

South Tyneside Council  
**Annual Report**  
**2007/08**



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2007/08




**South Tyneside Council**





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Annual Report 2007/08

## “Focusing on our Priorities”

Welcome to South Tyneside Council’s Annual Report for 2007/08. This document sets out our priorities, how we spent your money on achieving these during the last financial year and how successful we have been.

Our performance and achievements are based on many things, including how effectively we use our resources. South Tyneside Council has a good and improving track record with stronger financial management, improved value for money, and a record of attracting greater external investment to help us continually improve services.

We have listened, and we will continue to listen. This Annual Report demonstrates we allocate the right resources in the right places to deliver the best possible services for the people of South Tyneside.

The Borough faces many challenges and we must remain focused on what matters most, focusing on the priorities so that we continue to improve, and deliver the highest possible quality of service across the whole Borough.

We can only deliver the very best by building capacity and working in strong partnerships with others.

We are a learning organisation with a fundamental belief that ‘none of us is as clever as all of us’. We have an excellent track record of working with leading experts from the north east, across the country and around the world.

We seek out best practice and always learn from people and organisations that are ‘best in class’ and from recommendations made through external assessment or peer challenge.

All of this helps us to deliver better services for local people. That is why we are not afraid to ask Government, our communities, our partners or our front line service delivery teams to work with us as one, to lift barriers and deliver what is most important for our communities.

While we are only part way through our longer-term improvement journey, we now have a clearer vision of what South Tyneside will look like and how we will get there.

**Local people are now more optimistic about the future as our shared ambition, enthusiasm and drive make South Tyneside an exciting place to be as we continue to deliver our vision of**

**‘A better future for South Tyneside’s people’**

**Councillor Iain Malcolm**  
Leader of the Council

# Overview

South Tyneside continues to improve its services for local people and in 2007 we delivered some really significant achievements corporately and across all our priority themes.

With partners, we are achieving improved outcomes for local people with an outstanding record of success. We are transforming local services by focusing on what's important, involving communities in decisions that affect them and continuing our 'can do' culture to deliver real quality of life improvements.

Educational attainment is at an all time high, health is improving, fewer people are unemployed with more people off benefits, more people are being helped to live independently at home and crime is at its lowest ever level.

Our physical environment has seen progress on major regeneration schemes, clean streets, well-presented open space and cultural opportunities that improve wellbeing, quality of life and sense of place.

External assessment independently verifies our improvement:

- We maintained the maximum '4 star' CPA rating and are 'improving well'
- Won various awards for our excellent public service including local government's top UK award, the Municipal Journal Best Achieving Council of the Year Award for 2007/8.

## Children and young people

- The 2007 Annual Performance Assessment judged our Children and Young People service as 'good' overall, with 'outstanding' features under the 'being healthy', 'positive contribution' and 'capacity for improvement' themes.
- We were recognised in the 2007 CPA Direction of Travel process as being among the most improved Children's Services in the country with our fostering service judged 'Good' in 2007.

- For the first time ever, almost 6 out of 10 pupils sitting GCSEs in South Tyneside passed five or more exams at A\*-C in Summer 2007. We also received our best results so far for Key Stage 2 results, with 81% of pupils achieving level 4 in English and 78% in Maths.
- Latest figures show that teenage pregnancy rates in South Tyneside have reduced by 37.6% since 1998 - the second best reduction in the country, and the best in the North East, and compares to a 13.3% reduction in England under-18 conception rates.
- We were cited as an example of good practice across the region for opportunities for care leavers. Currently we have 3 (out of 80) care leavers at University, above the national average of less than 1%.
- Our partnership with North Tyneside Council and Customs House Theatre has attracted over £2 million in Creative Partnerships funding to allow a 'cultural offer' to our children in the Borough.

## Independent and healthy lives

- Our Adult Social Care service has again been awarded a two star rating by the Commission for Social Care Inspection after being judged as delivering 'Good Outcomes and having 'promising capacity' for improvement'.
- Life expectancy has improved. Male life expectancy has increased by 1.6 years over the past four years to 75.2 years, closing the gap on the national average of 77.3 years. Female life expectancy has improved by 0.6 years to 80.1 years against the national average of 81.6 years
- We are also making progress in tackling the major chronic diseases with a decline in mortality rates in all age groups.
- More adults assessed as needing social care support are receiving Direct Payments to allow them to manage their own care arrangements. In March 2008, 153 adults were receiving Direct Payments, a 40% increase on March 2007.

- Our sports development programme makes significant progress engaging people to adopt healthier lifestyles. Attendance on the sports development programmes increased from 43,000 in 2006/7 to 67,000 last year, an increase of 55.8%.

## Safer and stronger communities

- We have seen a reduction in crime across most categories, with violent crimes down by almost a fifth, with domestic burglaries and criminal damage statistics both reduced by 18%.
- Anti social behaviour (ASB) is reducing with our community area forums focusing extra attention with partners and residents working together to fight crime and ASB. Our policing and communities together pilot scheme is generating extra public participation in areas of public concern.
- We held Beacon open days for promoting financial inclusion and tackling over indebtedness, and for the role of elected members as neighbourhood and community champions.. We have now been invited by Department for Works and Pensions to be Regional Champions for Financial Inclusion. We have also been invited by the IDeA to be Regional Community Involvement Champions, in partnership with South Tyneside Homes.

## Environment, housing and transport

- We pride ourselves on the quality of our environment, housing and transport links and have worked hard to improve services and achieve high resident satisfaction.
- For Comprehensive Performance Assessment 2007 the Audit Commission again awarded us the maximum score of 4 for Environment, and we achieved 3 out of 4 for Housing
- The Audit Commission inspected South Tyneside Homes and awarded it 'two stars with promising prospects for improvement'. This unlocks £167m of funding from the Government to deliver a borough-wide Decent Homes Programme. Added to other financial resources available, this means that a total of £252 million will be invested in nearly 18,400 homes managed by South Tyneside Homes over the next five years.

- Our Middlefields Recycling Village has helped increase recycling to 27% and won 'Civic Amenity Site of the Year' in the letsrecycle.com Awards for Excellence in Recycling and Waste Management.
- Sandhaven beach has been classified as a Recommended Beach by the Marine Conservation Society, and also won Blue Flag and Quality Coast awards. South Tyneside also won a number of Northumbria in Bloom awards, including silver medals for Best Town, Best Small Town, Best Large Town, and Best Coastal Resort.
- We are improving transport links to help people reach their destination through a range of schemes, working with partners to improve public transport and travel information satisfaction. Our Local Transport Plan has been rated as 'good', and we have secured a range of improvements and key investments such as the development of a second Tyne Tunnel, Simonside Metro station and additional bus routes.

## Jobs and enterprise

- We know our employment rate needs to improve so we are working hard both locally and as part of the City Region to get more people into work. This includes a focused approach and financial investment in our most deprived communities.
- Our employment rate was 67% in 2007 and we are making progress to further improve. We have attracted Garlands to South Shields riverside to employ around 1,000 people and the recently agreed Strategic Partnership with BT will generate a further 750 jobs over the 10-year contract, peaking at around 1250 new jobs.
- More people are coming off benefits. Latest figures of people in the Borough on key benefits such as job seeker allowance, incapacity benefit or lone parent benefit reduced from 17,450 in May 2006, to 16,870 in May 2007, a 3.3% annual reduction.
- During 2007/08, our Local Enterprise Growth Initiative programme supported 163 businesses, and helped create 81 businesses, resulting in 362 new jobs. Government Office North East said that our LEGI programme had been implemented at a faster pace than other areas of the North East due to South Tyneside's strong infrastructure and partnership arrangements.

## Culture and wellbeing

- One of our top ten priority objectives is to promote Culture and wellbeing so that communities can be the best that they can be and help create an improved sense of place.
- For Comprehensive Performance Assessment 2007, the Audit Commission rated us as performing strongly, for Culture, awarding us the maximum score of 4.
- Our Mouth of the Tyne Festival, staged jointly with North Tyneside and funded by the Culture 10 programme, attracts over 60,000 visitors and received a silver north east tourism award in the best visitor experience category. Visitor numbers continue to increase and research showed tourism spend of £219.6m last year with over 1.5 million visitors to our seafront, supporting 4333 jobs. 64% of visitors rated the summer festival 'excellent' and a further 30% rated it 'good'.
- Uptake of culture and leisure activities and facilities continues to increase. We had 18,560 attendances at Sports Development holiday activities to improve health and wellbeing and also increased library visits by over 30,000 to 969,740 with the highest library satisfaction rate in the country.
- Our leisure facilities received the QUEST award, the recognised industry standard for sport and leisure facility management. The score achieved by Temple Park Centre was 74%, which was an improvement on its previous result and puts it among the higher-ranking centres in the UK.
- The Cleadon Park Community Partnership won a Gold Award from the Housing Corporation for Delivering Joined-Up Development.
- Work has started on a £5m restoration project for South Marine Park, and we have appointed a preferred developer for the regeneration of Hebburn Town Centre.

## Resources

- We are determined to continually make the best use of our resources and deliver high quality, value for money services.
- In consultation with our residents, we aim to keep council tax affordable with annual increases as low as possible, aligning our spending with priorities.
- Residents were clear they did not want a council tax increase above 3.2%, so we listened and evaluated local opinion. For 2008/09 we set council tax increase at the lower rate of 2.95%, the second lowest increase in Tyne & Wear and our lowest increase in over a decade.
- We have improved our financial systems and value for money with unintended high spending identified and addressed early. The cumulative three-year value of sustainable efficiencies to 2007/8 was £16.3m, which was £5.7m and 54% above the £10.6m target set by government.
- For Comprehensive Performance Assessment 2007, the Audit Commission rated our Use of Resources as good, awarding us a score of 3 out of 4.
- The Benefit Fraud Inspectorate awarded our Housing and Council Tax Benefits Service the maximum 4 out of 4 rating and judged it as improving strongly.
- We successfully retained the Investors in People (IIP) award across the whole council including elected members, against a new harder standard.
- The IDeA awarded us Beacon Status for our work in developing our Local Strategic Partnership and Local Area Agreement,
- Work has started on the first of our new one stop Customer Service Centres, and on the new Register Office in South Shields.

## Regeneration

- The Audit Commission rated our Regeneration and Neighbourhood working as being a 'good, two star service with promising prospects for improvement.' They found that our innovative approach to improving our most deprived neighbourhoods is delivering improvements such as a cleaner environment, less crime, better education results, as well as attracting investment into the Borough.

## What is the Annual Report?

We are committed to providing the best possible services for everyone in South Tyneside. This Annual Report explains how we have delivered our objectives in monetary terms.

The Council's Annual Report is a key document in informing our stakeholders of the Council's financial position.

During consultation on our strategic plans for 2007-2010, our business sector, voluntary sector and trades union partners asked that we continue to provide a set of summary accounts each year.

The financial statements contained within this Annual Report are extracts from our full Statement of Accounts for 2007/08 which is available on our website at [www.southtyneside.info](http://www.southtyneside.info). Hard copies can be requested in writing from the Head of Finance, Town Hall and Civic Offices, Westoe Road, South Shields, NE33 2RL.

The Annual Report is fully integrated and flows from 'the Spirit of South Tyneside', the Authority's joint Community Strategy, Neighbourhood Renewal Strategy and Local Area Agreement and our Medium Term Financial Plan.

## Understanding our current position

To set the context for our Annual Report, it is important to understand the context of the Borough and our communities.

## What is South Tyneside like?

South Tyneside is part of the Tyne and Wear conurbation, situated on the coast next to the River Tyne. It covers 64 square kilometres with six areas – South Shields, Jarrow, Hebburn, Whitburn, Boldon and Cleadon.

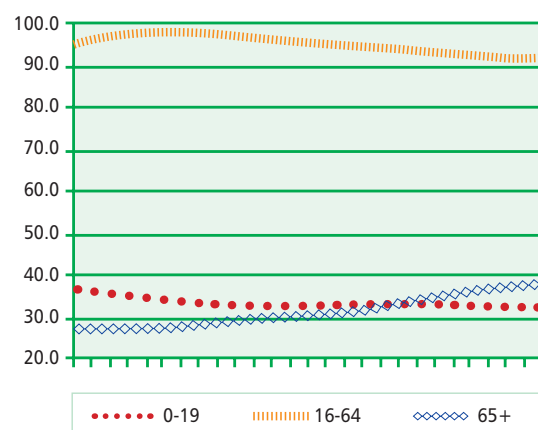
The history of the borough is characterised by heavy industries such as shipbuilding, coal mining and heavy engineering industries. South Tyneside suffered industrial decline in the 1970s and 1980s with severe social and economic consequences and in December 2001 had the worst unemployment rate in England and Wales.

Deprivation remains extensive in South Tyneside. 56% of our residents live in neighbourhoods ranked in the 25% most deprived in England.

Unemployment is still higher than the regional average – in May 2008 South Tyneside's unemployment rate was 4.5% compared to average of 3.1% for the North East and only 2.2% for Great Britain. Almost a third of children (28.2%) live in poverty with families that receive income related benefits, such as Job Seeker's Allowance.

Most of South Tyneside's population is white British. The most recent 2005 Mid-Year Estimates suggest that 4.4% of South Tyneside's total population and 5% of 0-15's are from black or ethnic minority communities. These are mostly Asian Indian and Bangladeshi, with an increase in African and Caribbean immigration.

## Population Projections (Total Population)



The Borough's population projection has started to show signs that it will increase overall, although the population under 65 is decreasing. Our total population was 156,847 in 1993 and is now 151,000. However, indications are that by 2031 it will rise to 154,500.



The graph above shows the predicted rise in the number of older people and a reduction in the number of children and young people and working age people in South Tyneside over the next 25 years:

The results show that the numbers of 65+ year olds in South Tyneside are anticipated to increase by 11,100 from 26,900 in 2008 to 38,000 in 2031, an overall increase of 40.4%. The numbers of 0-19 year olds are anticipated to reduce by 2,700 from 2008 to 2031, which is an overall reduction of 7.7%.

Significantly, although only the 65+ age groups all show a rapid increase, the 0-9 age group is expected to increase, and is then to decline. Whilst the older young people are currently declining, they are expected to increase again with the next twenty years. All age groups that are predicted to decline are only expected to decrease gradually.

While these trends may change by 2031, a predicted fall of 2,700 is equivalent to over 90 school classes. The falling numbers of children and young people and increasing older people in South Tyneside will have a significant impact on how we provide services, and represents a major challenge for the future.

## What progress have we made so far?

We have a solid and sustained record of improvement. We are the only single tier council in Comprehensive Performance Assessment (CPA) history to move from 'fair' directly to 'excellent' in 2004 with continued improvement to '3 stars' in 2005 and then the maximum '4 star' rating in 2006. We are proud of our wide range of awards and positive external assessment including three beacon status awards. We were short listed for LGC Council of the year 2007 and won the 'most improved reputation' category at the 2007 North East Shine awards and UK Municipal Journal Best Achieving Council of the Year Award 2008.

In 2007 we were again awarded the best possible CPA rating by the Audit Commission - judged as an excellent, 'four-star' council, that continues to 'improve well.'

Our service delivery is strong with children and young people, adult, housing and resources services scoring 3 out of 4 in CPA 2007 and benefits, environment and culture services scoring the maximum 4 out of 4. Resident satisfaction levels continue to improve with some of the highest satisfaction increases in the country at a time when we have also kept council tax levels below both local and regional averages.

### In the 2007 Direction of Travel Scorecard, the Audit Commission reported that: :

"Services are improving outcomes for local people in priority areas. Services for children are good and improving. Improvement in exam results is above the national average and children's social care is improving. More older people are being helped to live at home.

Levels of household waste are reducing. Recycling is increasing but the rate of improvement is slow. Cultural services initiatives and improvements have contributed to increased participation. Regeneration schemes are increasing employment opportunities and delivering physical improvements in communities. Levels of crime are reducing and there has been an increased focus on tackling anti-social behaviour

The Council has improved the quality of public sector housing with repairs completed faster. The Council has improved value for money and benefits processing. The Council is improving access to services and continues to work well with communities through improved consultation to develop future plans. There are robust arrangements in place to focus on areas for improvement in priority services. The challenge for the Council is to sustain improvement in environmental and housing services and services to older people and cared for children".

Source: Audit Commission 2007 Direction of Travel Summary

This shows the continued improvement and shows us as a Council that has built on the strong foundations. We are extremely proud of our assessment, which is testament to our commitment and drive to make South Tyneside a better place for people to live, work and visit.

We do however recognise that there is still much to achieve and we will continue to exceed our high ambitions by continually driving further improvements and efficiencies in our services.

## Satisfaction with Council Services – what residents have told us

The Council conducts regular surveys of local people to obtain their views on satisfaction with Council services and other issues affecting quality of life in the area. The results of surveys and other consultation exercises undertaken (such as our popular annual Consultation Road-show) are used to inform the development of Council plans and services. The latest residents' survey, conducted for the Council by Ipsos MORI in 2006, provided much information on residents' satisfaction with the area and the Council overall, and with specific services. Comparisons with the 2004 survey results are a useful way for us to measure progress in improving levels of residents' satisfaction.

The number of residents stating that they were satisfied with this area as a place to live increased slightly from 80% in 2004 to 82% in 2006 whilst the number of residents dissatisfied remained constant at 13%.

The 2006 survey indicated that people in South Tyneside are satisfied rather than dissatisfied with the way the Council is running the area by a margin of 3:1 (64% against 20%).

In the 2006 survey refuse collection was the highest rated universal service in the Borough, with nine out of ten resident satisfied with the service. Street-lighting and beaches were also highly rated by residents (87% and 85% satisfied respectively)

Satisfaction with a number of services showed a notable improvement between 2004 and 2006. These were:

- Primary schools (59% satisfied) up 7 percentage points from 2004
- Street cleaning (70%), grass cutting and grounds maintenance (68%) and facilities for the disabled (36%) where satisfaction increased by 5 percentage points between 2004 and 2006
- Secondary schools (50%), sports facilities in parks (44%), care of the elderly (42%), and facilities for young people (26%) where satisfaction increased by 4 percentage points between 2004 and 2006

There were no significant decreases in satisfaction between 2004 and 2006.

Looking at vital street-care services, in 2006 just over half of residents were satisfied with road and footpath maintenance 51% and 52% respectively, with around three in ten residents expressing dissatisfaction with road and footpath maintenance. However, ratings for South Tyneside were relatively good when set against those recorded by many other authorities.

In 2006, as in previous surveys, facilities for young people were the principal concern for residents, with just over a quarter saying that they were satisfied with this service (26%).

Whilst the proportions of residents who think the Council asks for the views of local people remained close to the level recorded in 2004, there was a decrease in the proportion of residents who think the Council listens to the views of local people from 28% to 24%. The Council has responded by placing greater evidence on listening to and communicating with residents (e.g. through our award winning 'Listening campaign') and strengthening arrangements for community involvement. A new Community Involvement Strategy is to be launched by the Council and its partners in the autumn of 2008. The Council is committed to giving residents a greater voice and influence over local decision making and the delivery of local services and this is one of the 10 priority objectives set out in South Tyneside's new Community Strategy and Local Area Agreement.

## The national picture

At the heart of the Government's agenda is one overarching aim: to create thriving, vibrant, sustainable communities which will improve everyone's quality of life. A sustainable community is a place where people want to live and work now and in the future.

Local Government has a key role to play. The emerging policy agenda around 'place-shaping' describes how Local Government can work with residents to develop and deliver high quality public services that meet the needs and preferences of local people.

The place-shaping role forms the basis for everything we do in South Tyneside including our approach to the Medium Term Financial Plan.

The Council funding is dependant for a significant part of its funding upon the allocation of resources from Government. Currently this is established under the Governments spending review of 2004 which was focused on:

- Improving public services – primarily through efficiency measures and the continuation of Public Service Agreements.
- Increasing opportunities by providing more resources for children's services.

The Government has carried out a comprehensive spending review which has set the spending priorities for the next five years from 2008/09 onwards.

## The regional picture

In establishing our strategic and financial plans, we need to consider regional policies, plans and strategies. These include the following:

- The Regional Economic Strategy
- The Tyne Wear Economic Strategy
- The Northern Way Growth Strategy
- The Tyne Wear City Region Business Case
- One North East Regional Development Agency Business Support Review
- One North East Strategic Action Plan for Business Support
- Service delivery by key partners in the Region including Business Link Tyne and Wear.

## The local picture

The Medium Term Financial Plan is central to achieving South Tyneside's vision of a "better future for South Tyneside's People". Our plans for delivering this ambitious vision are set out in Spirit of South Tyneside.

Spirit of South Tyneside is our joint Sustainable Community Strategy, Regeneration Strategy and Local Area Agreement and clearly sets out how we will achieve our vision. The document incorporates three key elements into one strategic document that focuses on our priorities:

- Sustainable Community Strategy - paints a picture of what life will be like for the people who live, work and visit the borough in 2020.
- Regeneration Strategy - outlines our approach to regeneration and how narrowing inequality gaps is embedded across all of our priority themes. We know that investment in schools, business parks, transport, the foreshore and the riverside is essential not only for shaping the places in which our communities live, but also for contributing directly to the delivery of better outcomes across all our services. The impact of our key regeneration projects up to the year 2020 can clearly be seen alongside our plans to improve the quality of life in our most disadvantaged neighbourhoods.
- Local Area Agreement - focuses on our biggest and most important challenges. Our agreement with partners and government will tackle the top ten priority objectives first and sets out 29 targets to make a real difference. The Top Ten Priority Objectives are listed below.

As well as the clear links with Spirit of South Tyneside, the Annual Report is consistent with priorities set out in a number of national and local policies, plans and strategies. This strategy will set the overall direction of underpinning operational plans, which will deliver improvements on the ground.

## Top Ten Priority Objectives

- Increasing opportunities and participation in education, employment and training
- Improving outcomes for vulnerable children and young people
- Building respect in communities and reducing Anti Social Behaviour
- Involving people to have a greater voice and influence over decision-making and the delivery of local services
- Improving the health and wellbeing of older people
- Reducing health inequalities by reducing smoking, alcohol harm and obesity
- Reducing the gaps in employment and benefit claimant rates between the worst performing neighbourhoods and national averages
- Improving housing conditions and quality across all tenures to meet the decent homes standard
- Reducing waste to landfill and increasing recycling to help reduce our carbon footprint
- Promoting culture and wellbeing so that everyone in our communities can be the best that they can be

Our Corporate Policy Framework is designed to ensure we have a joined-up approach to policy development across the Council. This ensures that our policies, plans and strategies are absolutely focussed on delivering our priorities and that all plans and strategies are consulted on and are based on robust policy and data analysis.

The Corporate Policy Framework sits alongside our Planning Framework and together they ensure all of the Council's actions are developed and delivered at the right time and in the right way to improve the lives of the people of South Tyneside.

For the Council and the Local Strategic Partnership (LSP) performance management is part of our “day job”. This means we set out clearly what we plan to do, check our progress regularly to make sure we are delivering our plans and take action where we are not doing as well as we could. Our performance management framework includes a robust corporate performance monitoring and reporting system to ensure we regularly and comprehensively monitor, challenge and improve performance.

## Equality, diversity and inclusion

Equality matters to us. We want our Borough to be a place where everyone feels accepted as part of our community. Equality is embedded within the council and underpins our commitment to the Community Strategy. Our approach to equality and diversity is simple; it is about delivering excellent services that are fair for all... personal to each. Working closely with our communities of common interest and our equalities employees groups, we have identified, planned and addressed a whole range of sensitive issues of cultural identity, accessibility and community cohesion.

In March 2008 we self declared at level 3 of the Equality Standard for Local Government and aim to achieve level 4 during 2009

## Value for Money

We feel that aim of the local government Value for Money agenda is straight forward – we must use our resources in the best possible way to deliver better public services in line with the priorities of local people.

In South Tyneside, we work hard to ensure that we achieve high value for money. We always challenge ourselves to make sure our costs compare well with others; identifying and challenging areas of high spend. Our overall aim is to ensure that the money we spend results in high quality services that meet and satisfy local needs.

We ensure delivering value for money is part of the day job where members and officers assess value for money implications ‘as the norm’ when making decisions and

delivering services. Continually improving value for money remains a key element of Performing Together, our corporate plan.

Our value for money toolkit provides the framework to continually deliver improvements on the ground by routinely:

- using our resources in the best possible way
- challenging high cost services;
- reducing costs whilst maintaining or improving performance; and embedding value for money throughout the authority.

## Our targets for 2007/08

Building on earlier successes, such as the Carbon Trust Best Performing Fund 2005-2006 award, the Council adopted its first Carbon Management Strategy in May 2006. That strategy set out our plans to reduce carbon emissions by at least 5% over the five-year period to 2011. The strategy aims to:

- Mitigate against rising energy costs, and result in a financial saving to the Authority of between £3m and £8m;
- Demonstrate the Council's commitment to the environment;
- Promote best practice and good environmental citizenship, and
- Ensure a co-ordinated, cross-directorate approach to good Carbon Management practices.

The Strategy contains a vision to transform South Tyneside Council's energy use and reduce carbon emissions associated with operational activities and has a supporting Action Plan that focuses on carbon emissions savings associated with Energy Use in Buildings; Fleet Transport; Employee Business Transport; Waste, and Water Usage.

The Strategic aims are to:

- Achieve real reductions in Carbon emissions in the areas set out above through:
  - o Active measurement, monitoring and control of emissions
  - o Use of new and proven technologies
  - o Reviewing policies and procedures
  - o Good housekeeping
  - o Raising awareness amongst staff of good environmental practice

- Embed Carbon Management into the Authority's decision-making processes;
- Build Carbon Management into procurement policies, and
- Monitor and communicate progress, continually promoting better ways of working.

## Achievements

The Council's commitment to meeting the challenges of climate change is more widely reflected in its priority 4\* Plus Projects for 2007-08 'Do Our Bit to Tackle Climate Change and Protect the Environment'.

The objectives of this project were:

- Improving our ability to plan and evaluate action through gaining a better understanding of the local contribution to climate change;
- Reducing the Borough's 'carbon footprint';
- Reducing the Council's 'carbon footprint';
- Developing strategies to adapt and respond to the impacts of climate change;
- Minimising waste and increasing recycling;
- Encouraging greater use of sustainable transport options, and
- Inspiring our communities and our staff to make environmental choices.

A key outcome of the project has been the development of a new Environment Strategy 'Our Planet, Our Place, Our Future' which provides the framework for action on our environmental priorities to 2020.

Underpinning that strategy is the desire to lead and inspire our communities in making positive environmental choices and we are determined to lead by example.

Conscious that carbon emissions from our own operations are largely associated with energy use in our buildings we have focused our actions in this area and by the end of 2007-08 we had reduced the 'carbon footprint' of our property portfolio by 5890 tonnes from our 2005 baseline of 30,000 tonnes.

We have achieved this through a package of measures, many of which will continue beyond 2007-08, such as:

- Continued operation of our Middlefield's Wind Turbine
- Programmed installation of lighting controls and low energy lighting
- Programmed installation and upgrading of pipework insulation
- Automatic meter reading (AMR) for water
- Awareness raising amongst our employees

Our fleet management activities are benefiting from driver training to encourage vehicle sympathy (driving considerately) in the use of Council vehicles and which will reduce fuel consumption and promote improved driving behaviour. We are also examining the more efficient utilisation of vehicles and a potential fleet reduction.

In terms of procurement we are working with the North East Centre of Excellence in developing sustainable procurement practice.

## Looking Forward

To build further on our work to date and to support delivery of our new Environment Strategy the Council is taking forward its 4\* Plus Project 'Reduce our carbon footprint to help tackle climate change' as well as a value for money review of energy usage in buildings which together aim to deliver a 20% reduction in the Council's carbon emissions over the next 3 years.

# Operating and Financial Review

## Our vision for the Annual Report

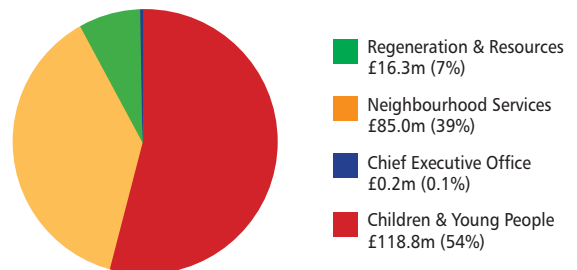
The Council makes the best possible use of the resources available, with regard to economy, efficiency and effectiveness. Our Annual Report looks back at our results over the past financial year and provides our stakeholders with an up to date view of the Council's financial position.

The figures in this summary have been prepared with regard to proper accounting practice and will be externally audited to ensure they present a true and fair view of the Council's financial position.

## Overview of our financial position for 2007/08

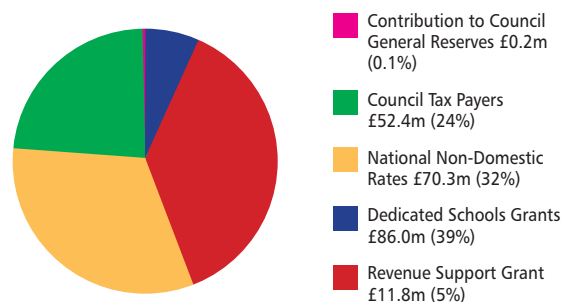
### Where the money was spent

The Council's net expenditure in 2007/08 was £220.3m. The chart opposite summarises where this money was spent. More detail is provided in the following sections.



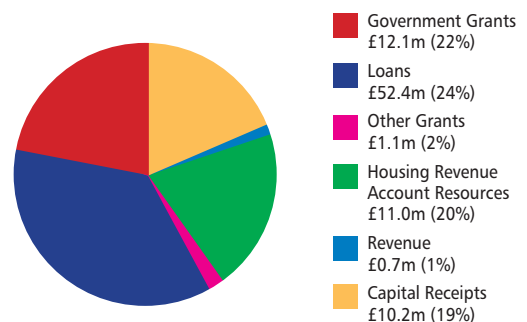
### Where the money came from

Our net expenditure in 2007/08 of £220.3m was financed from the following sources:



### Capital Finances

The Council spent £54.6m on capital schemes in 2007/08, creating long-term economic benefits for South Tyneside. The £54.6m capital expenditure was financed from the following resources:





# Summary accounts and information

## Summary accounts and information

### Overview of our financial position for 2007/08

#### Introduction

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 three-year horizon. This Statement of Accounts looks back at our results over the past financial year and provides stakeholders with an up to date view of the Council's financial position.

Making the best use of our resources is a responsibility shared by Members and Officers of the Council. As Section 151 Officer, the Head of Finance has a specific role in ensuring the adequacy of resources and proper financial administration.

These accounts set out the results of Council activities for the year ended 31st March 2008 and outline our financial position at that date.

This foreword should allow the reader to:

- Review the Council's financial results and financial standing for 2007/08;
- Understand the activities and significant matters that took place during 2007/08 and had an impact on Council finances;
- Review and understand the principal financial statements.

### Overview of Financial Position 2007/08

Although the Council has faced significant revenue spending pressures during 2007/08, we have successfully achieved an underspend position of £0.8m at the year-end on our revised budget. Our original budget of £221.1m was set assuming a contribution from reserves of £0.6m to balance the budget. Excluding this use of reserves, we have a net underspend for the year of £0.2m. This has been transferred to general reserves.

This underspend was brought about through our "one-team" approach, which encouraged us to tackle the budget pressures in a corporate way.

The Council continues to face and manage significant cost pressures relating to demand for adult social care, looked after children, teacher redundancies and the revenue impact of equal pay claims. In recognition of these pressures, we have made additional revenue contributions to our Strategic Risk Reserve and Equal Pay and Job Evaluation Reserve totalling £3.9m. These have been funded through use of one-off grant income and a change to our policy for Minimum Revenue Provision, in line with Government Guidance, to meet the financial commitments facing the Council.

The Council had an approved capital programme of £72.3m in 2007/08. During recent years, improvements in the management of our capital programme have improved our ability to deliver projects to budget.

## Revenue Financial Summary 2007/08

The following table summarises revenue spending during 2007/08 and how this has been financed. Management accounts are reviewed rigorously on a monthly basis and are reported to the Executive Team each month as part of the overall performance-monitoring framework adopted by the Council. The management accounts have been reported to the Cabinet and the Regeneration and Resources Scrutiny Committee on a quarterly basis. For 2008/09 our quarterly Cabinet reporting to Members will be brought forward by a month to provide prompter information on our financial position.

We have transferred budgets during the year to reflect changes in the management of budgets. These were:

- £0.8m from Regeneration and Resources Directorate to Neighbourhood Services Directorate to address ongoing budget pressures on Adult Social Care.
- A value for money saving target of £0.2m from Regeneration and Resources Directorate to Children and Young People Directorate.

A further budget adjustment was required at year-end in order to comply with statutory reporting requirements as follows:

- Budget transfer of £1.3m from Children and Young People Directorate to Regeneration and Resources Directorate for ongoing pension payments for teachers in order to comply with the Accounting Code of Practice categorisation of expenditure. The budget for redundancy payments is still held in Children and Young People Directorate.

As part of a further review of our Directorate structures, Regulatory Services transferred from Neighbourhood Services Directorate to Regeneration and Resources Directorate in January 2008. The Council's Medium Term Financial Plan for 2008/09 reflects the change in Directorate structures, however the management and financial reporting have continued within Neighbourhood Service Directorate until the end of 2007/08.

Both types of budget adjustments are incorporated in the revised budget column in the following table:

2007/08 Revenue Financial Summary	Original Budget £m	Revised Budget £m	Actual £m	Variance £m
Chief Executive Office	0.2	0.3	0.2	-0.1
Children and Young People	115.7	118.8	118.8	0.0
Neighbourhood Services	82.3	84.6	85.0	0.5
Regeneration and Resources	22.9	17.5	16.3	-1.2
<b>Total Revenue Spending</b>	<b>221.1</b>	<b>221.2</b>	<b>220.3</b>	<b>-0.8</b>
Revenue Support Grant	11.8	11.8	11.8	0.0
Dedicated Schools Grant	85.9	86.0	86.0	0.0
National Non-Domestic Rates	70.3	70.3	70.3	0.0
Contribution from Collection Fund	0.0	0.0	0.0	0.0
Council Tax Payers	52.4	52.4	52.4	0.0
Contribution to / from Council General Reserves	0.6	0.6	-0.2	-0.8
<b>Total Revenue Funding</b>	<b>221.1</b>	<b>221.2</b>	<b>220.3</b>	<b>-0.8</b>

The change to the original total budget reflects the final allocation of Dedicated Schools Grant (DSG), which increased by £0.1m. This was announced after the 2007/08 budgets had been set.

The most significant revenue spending variations during the year were as follows

### Children and Young People Directorate

- Looked after children continue to be a significant pressure for the Council. The number of looked after children has risen during the year, however the significant impact on budgets has been the cost of care from agency foster placements and out of borough placements. This is a pressure faced by other Councils across the Tyne and Wear region. The additional cost has been £1.2m.
- The Directorate faced significant cost pressures on teacher redundancies in 2007/08 from the closure of King George V and Brinkburn Comprehensive schools and opening of South Shields Community School. A budget of £1.5m was created in 2007/08 to manage these costs along with a contribution from Dedicated Schools Grant funding. The Council was successful in receiving a capitalisation directive from the Department for Communities and Local Government (DCLG) to allow these exceptional costs to be funded from additional borrowing. This resulted in revenue savings of £1.5m, which has helped to offset the spending pressures on looked after children.
- There were increased Special Educational Needs transport costs of £0.3m. A new contract has been negotiated for 2008/09, bringing together all relevant transport from across the Council. The efficiencies from this re-tender will bring these costs in line with budget.
- Remaining cost pressures within the Directorate were managed through a budget recovery plan to result in a small overspend at the year-end.

### Neighbourhood Services Directorate

- There were significant demand-led costs pressures within Adult Services. This will continue to be an issue for the Council with the ageing population in the Borough and additional budget provision has been built into our Medium Term Financial Plan. Two budget transfers were made during the year to move £0.8m from Regeneration and Resources Directorate specifically to address these budget pressures, nevertheless a net overspend of £0.5m remained due to the volatile nature of this demand.
- The Streetscape Service experienced cost pressures within the Transport and Environmental Maintenance and Waste Management teams due to higher costs of Blitz It service. This is being reviewed for 2008/09.
- Underspends were achieved on Regulatory Services, Community Services and Cultural Services to offset these spending pressures above. This included holding vacant posts and maximising the use of external grant income.

### Regeneration and Resources Directorate

- The major underspend related to investment income where higher than anticipated interest rates have increased income above the budgeted level. This underspend funded the 2007/08 budget transfer to Neighbourhood Services of £0.8m to address adult services cost pressures. It is not anticipated that underspends at this level will be achieved again in 2008/09.
- Reduced insurance claims and reduced costs from new insurance contracts have resulted in a saving in the year of £0.8m.
- The 2007/08 budgets for the Directorate included a £0.6m budget for the revenue costs of job evaluation implementation. This budget was funded through the use of reserves. This budget has not been spent during 2007/08, adding to the saving against Regeneration and Resources Directorate. The net underspend is £0.6m for Regeneration and Resources Directorate taking into account the retention of this reserve.

## Chief Executive's Office

- The outturn showed savings of £0.1m from staffing costs and increased income from services provided to other bodies.

## Capital Investment Financial Summary 2007/08

Expenditure on capital projects during the year was £54.6m of which £37.7m represented net additions to fixed asset values. Receipts of £10.2m from the disposal of assets were used to fund 19% of capital expenditure, grants and contributions of £13.2m funded 24%, Government borrowing approvals of £5.9m funded 11%, unsupported borrowing of £13.5m (in line with the Prudential Code) funded 25%, and the remaining £11.8m of capital expenditure (21%) was funded from revenue contributions. The following table summarises capital investment during 2007/08 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.

2006/07 Capital Investment Summary	Original Budget £m	Revised Budget £m	Actual Expenditure £m	Carry Forward Element £m	Spend Variance £m
Chief Executive Office	0.0	0.0	0.0	0.0	0.0
Children and Young People	7.5	14.5	8.4	6.3	0.2
Neighbourhood Services	12.1	21.8	16.7	5.5	0.3
Regeneration and Resources	20.3	21.7	15.3	6.3	-0.1
Housing	74.2	72.3	54.6	18.2	0.4
<b>Total Capital Spending</b>	<b>74.2</b>	<b>72.3</b>	<b>54.6</b>	<b>18.2</b>	<b>0.4</b>
Borrowing Approvals from Government	7.7	5.9	5.9	0.0	0.0
Unsupported Borrowing	15.2	16.3	13.5	3.4	0.5
20.0	0.0	0.0	0.0	0.0	0.0
Capital Receipts	7.5	17.4	10.2	7.2	0.0
Funding from Housing Revenue Account	11.1	11.1	11.0	0.1	0.0
Funding from General Fund Revenue	0.9	0.7	0.7	0.0	0.0
Government Grants	1.2	19.7	12.1	7.5	-0.1
European Grants and Other Contributions	74.2	72.3	54.5	18.2	0.4
<b>Total Capital Funding</b>	<b>74.2</b>	<b>72.3</b>	<b>54.5</b>	<b>18.2</b>	<b>0.4</b>

Improvements made to the management of the Capital programme have ensured that the reported overspend is the level expected. The level of carry forwards in 2007/08 can be attributed to a small number of regeneration projects that have changed from our original programme.

The most significant capital spending variations during the year were as follows:

### Children and Young People Directorate

- The major overspend on the Council's programme related to a new project to remove asbestos from King George V school. The school was vacated as part of the amalgamation with Brinkburn to create the South Shields Community School. The Council assessed the health and safety risks of a vacant school containing asbestos and agreed an additional scheme of £0.3m on the capital programme. Additional underspends have been found within the existing programme to reduce the reported overspend to £0.2m.

### Neighbourhood Services Directorate

There were variances on the following capital projects:

- A new project of £0.2m to repair Marsden Grotto steps to re-open them to public and meet health and safety requirements. This was an addition to the capital programme.
- Additional costs for replacement vehicles and buy out of leases £0.2m.
- Within the Housing Capital Programme there have been overspends on projects for replacing boilers (£0.3m), replacing doors (£0.1m), managing the capital programme (£0.2m) and structural works (£0.2m). Savings in other areas such as demolition and home loss payments and decent homes windows/doors contract offset the overspend in order to reach a balanced budget.

### Regeneration and Resources Directorate

- A saving of £0.1m was achieved by effective use of unringfenced grants to fund existing planned works.

There is £18.2m of funding to carry forward from the 2007/08 capital programme. This is significantly higher than last year's carry forward of £10.4m due mainly to a small number of regeneration schemes which have not been implemented in the timescales envisaged due to external factors.

The most significant capital carry forwards arising in 2007/08 were as follows:

### Children and Young People

- A £4.2m budget was added to the capital programme in 2007/08 to reflect the capital contribution to the replacement of Cleadon and Whitburn Schools. A balance of £3.0m is carried forward for the final contribution to Whitburn school costs, which will be completed in 2008/09.
- The funding for Schools Devolved Capital commitments is ring fenced and £1.7m will be carried forward. This grant is always intended to be used over more than one financial year.
- School asset conditioning works of £0.4m. Programme commitments are already in place for £0.3m of this total and timing of works in school premises has resulted in the carry forward.
- Primary reorganisation budget of £0.4m. This smaller project has now been encompassed by the Transforming our Primary Schools Project and has been carried forward to spend within that project plan.

## Neighbourhood Services

- The most significant carry forward relates to Trow Quarry Reclamation (£1.7m) that will now commence in 2008/09.
- Regeneration projects at Ebchester and Boldon Colliery require carry forwards of £1.4m to meet the costs of known capital commitments.
- Completion of the regeneration of South Marine Park will incur £1.4m in 2008/09.
- Delays in take up of Private Sector Housing Improvement grants has led to a carry forward of £0.4m.

## Regeneration and Resources

- The main carry forward projects relate to the regeneration plans for the Borough. £0.3m funding for Green Business Park will not happen until 2008/09 due to reprofiling by the external funder.
- £2.2m has been set aside for acquisitions to achieve the transformation of the Borough, which will now occur in 2008/09.
- Tyne Gateway scheme funding of £0.6m is carried forward to 2008/09 to meet timescales of external funding.
- We have provided for £0.4m from the Major Grants Fund for known commitments.
- There is £0.9m carry forward of capital commitments from the ICT system and E-Government strategy projects.

## Significant Matters

### Pension Liability

As at 31st March 2008 the Council had a pension liability of £131.8m, (£171.0m at 31 March 2007) a decrease of £39.1m on the previous year. 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. Were the Council to cease operations this liability would have to be taken over by the successor body or ultimately funded by Central Government. The improved position on the liability reflects a change in the financial assumptions underlying the present value of Fund liabilities. The most significant change in particular relates to the discount rate applied, which increased from 5.3% to 6.8%.

### 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 (DCLG) and only applies to backdated pay settlements. Payments and provisions totalling £8.6m were capitalised in 2007/08 (£6.1m in 2006/07). The full cost of any forward-looking element incurred in 2007/08 (which does not qualify for capitalisation) has been met from the Equal Pay and Job Evaluation revenue provisions.

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 2006/07, we were only able to report the additional liability as a contingent liability in the accounts as at that stage there was not sufficient information to estimate the full provision required. We have now made provision in the accounts for the estimated cost alongside that of backdated implementation of the Job Evaluation structure.

There are a number of entries in the accounts in making this provision. Under Government legislation these costs have been removed under the Statement of Movement on the General Fund Balance and transferred to an Equal Pay Account until the year they become paid.

In line with Government requests, we have applied for a further capitalisation approval to meet the full liability for back pay and additional resources have been set aside in our Equal Pay and Job Evaluation Reserve to meet the revenue costs which cannot be capitalised.

The implementation of our new pay structure based on equality proof job evaluation will help to protect the Council from future equal value claims. We plan to implement our revised offer in 2008/09, with backdating to 1 January 2007. This is subject to trade union and Council approval and until this is achieved the provisions can only be best estimates.

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

On 21 December 2007 the procurement of STaG's private sector partner to deliver the £175m BSF and £21m ICT programme financially closed. This created the unique public/private partnership, known as Inspiredspaces STaG Ltd, between 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 Ltd will deliver the whole BSF build programme and ICT managed service, with exclusivity across the education schemes above £0.1m, if the Local Education Partnership (LEP) demonstrates value for money. This exclusivity, overarched by the European legislation, opens up the potential for Inspiredspaces to deliver the primary capital programme, hard and soft facilities management, leisure facilities and various regeneration projects.

The first schools in the BSF scheme are:

- Jarrow School, new build PFI and ICT managed service
- Mortimer Comprehensive School, refurbishment and ICT managed service

The rest of South Tyneside's programme will be delivered through a series of schemes progressed by the LEP in conjunction with each school and the Council.

## Strategic Partnership

The Council has embarked on a process to seek a Strategic Partner to deliver “back office” functions and bring jobs and investment to the Borough. This process has reached the competitive dialogue stage and tenders have been submitted. Following evaluation, it is proposed to recommend the preferred bidder and the way forward for the Council in July 2008. This contract would start during 2008/09 and run for 10 years.

## Airport Shareholding

The valuation of the holding has been reviewed in 2007/08 in line with Statement of Recommended Practice (SORP) guidance. The valuation has been increased by £3.4m to be held at the assessed current fair value. This valuation is now the original total cost of the investment. The investment had been impaired in 2006/07 following the re-financing exercise.

## Material Assets and Liabilities Acquired in Year

- At 31st March 2008 the Council held an additional £8.0m in short-term investments. This is primarily due to the investment of cash resources received by the Council in advance of being spent.
- Creditor balances have decreased by £12.9m for 2007/08 due to the inclusion of a number of exceptional creditor items necessary in 2006/07 accounts. These included £5.1m loan interest and an accrual of £2.1m for benefit subsidy.
- Long term Borrowing has increased by £18.6m and Provisions by £18.5m primarily as a result of the accounting for Equal Pay and Job Evaluation.

## Reserves and Balances

Council agreed a risk based reserves strategy alongside the Medium Term Financial Plan for 2008-2011 and reviews all strategic reserves as part of the budget setting process.

As at the 31st March 2008 the Council held earmarked reserves of £37.7m (£29.3m in 2006/07).

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 in line with CIPFA recommendations. In previous years we have chosen to define net budget as excluding Dedicated Schools Grant (DSG). From 2008/09 our published net budget is inclusive of DSG, and it would now be appropriate to bring this reserve in line with that definition. The resulting reduction of £1.5m has been transferred to the Job Evaluation and Equal Pay Reserve and Risk Reserve to provide for risks in the forthcoming years based upon best available information. This will leave a balance of £2.9m for emergency/unforeseen events that are not covered by existing earmarked reserves.

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

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

We have added to both reserves in recent years to strengthen the Council’s financial position. For prudence reasons, we have again added to both reserves in 2007/08 using one off income from grants including the Local Authority Business Growth Incentive Scheme (LABGI) and the savings from a change to our accounting policy for Minimum Revenue Position and review of other balances held.

We also hold a Structural Change reserve to fund revenue costs of achieving the structural changes facing the Council and forward fund significant “invest to save” projects on an agreed repayment plan.



As at 31st March 2008 the Council held £1.3m (£1.0m in 2006/07) in capital receipts for the purposes of investing in our assets in future years. We also expect to receive £93.6m in Government support for our two Private Finance Initiatives (PFI) leaving £63.1m for the Council to fund over the next 24 years. We are currently building up a reserve of up-front Government support as a means of smoothing the required Council funding over the life of the contracts.

## Group Results

The Group results revealed a deficit for the year of £43.9m (deficit of £21.2m in 2006/07) incorporating a net deficit of £1.0m (£0.7m in 2006/07) from Council subsidiaries and joint ventures. The net assets of the Group stood at £701.4m at 31st March 2008 (£626.9m at 31st March 2007).

## Housing Revenue Account

The Housing Revenue Account is ringfenced and all expenditure must be met from rents or Government subsidy. After the planned use of balances the Housing Revenue generated a budget surplus of £0.8m against a budgeted deficit of £0.1m, a positive variance of £0.9m (deficit of £0.3m in 2006/07). Revenue balances at 31st March 2008 stood at £3.8m (£3.1m in 2006/07) and this will be used to support future year's expenditure on Housing.

## Tyne and Wear Pension Fund

The Council is the administering body for the Tyne and Wear Pension Fund. As at 31st March 2008, the Fund's net assets amounted to £3,684m – a fall of £42.5m on the previous year (£3,726.5m in 2006/07). The reduction in value is in equity holdings.

## Private Finance Initiative Expenditure for the Year

Expenditure on our two Private Finance Initiatives during the year was £4.8m (£3.2m in 2006/07). Revenue contributions provided funding of £1.9m (£1.7m in 2006/07), or 39% and the remaining 61% or £2.9m (£1.5m in 2006/07) was funded using PFI credits from Government.

## 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 key 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 2007/08.

During the year the Council was a net borrower having taken out 13 loans totalling £61m (£81m in 2006/07) to the Public Works Loans Board (PWLB). This borrowing was partially offset by the repayment of 7 PWLB loans totalling £43m (£78m in 2006/07).

## Medium Term Prospects

Our Medium Term Financial Plan for 2008-2011 was approved by Council and published in February 2008. 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 2008-2011 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 and these are identified alongside our financial plans. The actions we are taking to minimise these risks is 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.

The following statements are an overview of the information that appears in the full financial statements. The figures in this summary have been prepared with regard to proper accounting practice and will be externally audited to ensure they present a true and fair view of the council's financial position.

The Council's General Purposes Committee approved the full unaudited financial statements on 26th June 2008. The summarised financial statements will give an overview of the Council's financial affairs. For further information, the Council's full financial statements can be obtained from [www.southtyneside.gov.uk](http://www.southtyneside.gov.uk).

The Council was required to prepare Group Account statements in 2007/08 to reflect our relationship with South Tyneside Homes Limited, the Council's Arms-Length Management Organisation. The Council is the sole shareholder of South Tyneside Homes Limited. The primary Group Account statements are also included in this section.

The following financial statements are included in the next section :

- An **Income and Expenditure Account** that reports the net surplus or deficit in the year of the Authority's activities in line with UK accounting practice.
- The **Statement of Movement in the General Fund Balance** that 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** that reflects specific gains and losses experienced by the Authority that are not reflected in the Income and Expenditure Account.
- The **Balance Sheet** showing what assets the Authority owns and its level of indebtedness. This statement also shows the level of reserves that the Council can call upon to meet future expenditure.
- A **Cash Flow Statement** summarising the activities during the year in terms of cash inflows and outflows reconciling the cash balance held on the Balance Sheet.
- A set of **Group Accounts** and associated notes showing the position of the Council incorporating its related group entities. This includes the Income and Expenditure Account, Balance Sheet and Cashflow
- The **Housing Revenue Account** reporting in more detail the activities of this service, our spend and the method of financing.

## Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last 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.

Previous Year Net Expenditure As restated £m		Gross Expenditure £m	Gross Income £m	Note	Net Expenditure £m
2.497	Central Services to the Public	18.572	(15.788)		2.784
40.233	Cultural, Environmental and Planning Services	68.136	(25.924)		42.212
15.187	Education Services	146.783	(130.875)	10	15.908
8.770	Highways, Roads and Transport Services	11.857	(2.864)		8.993
0.442	Housing Services	109.625	(99.283)		10.342
44.058	Adult Social Services	73.988	(27.580)	18	46.408
18.335	Children's Social Services	23.666	(3.434)		20.232
0.317	Court Services	0.509	(0.297)		0.212
6.481	Corporate and Democratic Core	8.481	(3.103)		5.378
(13.640)	Non Distributed Costs	5.463	(0.683)		4.780
13.621	Exceptional Items - Equal Pay Legislation	19.483	(0.019)	4	19.464
136.301	<b>Net Cost of Services</b>	<b>486.563</b>	<b>(309.850)</b>		<b>176.713</b>
1.072	Loss on the Disposal of Fixed Assets				0.219
9.146	Precepts of other Public Bodies				9.386
-	Environmental Agency Precept			0	-
(8.115)	(Surpluses) / Deficits on Trading Undertakings not included in Net Cost of Services			5	(0.066)
13.069	Interest Payable and Similar Charges				12.465
-	Amortisation of Premiums and Discounts			0	-
7.370	Contribution of Housing Capital Receipts to Government Pool				5.042
(4.693)	Interest and Investment Income				(6.035)
24.210	Interest on Pension Liabilities			6	27.730
(21.390)	Expected Return on Pension Assets			6	(24.430)
156.970	<b>Net Operating Expenditure</b>				<b>201.024</b>
(50.633)	Demand on the Collection Fund				(52.446)
(34.845)	General Government Grants				(35.124)
(66.855)	Non-domestic Rates Redistribution				(70.291)
4.637	<b>Deficit or (Surplus) for the Year</b>				<b>43.163</b>

## 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 over the last twelve months. However, the Authority 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.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future liabilities are recognised.

The General Fund balance shows whether the Council has over or under spent against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This statement is significant as it shows the net expenditure of the Authority needing to be taken into account for the purposes of setting our council tax.

Previous Year £m		Note	Current Year £m
4.637	Deficit or (Surplus) for the Year on the Income and Expenditure Account		43.163
(3.789)	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	(43.356)
0.848	(Increase)/ Decrease in general fund balance for the Year		(0.193)
(1.589)	General fund balance brought forward		(0.741)
(0.741)	General fund balance carried forward		(0.934)

## 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 increase 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.

Previous Year £m		Note	Current Year £m
4.637	Deficit or (Surplus) for the Year on the Income and Expenditure Account		43.163
0.078	Deficit or (Surplus) for the Year on the Collection Fund Account		0.479
(56.556)	Prior Period Adjustment Government Grants Deferred		-
(70.775)	Deficit or (Surplus) arising on Revaluation of Fixed Assets		(66.783)
3.384	Deficit or (Surplus) arising on Revaluation of Available for Sale Financial Assets		(3.389)
(9.600)	Deficit or (Surplus) arising on Unwinding Equal Pay Costs		-
(0.110)	Gain on use of Capital Receipts to Redeem Debt		-
-	Deficit or (Surplus) arising on Revaluation of Financial Instruments		0.111
1.900	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	6	(42.800)
(127.042)	Total Recognised (Gains)/Losses for the Year		(69.219)

## Balance Sheet

This statement provides a summary of the Council's financial position as at 31st March 2008. 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 2007 as restated £m		Note	31 March 2008 £m	31 March 2008 £m
1.504	Intangible Fixed Assets	25		1.499
	<b>Tangible Fixed Assets</b>			
	<b>Operational Assets</b>			
651.433	Council Dwellings	26,27,28	692.743	
227.857	Other Land and Buildings	26,27,28	229.280	
11.453	Vehicles, Plant, Furniture and Equipment	26,27,28	7.245	
47.585	Infrastructure Assets	26,27,28	52.363	
1.519	Community Assets	26,27,28	2.309	983.940
	<b>Non-Operational Land and Buildings</b>			
0.378	Investment Properties	26,27,28	0.228	
1.204	Assets under Construction	26,27,28	2.257	
46.709	Surplus Assets held for Disposal	26,27,28	50.477	52.962
989.642	<b>Total Fixed Assets</b>			<b>1,038.401</b>
3.390	Long Term Investments	31		6.776
	Long Term Debtors			
1.200	Airport Loan Notes	32	0.960	
3.925	Other Long Term Debtors	33	4.001	4.961
998.157	<b>Total Long Term Assets</b>			<b>1,050.138</b>
	<b>Current Assets</b>			
0.491	Stocks and Work in Progress	34	0.500	
30.033	Debtors	35	27.966	
75.350	Investments	36	83.335	
6.250	Cash and Bank	37	9.137	120.938
1,110.281	<b>Total Assets</b>			<b>1,171.076</b>

31 March 2007 as restated £m		Note	31 March 2008 £m	31 March 2008 £m
	<b>Current Liabilities</b>			
-	Borrowing Repayable within 12 months		-	
(56.463)	Creditors	38	(43.519)	
(0.746)	Bank Overdraft	37	(0.805)	(44.324)
1,053.072	<b>Total Assets Less Current Liabilities</b>			1,126.752
(207.676)	Long-Term Borrowing	39	(226.302)	
(5.672)	Deferred Liabilities	40	(4.513)	
(18.924)	Government Grants Deferred		(26.656)	
(0.218)	Deferred Credits	41	(0.109)	
(8.539)	Provisions	43	(27.040)	
(170.970)	Pension Liability	6	(131.840)	(416.460)
641.073	<b>Total Assets Less Liabilities</b>			710.292
	<b>Financed By</b>			
-	Fixed Assets Restatement Account			-
-	Capital Financing Account			-
-	Fixed Asset Revaluation Reserve	45		(69.033)
(778.908)	Capital Adjustment Account	46		(735.836)
-	Financial Instruments Adjustment Account			(0.736)
(3.378)	Available for Sale Reserve			(6.767)
170.970	Pension Reserve	6		131.840
(1.043)	Usable Capital Receipts Reserve	47		(1.298)
-	Housing Major Repairs Reserve			(0.082)
4.579	Equal Pay Account			13.796
(29.300)	Earmarked Reserves	48		(37.701)
(0.182)	Collection Fund			0.297
(0.741)	General Fund Balances			(0.934)
(3.070)	Housing Revenue Account Balances			(3.838)
(641.073)	<b>Total Net Worth</b>	44		(710.292)

## Cash Flow Statement

This statement provides a summary of the cash received and payments made by the Council to third parties for both revenue and capital purposes.

2006/07 £m		Note	2007/08 £m
	<b>Revenue Activities</b>		
	<b>Cash Outflows</b>		
167.267	Cash Paid in relation to Employees		176.872
162.866	Other Operating Cash Payments		123.894
14.447	Council Tax Benefit Paid		14.686
43.353	Housing Benefit Paid		46.078
19.943	National Non-Domestic Rate Payments to Government Pool		23.605
15.315	Precepts Paid		65.131
7.948	Housing Capital Receipt Payments to Government Pool		5.474
431.139			455.740
	<b>Cash Inflows</b>		
(49.176)	Rents (after Rebates)		(48.758)
(41.905)	Council Tax Receipts		(41.891)
(66.855)	National Non-Domestic Rate Receipts from Government Pool		(70.291)
(21.625)	Non-Domestic Rate Receipts		(23.831)
(12.775)	Revenue Support and other General Exchequer Grant		(11.797)
(28.673)	Department for Work and Pensions Revenue Grant for Benefits		(30.351)
(28.618)	Housing Revenue Account Subsidy		(29.256)
(147.923)	Other Government Grants	60	(154.824)
(22.780)	Cash received for Goods and Services		(28.058)
(7.948)	Income from Useable Capital Receipts to meet Pool Payments		(5.042)
(29.502)	Other Operating Cash Receipts		(30.999)
(457.780)			(475.098)
(26.641)	Total Revenue Activities	57	(19.358)



2006/07 £m		Note	2007/08 £m
	Dividends from Joint Ventures and Associates		
	Cash Inflows		
(8.199)	Newcastle International Airport Limited Dividend		-
	Dividends from Joint Ventures and Associates	57	-
	<b>Returns on Investment and Servicing of Finance</b>		
	<b>Cash Outflows</b>		
0.002	Finance Lease Interest Paid		0.002
7.651	Other Interest Paid		7.842
	Cash Inflows		
(4.696)	Interest Received		(5.938)
2.957	Returns on Investment and Servicing of Finance	57	1.906
	<b>Capital Activities</b>		
	<b>Cash Outflows</b>		
49.434	Purchase of Fixed Assets		37.659
12.012	Other Capital Cash Payments		11.081
61.446			48.740
	<b>Cash Inflows</b>		
(13.930)	Sale of Fixed Assets		(9.788)
(15.078)	Capital Grants Received		(13.184)
(2.858)	Other Capital Cash Receipts		(0.456)
(31.866)			(23.428)
29.580	Total Capital Activities		25.312
	<b>Acquisitions and Disposals</b>		
	<b>Cash Inflows</b>		
(0.241)	Sale of Newcastle International Airport Limited Shares		(0.240)
(0.241)	Acquisitions and Disposals		(0.240)
5.655	Net Cash Outflow / (Inflow) before Financing		7.620
	<b>Management of Liquid Resources</b>		
21.979	Net Increase/(Decrease) in Short Term Deposits		7.985
21.979	Management of Liquid Resources	36	7.985
	<b>Financing</b>		
	<b>Cash Outflows</b>		
78.010	Repayments of Amounts Borrowed		42.548
0.018	Capital Element of Finance Lease Rental Payments		0.019
	<b>Cash Inflows</b>		
(84.000)	New Loans Raised		(61.000)
(5.972)	Financing	59	(18.433)
21.662	Net (Increase) / Decrease in Cash	37	(2.828)

## 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.

2006/07 (as restated) £m		Note	2007/08 £m
	<b>Income</b>		
(43.864)	Rent Income from Dwellings		(46.514)
(0.883)	Rent Income from Non-Dwellings		(0.874)
(1.597)	Charges for Services and Facilities		(1.718)
(0.708)	Contributions towards Expenditure		(1.068)
(0.307)	Government Grant Deferred	4	(0.170)
(0.428)	General Fund Contributions (Amenities Shared by the Community)		(0.437)
(47.787)	<b>Total Income</b>		(50.781)
	<b>Expenditure</b>		
13.008	Repairs & Maintenance		14.319
10.205	Supervision & Management (General)		10.437
4.688	Supervision & Management (Special Services)		4.790
0.885	Rents, Rates, Taxes and Other Charges		1.285
1.482	Negative Subsidy Payable to the Secretary of State	3	1.416
0.587	Increased Provision for Bad or Doubtful Debts		0.452
12.887	Depreciation of Fixed Assets (Dwellings)	11	19.025
2.122	Depreciation of Fixed Assets (Other Assets)	11	2.647
(1.704)	Impairment of Fixed Assets	13	1.774
0.842	Amortisation of Deferred Charges	14	1.159
0.016	Amortisation of Intangible Assets	4	0.038
0.036	Debt Management Costs	4	0.044
45.054	<b>Total Expenditure</b>		57.386

2006/07 (as restated) £m		Note	2007/08 £m
(2.733)	Net Cost of Services per Council Income and Expenditure Account		6.605
0.258	HRA share of Corporate and Democratic Core		0.248
0.475	HRA share of Non Distributed Cost		0.251
(2.000)	Net cost of HRA services		7.104
1.312	Loss on the Disposal of Fixed Assets		0.050
5.489	Interest Payable and similar Charges	4	4.346
-	Amortisation of Premiums and Discounts		-
(0.220)	Interest and Investment Income	4	(0.188)
4.581	(Surplus) or Deficit for the Year on HRA Services		11.312
4.581	(Surplus) or Deficit for the year on the HRA Income and Expenditure Account		11.312
(2.470)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA Balance for the Year	2	(12.080)
2.111	(Increase)/Decrease in HRA Balance for the Year		(0.768)
(5.181)	Housing Revenue Account Balance brought forward		(3.070)
(3.070)	Housing Revenue Account Balance carried forward	1	(3.838)

## Group Income and Expenditure Account

2006/07 Net Expenditure £m		2007/08 Gross Expenditure £m	2007/08 Gross Income £m	Note	2007/08 Net Expenditure £m
2.497	Central Services to the Public	18.572	(15.788)		2.784
40.233	Cultural, Environmental and Planning Services	68.136	(25.924)		42.212
15.187	Education Services	146.783	(130.875)		15.908
8.770	Highways, Roads and Transport Services	11.857	(2.864)		8.993
16.596	Housing Services	109.625	(99.361)		10.264
44.058	Adult Social Services	73.988	(27.580)		46.408
18.335	Children's Social Services	23.666	(3.434)		20.232
0.317	Court Services	0.509	(0.297)		0.212
6.481	Corporate and Democratic Core	8.481	(3.103)		5.378
(13.637)	Non Distributed Costs Share of operating results of Joint Ventures:	6.263	(0.683)		5.580
(0.609)	- Turnover	-	(0.310)		(0.310)
0.702	- Cost of sales and operating expenses	0.219	-		0.219
13.621	Exceptional Items - Equal Pay Legislation	19.483	(0.019)		19.464
152.551	<b>Net Cost of Services</b>	<b>487.582</b>	<b>(310.238)</b>		<b>177.344</b>
1.072	Loss on the Disposal of Fixed Assets				0.219
9.146	Precepts of other Public Bodies Environmental Agency Precept				9.386
(8.115)	(Surpluses) / Deficits on Trading Undertakings not included in Net Cost of Services				(0.066)
13.177	Interest Payable and similar Charges Amortisation of Premiums and Discounts				12.850

2006/07 Net Expenditure £m		2007/08 Gross Expenditure £m	2007/08 Gross Income £m	Note	2007/08 Net Expenditure £m
7.370	Contribution of Housing Capital Receipts to Government pool				5.042
(4.740)	Interest and Investment Income				(6.452)
26.700	Interest on Pension Liabilities			4	30.650
(23.640)	Expected Return on Pension Assets			4	(27.180)
173.521	Net Operating Expenditure				201.793
(50.633)	Demand on the Collection Fund				(52.446)
(34.845)	General Government Grants				(35.124)
(66.855)	Non-domestic Rates Redistribution				(70.291)
21.188	Deficit or (Surplus) for the Year				43.932

2006/07 £m		2007/08 £m
4.637	(Surplus) / deficit for the year on the Authority Income and Expenditure Account	43.163
15.806	Adjustments for the transactions with other Group Entities	-
20.443	(Surplus) / deficit in the Group Income and Expenditure Account attributable to the Authority	43.163
	(Surplus) / deficit in the Group Income and Expenditure Account attributable to Group Entities:	
0.652	Subsidiaries	0.860
0.093	Joint Ventures	(0.091)
21.188	(Surplus) / deficit for the year on the Group Income and Expenditure Account	43.932

## Group Balance Sheet

This statement provides a summary of the Group's financial position as at 31st March 2008. 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.

31 March 2007 £m		Note	31 March 2008 £m	31 March 2008 £m
1.624	Intangible Fixed Assets	10		1.601
	Tangible Fixed Assets			
	<b>Operational Assets</b>			
651.433	Council Dwellings	11	692.743	
227.857	Other Land and Buildings	11	229.280	
11.453	Vehicles, Plant and Equipment	11	7.255	
47.585	Infrastructure	11	52.363	
1.519	Community Assets	11	2.309	983.950
	<b>Non-Operational Land and Buildings</b>			
0.378	Investment Properties	11	0.228	
1.204	Assets under Construction	11	2.257	
46.709	Surplus Assets Earmarked for Disposal	11	50.477	52.962
989.762	<b>Total Fixed Assets</b>			<b>1,038.514</b>
	<b>Long Term Investments</b>			
1.976	Long Term Investments: Joint Venture Assets	2	1.881	
(0.645)	Long Term Investments: Joint Venture Liabilities	2	(0.916)	-
3.390	Other Long Term Investments		6.776	7.741
	<b>Long Term Debtors</b>			
1.200	Airport Loan Notes		0.960	
3.925	Other Long Term Debtors		4.001	4.961
999.608	<b>Total Long Term Assets</b>			<b>1,051.216</b>
	<b>Current Assets</b>			
0.990	Stocks and Work in Progress	12	0.909	
28.561	Debtors	13	24.106	
75.350	Investments		83.335	
6.263	Cash and Bank	14	10.128	118.478
1,110.772	<b>Total Assets</b>			<b>1,169.694</b>

31 March 2007 £m		Note	31 March 2008 £m	31 March 2008 £m
	<b>Current Liabilities</b>			
-	Borrowing Repayable within 12 months		-	
(55.830)	Creditors	15	(41.560)	
(0.987)	Bank Overdraft	14	(0.805)	(42.365)
1,053.955	<b>Total Assets Less Current Liabilities</b>			1,127.329
(207.676)	Long-Term Borrowing		(226.302)	
(18.924)	Government Grants Deferred Account		(4.513)	
(5.672)	Deferred Liabilities		(26.656)	
(0.218)	Deferred Credits		(0.109)	
(8.539)	Provisions		(27.040)	
(186.070)	Pension Liability	4	(141.260)	(425.880)
626.856	<b>Total Assets Less Liabilities</b>			701.449
	<b>Financed By</b>			
-	Fixed Assets Restatement Account			-
-	Capital Financing Account			-
-	Fixed Asset Revaluation Reserve			(69.033)
(778.908)	Capital Adjustment Account			(735.836)
-	Financial Instruments Adjustment Account			(0.736)
(3.378)	Available for Sale Reserve			(6.767)
186.070	Pension Reserve	4		141.260
(1.043)	Usable Capital Receipts Reserve			(1.298)
-	Housing Major Repairs Reserve			(0.082)
4.579	Equal Pay Account			13.796
(29.300)	Earmarked Reserves			(37.701)
(0.182)	Collection Fund			0.297
(0.741)	General Fund Balances			(0.934)
(2.622)	Housing Revenue Account Balances			(3.450)
(1.331)	Profit / Loss and other Reserves of Group Entities	2		(0.965)
(626.856)	<b>Total Net Worth</b>			(701.449)

## Group Cash Flow Statement

This statement provides a summary of the cash received and payments made by the Group to third parties for both revenue and capital purposes.

Group 2006/07 £m	Group Cash Flow Statement	Note	Group 2007/08 £m
	<b>Revenue Activities</b>		
	<b>Cash Inflows</b>		
(49.176)	Rents (after Rebates)		(48.758)
(41.905)	Council Tax Receipts		(41.891)
(66.855)	National Non-Domestic Rate Receipts from Government Pool		(70.291)
(21.625)	Non-Domestic Rate Receipts		(23.831)
(12.775)	Revenue Support Grant		(11.797)
(28.673)	Department for Work and Pensions Revenue Grant for Benefits		(30.351)
(28.618)	Housing Revenue Account Subsidy		(29.256)
(147.923)	Other Government Grants		(154.824)
(22.780)	Cash received for Goods and Services		(25.287)
(7.948)	Income from Useable Capital Receipts to meet Pool Payments		(5.042)
(29.502)	Other Operating Cash Receipts		(30.999)
(457.780)			(472.327)
(26.599)	<b>Total Revenue Activities</b>	19	(20.558)
	<b>Dividends from Joint Ventures and Associates</b>		
	<b>Cash Inflows</b>		
(8.199)	Newcastle International Airport Limited Dividend		-
(8.199)	<b>Dividends from Joint Ventures and Associates</b>		-
	Returns on Investment and Servicing of Finance		
	<b>Cash Outflows</b>		
0.002	Finance Lease Interest Paid		0.002
7.651	Other Interest Paid		8.234
	<b>Cash Inflows</b>		
(4.635)	Interest Received		(6.369)
3.018	Returns on Investment and Servicing of Finance		1.867



Group 2006/07 £m	Group Cash Flow Statement	Note	Group 2007/08 £m
	<b>Revenue Activities</b>		
	<b>Capital Activities</b>		
	<b>Cash Outflows</b>		
49.434	Purchase of Fixed Assets		37.679
12.012	Other Capital Cash Payments		11.081
61.446			48.760
	<b>Cash Inflows</b>		
(13.930)	Sale of Fixed Assets		(9.788)
(15.078)	Capital Grants Received		(13.184)
(2.732)	Other Capital Cash Receipts		(0.456)
(31.740)			(23.428)
29.706	<b>Total Capital Activities</b>		25.332
	<b>Acquisitions and Disposals</b>		
	<b>Cash Inflows</b>		
(0.241)	Sale of Newcastle International Airport Limited Shares		(0.240)
(0.241)	Acquisitions and Disposals		(0.240)
(2.315)	<b>Net Cash Outflow / (Inflow) before Financing</b>		6.401
	<b>Management of Liquid Resources</b>		
21.979	Net Increase/(Decrease) in Short Term Deposits		7.985
21.979	Management of Liquid Resources		7.985
	<b>Financing</b>		
	<b>Cash Outflows</b>		
78.010	Repayments of Amounts Borrowed		42.548
0.018	Capital Element of Finance Lease Rental Payments		0.019
	<b>Cash Inflows</b>		
(84.001)	New Loans Raised		(61.000)
(5.973)	Financing		(18.433)
13.691	<b>Net (Increase) / Decrease in Cash</b>	14	(4.047)

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