notes to the Accounting Statements

Notes to the Balance Sheet

6. Debtors

Debtors include the following main items:

	As at 31 March 2012 £	As at 31 March 2011 £
Loan repayments	11,660	10,250
Interest on investments	4,211	3,360
H M Revenue and Customs - VAT	6,123	8,959
H M Revenue and customs - Tax Refund	840	1,547
	22,834	24,116

7. Investments

Investment funds are held with the following organisations:

	As at 31 March 2012 £	As at 31 March 2011 £
Sunderland Council (temporary loan basis)	973,000	1,053,000
Abbey Santander Reserve Account	700,000	700,000
	1,673,000	1,753,000

8. Expenditure Commitments

At 31 March 2012 the Joint Committee had expenditure commitments authorised and approved by members of the Committee of £765,798 in respect of grants payable to companies located in, or who may possibly locate in, the region. Because of the uncertain nature of these commitments and the fact certain criteria have to be met before the grants can be awarded (and it is also possible the grant may never be paid), transactions are not considered to be provisions under the Statement of Accounting Practice.

9. Related Party Transactions

The Joint Committee members are representatives of the councils of Sunderland City and City of Newcastle upon Tyne, and the Borough Councils of Gateshead, North Tyneside and South Tyneside. There are no other related party transactions to be disclosed in respect of member representatives.

Sunderland City Council however carries out all financial services on behalf of the Joint Committee for an annual fee. For 2011/12 the fee excluding VAT remained unchanged, at £13,591 compared to £13,591 for 2010/2011.

Notes to the Accounting Statements

Notes to the Cash Flow Statement

10. Revenue Activities

The net cash flow can be reconciled to the Income and Expenditure Account as follows:

	Year Ended 31 March 2012 £	Year Ended 31 March 2011 £
Surplus/(deficit) per Income and Expenditure Account	(119,530)	(66,700)
Non cash transactions		
(Increase)/decrease in debtors - revenue	1,282	18,659
Increase/(decrease) in creditors/provisions	150	(19,964)
Transfer of loans to revenue grants in year	0	0
	(118,098)	(68,005)

11. Increase/(Decrease) in Cash During 2011/12

	Year Ended 31/03/12 £	Year Ended 31/03/11 £	Movement 2011/2012 £	Movement 2010/2011 £
Cash	(33,523)	4,575	(38,098)	(28,005)

12. Increase/(Decrease) in Liquid Resources

	Year Ended 31/03/12 £	Year Ended 31/03/11 £	Movement 2011/2012 £	Movement 2010/2011 £
Short term deposits/investments	1,673,000	1,753,000	(80,000)	(40,000)

Memorandum Item - Note of Loans Outstanding

The table on the next page gives details of all loans made and the position as at 31st March 2012. The loans are interest free, although each district administering the loans can charge an administration fee to cover their costs involved.

The loans made and the loan repayments received are accounted for in the Income and Expenditure account on an accrued basis in line with the accounting policy adopted.

The amounts included in the table are consistent with the commitments as reported to the Joint Committee throughout the past year.

Notes to the Accounting Statements

Schedule of Loans Outstanding as at 31st March 2012

Organisation/ Company	Amount of Loan Approved £	Date Approved	Agreed Terms	District Council Admin Fee %	Balance at 31 March 2012 £	Balance at 31 March 2011 £
Newcastle Company P	20,000	09/01/03	Repayments to commence 09/07/03 over 2 years. Now revised agreement, payments to commence 01/05/04.	2.5	0	0
Company TH	30,000	22/06/06	Repayments to commence 13/08/08 over 2 years	2.5	0	0
Company T	15,000	16/11/06	Repayments to commence 27/11/07 over 2 years.	2.5	0	0
Company PM	10,000	16/11/06	Repayments to commence 19/01/08 over 2 years.	2.5	0	0
Company H	10,000	16/11/06	Repayments to commence 12/04/08 over 2 years.	2.5	0	0
Company IH	25,000	14/4/09	Repayments to commence 9/5/11 over 2 years.	2.5	13,340	25,000
Sunderland Company CS	100,000	11/11/04	Repayments to commence 01/10/04 over 4 years.	5.1	0	0
South Tyneside Company NLG Ltd	125,000	13/11/08	Repayments are to commence in June 2009 over 2 years	8.8	0	0
	335,000				13,340	25,000

