
Tyne and Wear
Economic Development Company
Joint Committee

Annual Return 2007/2008
(Subject to Audit)

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 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 2007/2008. 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 City Treasurer 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. The new Statement 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.

P Watson
Chairman of the Joint Committee Date: 19th June 2008

Certification of the Annual Return

As chairman of the Joint Committee held on 19th June 2008, I hereby acknowledge receipt of the Audited Annual Return for 2007/2008 by this Committee, in accordance with the Accounts and Audit Regulations 2003 Regulation 7(1), and confirm that the Annual Return was approved at the Joint Committee of 19th June 2008 in accordance with sub-paragraph 10 (3) (a) with regard to the aforementioned Regulations.

P Watson
Chairman of the Joint Committee Date: 19th June 2008

Membership of the Joint Committee

The members, from each constituent authority, of the Joint Committee for the year 2007/2008 were as follows:

Sunderland City Council

Councillor R Symonds (Chairman)
Councillor P Watson

Substitutes: Councillor P Gibson
Councillor D Allan

Gateshead Council

Councillor M F Henry (Vice Chairman)
Councillor J I Mearns

Substitutes: Councillor M Gannon
Councillor Mrs P F J Murray - resigned 21 June 2007
Councillor B Goldsworthy - appointed 21 June 2007

City of Newcastle Upon Tyne Council

Councillor M Cookson
Councillor J Shipley

Substitutes: Councillor R Armstrong
Councillor D Faulkner

North Tyneside Borough Council

Councillor J M Allan
Mr J Harrison (Mayor)

Substitutes: Councillor B Burdis
Councillor M A Green

South Tyneside Borough Council

Councillor P Waggott
Councillor I Malcolm

Substitutes: Councillor H E McAtominey
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 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: A Statement of Recommended Practice 2007' 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 2007/2008 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 2004 meeting of the Joint Committee it was agreed to extend the life of the Joint Committee for a further 5 year period (March 2009). 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 surplus for the year of £18,208 and this reflects that interest received on investments has exceeded the grant payments and running expenses for the year. Of particular note within the accounts is that reserves stand at £1,991,403 at the year end after taking into account the awarding of grants of £48,855 in 2007/2008 and the surplus position already mentioned. The reserves held by the Joint Committee are used to meet both the running costs of the Joint Committee and for use in promoting economic activity within Tyne and Wear.

K Beardmore, CPFA
Treasurer to the Joint Committee

Date: 19th June 2008

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 City Treasurer 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 fairly the financial position of the Joint Committee at the accounting date and its income and expenditure for the year ended 31 March 2008.

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.

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: A Statement of Recommended Practice (SORP) 2007 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They conform with the requirements of the Statement of Recommended Practice as required 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 2008 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 (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 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 from 1st April 2007 do not apply to smaller bodies and as such are not reflected in these accounts.

Annual Governance Statement

1. This statement is given in respect of the Annual Return 2007/2008 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 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 has been certified as meeting ISO 9002 standards and fully complies with 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; and
 - The external auditors in their annual audit letter, opinion on the accounts and other reports

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.

K Beardmore, CPFA
Treasurer

P Buie
Manager

D Smith
Secretary

P Watson
Chairman

Dated: 19th June 2008

Annual Return - Accounting Statements

Income and Expenditure Account for the Year Ended 31 March 2008

	Notes	2007/2008		2006/2007	
		£	£	£	£
Income					
Contributions from TWDCo	1	0		0	
Interest received		95,879		91,742	
Grant funding returned		0	95,879	0	91,742
Expenditure					
Running expenses	2b	28,816		29,994	
Grant payments and loan write offs	3	48,855	77,671	395,157	425,151
Net surplus/(deficit) for year before appropriations			18,208		(333,409)
Less Appropriations:					
Transfer to earmarked reserves			(18,208)		333,409
Net surplus/(deficit) for the year			0		0

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2008

	2007/2008 £	2006/2007 £
Surplus/(deficit) for the year on the Income and Expenditure Account	18,208	(333,409)
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	18,208	(333,409)

Annual Return - Accounting Statements

Balance Sheet as at 31 March 2008

	Notes	2007/2008		2006/2007	
		£	£	£	£
Fixed assets			0		0
Long term debtors (loans outstanding)	7		<u>74,800</u>		<u>105,093</u>
Total long term assets			<u>74,800</u>		<u>105,093</u>
Current assets					
Debtors	8	148,400		95,210	
Cash at bank		1,126		104,095	
Investments - short term	9	<u>1,803,000</u>		<u>1,705,000</u>	
Total current assets		<u>1,952,526</u>		<u>1,904,305</u>	
Current liabilities					
Creditors		33,479		33,903	
Provisions		<u>2,444</u>		<u>2,300</u>	
Total current liabilities		<u>35,923</u>		<u>36,203</u>	
Net current assets/(liabilities)			1,916,603		1,868,102
Total assets less liabilities			<u>1,991,403</u>		<u>1,973,195</u>
General reserves					
General reserves brought forward		1,973,195		2,306,604	
Revenue account surplus/(deficit)		<u>18,208</u>	<u>1,991,403</u>	<u>(333,409)</u>	<u>1,973,195</u>
Total equity			<u>1,991,403</u>		<u>1,973,195</u>

Annual Return - Accounting Statements

Cash Flow Statement for the Year Ended 31 March 2008

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

	Notes	2007/2008		2006/2007	
		£	£	£	£
Revenue Activities					
Cash outflows					
Operating costs		(75,212)		(3,580)	
Grants to organisations		(48,855)		(395,157)	
		<u>(124,067)</u>		<u>(398,737)</u>	
Cash inflows					
Other revenue cash income		<u>0</u>	<u>(124,067)</u>	<u>0</u>	<u>(398,737)</u>
Returns on investments					
Cash inflows					
Interest received			<u>88,805</u>		<u>70,911</u>
Net cash inflow/(outflow) from revenue activities	12		(35,262)		(327,826)
Capital activities					
Cash inflows					
Loan repayments from industry		70,293		116,370	
Cash outflows					
Loans made to industry		<u>(40,000)</u>	<u>30,293</u>	<u>(25,000)</u>	<u>91,370</u>
Net cash inflow/(outflow) before financing			(4,969)		(236,456)
Management of liquid resources					
Net (increase)/decrease in short term deposits	14		(98,000)		209,000
Increase/(decrease) in cash	13		<u>(102,969)</u>		<u>(27,456)</u>

Notes to the Accounting Statements

Notes to the Income and Expenditure Account

1. Contributions from Tyne and Wear Economic Development Company

	2007/2008 £	2006/2007 £
Payment on account	0	0
	<u>0</u>	<u>0</u>

The precise amount to be paid by the Tyne and Wear Economic Development Company for 2007/2008 will not be available until the final accounts have been completed, however, no transfer is anticipated for 2007/2008.

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 2007/2008 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:

	2007/2008 £	2006/2007 £
Recoverable VAT	10,653	7,718
	<u>10,653</u>	<u>7,718</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 Payments and Loan Write Offs

	2007/2008 £	2006/2007 £
TWDCo - Main Company grant commitments	0	0
Economic Development Grants in:		
Gateshead	20,000	0
Newcastle	10,000	325,000
North Tyneside	18,855	30,157
South Tyneside	0	40,000
Sunderland	0	0
	<u>48,855</u>	<u>395,157</u>

The above grant payments were made as agreed in the Committee's constitution, and include those in the schedule of grant commitments transferred from Tyne and Wear Development Company Ltd. The Joint Committee has to agree and approve all additional schemes to this schedule during the year and the amount of the grant payable in order to ensure the objectives of this expenditure meet the aims of the Joint Committee. The above payments met the aims and objectives of the Committee.

4. Audit Costs

In 2007/2008 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.

	2007/2008 £	2006/2007 £
Fees payable to the Audit Commission	1,050	927
	<u>1,050</u>	<u>927</u>

Notes to the Accounting Statements

5. Publicity

Section 5(i) of the Local Government Act 1986, requires local authorities to keep an account of their expenditure on publicity. The Joint Committee has had no such expenditure during the financial years set out below:

	2007/2008 £	2006/2007 £
Publicity	0	0
	<u>0</u>	<u>0</u>

6. 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

7. Long Term Debtors

Industrial loans at subsidised rates of interest.

Economic Development regulations require the disclosure of Loans to Industry which are at a subsidised rate of interest (i.e. below market rates).

The following table gives details of all such loans and the position as at 31 March 2008. The loans are interest free, although each district administering the loans can charge an administration fee to cover the costs involved.

Organisation/ Company	Amount of Loan Approved £	Date Approved	Agreed Terms	District Council Admin Fee %	Balance at 31 March 2008 £	Balance at 31 March 2007 £
Newcastle Company M	60,000	09/01/03	Repayments to commence 09/01/04 over 3 years. Revised agreement to commence 01/05/04.	2.5	0	10,260
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	1,708
Company TH	30,000	22/06/06	Repayments to commence 13/08/08 over 2 years	2.5	30,000	0
Company T	15,000	16/11/06	Repayments to commence 27/11/07 over 2 years.	2.5	12,440	15,000
Company PM	10,000	16/11/06	Repayments to commence 19/01/08 over 2 years.	2.5	8,719	10,000
Company H	10,000	16/11/06	Repayments to commence 12/04/08 over 2 years.	2.5	10,000	0
Sunderland Company RVLtd	200,000	13/03/03	Repayments to commence 01/08/04 over 4 years.	4.9	0	26,983
Company CS	100,000	11/11/04	New loan approved in 2004/2005. Repayments to commence 01/10/04 over 4 years.	5.1	13,641	41,142
	445,000				74,800	105,093

Notes to the Accounting Statements

8. Debtors

Debtors include the following main items:

	As at 31 March 2008 £	As at 31 March 2007 £
Loan repayments	70,293	27,112
Interest on investments	67,454	60,380
H M Revenue and Customs	10,653	7,718
	<u>148,400</u>	<u>95,210</u>

9. Investments

Investment funds are held with the following organisations:

	As at 31 March 2008 £	As at 31 March 2007 £
Sunderland Council (temporary loan basis)	1,103,000	1,005,000
Abbey National Reserve Account	700,000	700,000
	<u>1,803,000</u>	<u>1,705,000</u>

10. Expenditure Commitments

At 31 March 2008 the Joint Committee had expenditure commitments authorised and approved by members of the Committee of £854,408 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.

11. 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.

Notes to the Accounting Statements

Notes to the Cash Flow Statement

12. Revenue Activities

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

	Year Ended 31 March 2008 £	Year Ended 31 March 2007 £
Surplus/(deficit) per Income and Expenditure Account	18,208	(333,409)
Non cash transactions		
(Increase)/decrease in debtors - revenue	(53,190)	(14,044)
Increase/(decrease) in creditors/provisions	(280)	19,627
Loan written off	0	0
	<u>(35,262)</u>	<u>(327,826)</u>

13. Increase/(Decrease) in Cash During 2007/2008

	Year Ended 31/03/08 £	Year Ended 31/03/07 £	Movement 2007/2008 £	Movement 2006/2007 £
Cash	1,126	104,095	(102,969)	(27,456)

14. Increase/(Decrease) in Liquid Resources

	Year Ended 31/03/08 £	Year Ended 31/03/07 £	Movement 2007/2008 £	Movement 2006/2007 £
Short term deposits/investments	1,803,000	1,705,000	98,000	(209,000)