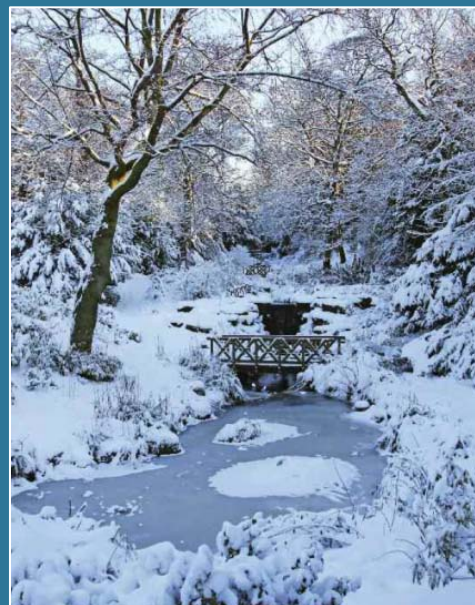


STATEMENT OF ACCOUNTS 2010/11: A SUMMARY

The following pages provide a summary of the Council's income and expenditure during 2010/11, and summarise the Council's financial position as at 31 March 2011.



Introduction

The Council's Statement of Accounts presents the income and expenditure of the Council during the year, and its assets and liabilities at 31 March 2011. The figures supporting this summary were originally compiled having regard to proper accounting practice. For the purpose of this summary statement, some modifications have been made in an attempt to provide more meaningful information to non-technical users.

This summary statement has been prepared based on the audited Statement of Accounts, which was approved by the Accounts Committee on 30 September 2011.

The Council's audited 2010/11 Statement of Accounts can be found on the Council's website at:

<http://www.gateshead.gov.uk/Council%20and%20Democracy/finance/statement.aspx>

A handwritten signature in blue ink, appearing to read 'D V Coates'.

D V Coates BA CPFA IRRV
Strategic Director Finance & ICT (Chief Financial Officer)

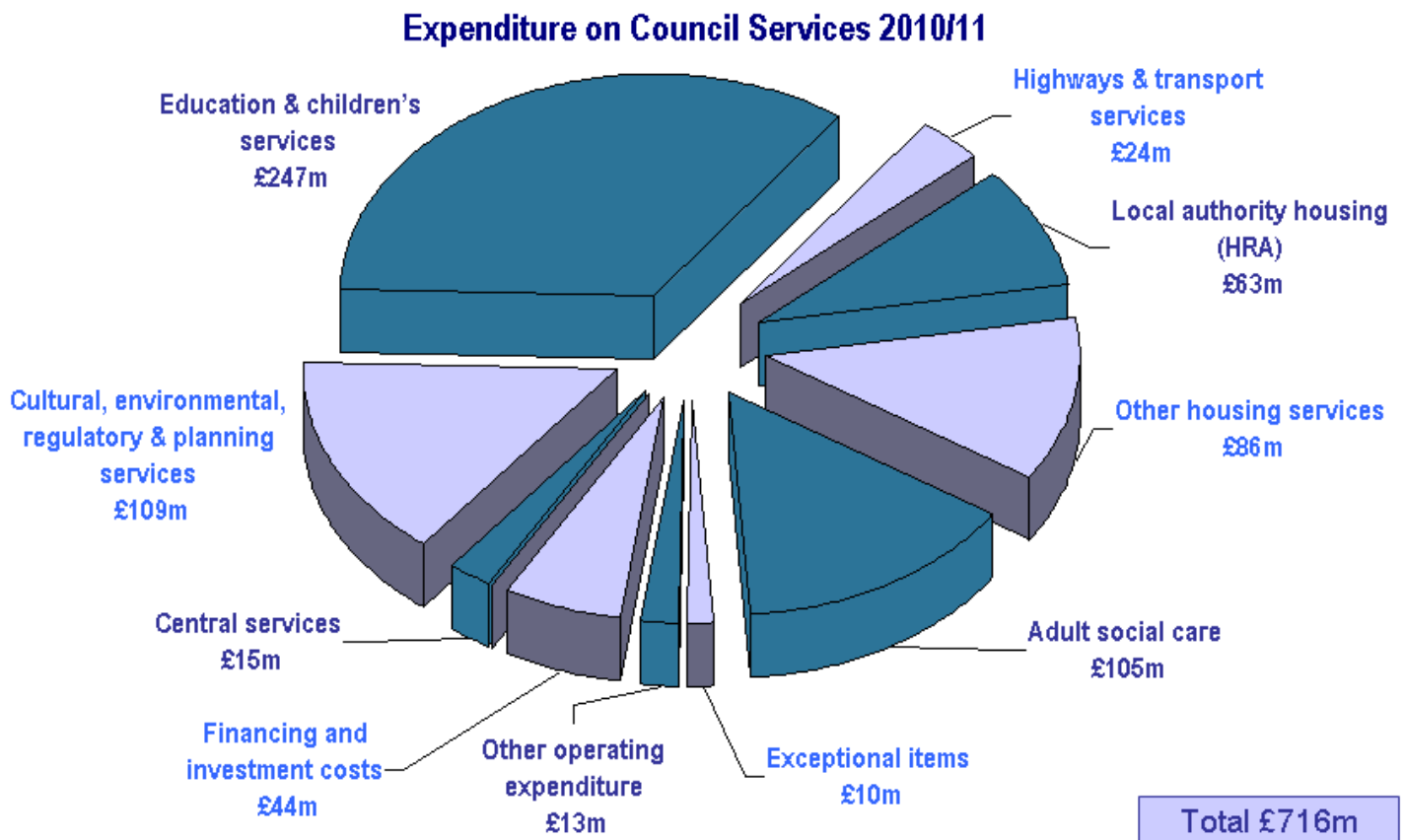
Financial Review

The following presents some of the key highlights from the 2010/11 Statement of Accounts.

Revenue Expenditure Summary

Revenue expenditure is the day-to-day running costs of providing the Council's services. It includes expenses such as salaries, wages, heating, cleaning, repairs and maintenance and the cost of borrowing. The Council splits its revenue expenditure into two funds: the General Fund and the Housing Revenue Account (HRA).

During the year, the Council incurred gross expenditure of £716m. The following chart shows the services on which money was spent¹:



Income Summary

Total income used by the Council in the year was £716m. The Council utilises income from the following sources:

General government grant includes revenue support grant (£13.4m) and area based grant (£23.2m) which are paid by the government to support local services generally;

Government grants and contributions to services includes revenue grants used to support specific Services (£221m);

Dedicated Schools Grant – a government grant which is ringfenced to support expenditure on schools (£108.3m);

¹ Adapted from the Comprehensive Income and Expenditure Statement in the 2010/11 Statement of Accounts.

Business rates – a tax on businesses collected by local authorities and paid into a national pool which the government then shares back out to councils according to a fixed amount per head of population (£92.4m) as part of general grant income;

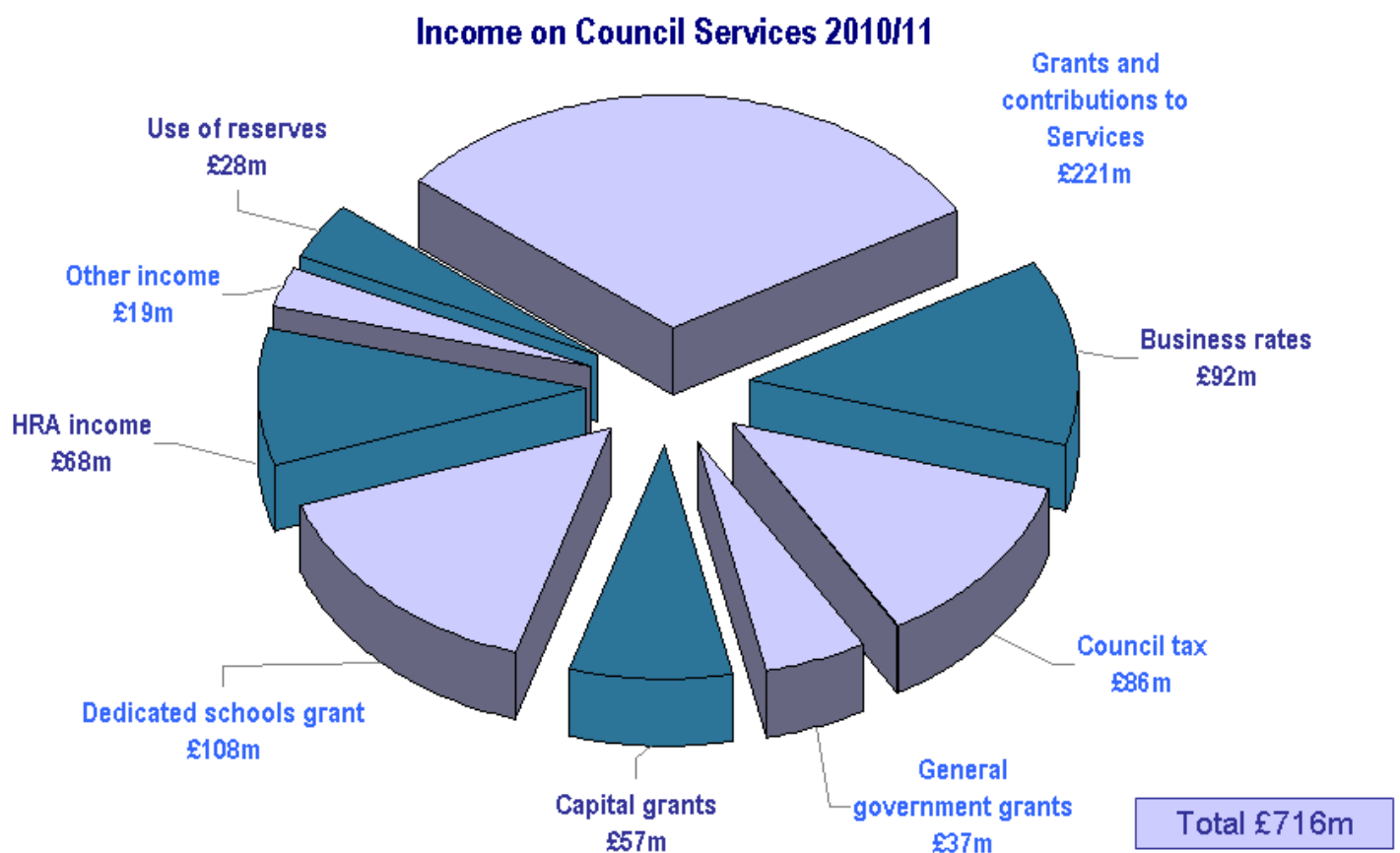
Housing Revenue Account includes rent (£64.3m), government grant (£0.3m) and other income (£3.9m) to fund the provision of council housing;

Council Tax – a property tax collected from local taxpayers (£86.2m);

Reserves – balances held within usable reserves (such as the General Fund and HRA) can be used to finance in-year revenue expenditure; and

Other income includes fees and charges, contributions from other bodies, investment income and adjustments between accounting basis and statutory regulations.

The following chart summarises this income:

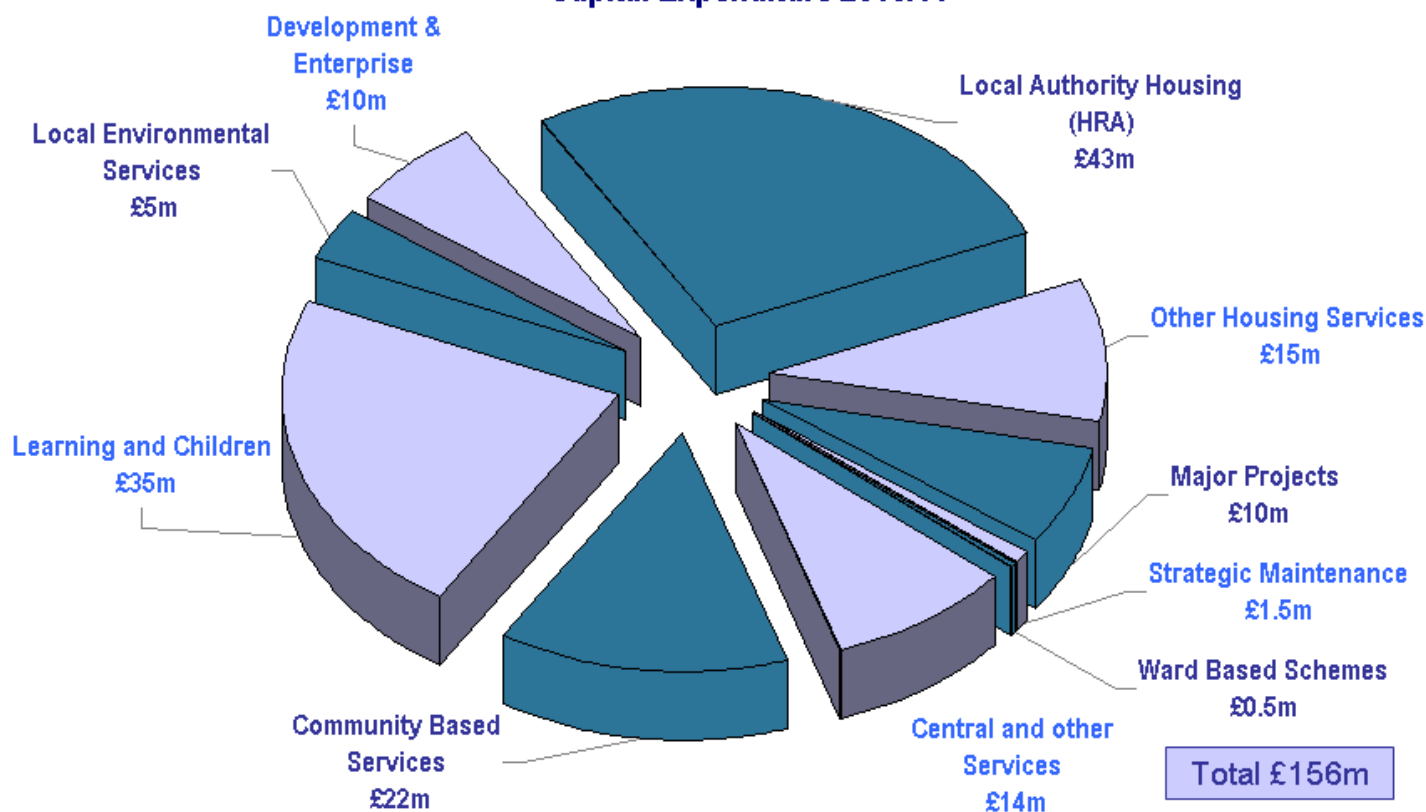


Capital Expenditure

Capital expenditure represents money spent by the Council for the purpose of purchasing or improving assets such as buildings and roads. The distinction from revenue expenditure is that the Council and its residents receive the benefit from capital expenditure for a period in excess of one year.

In 2010/11 Gateshead Council spent £156m on Capital schemes. This included £94m on the purchase of or improvements to assets. It also included £43m on improving the Council's housing stock and £19m on schemes where no asset was created for the Council, (including grants to individuals and voluntary organisations, and costs associated with staff redundancies).

Capital Expenditure 2010/11



Development and Enterprise - This incorporates a diverse range of services, including planning, economic development, property services, highways and transport planning, architectural services and services for consumers. The Council's involvement in new developments in the borough is managed by this service along with the maintenance and construction of its buildings and roads. In 2010/11, capital expenditure has included investment in carbon management and energy efficiency schemes and the structural maintenance of roads.

Learning and Children - Learning and Children aims to provide the best possible chances for young people in Gateshead. This service includes schools, pre-school education and children and families. In 2010/11 the significant investment in schools through Building Schools for Future at Thomas Hepburn and Heworth Grange schools continued, and work was also carried out improving schools and children's play areas, and raising educational standards.

Community Based Services - This covers adult social services, housing, community safety, health co-ordination, cultural services and community centres. It includes all the personal care services aimed at specific groups of people - such as older people, and people with disabilities. It also includes activities, which contribute to cultural development such as libraries, arts, tourism, leisure, events and sporting opportunities. It also monitors the performance of the Gateshead Housing Company, who manage the councils housing stock. In 2010/11 improvements were made to existing housing and money was also spent on continuing the Building an Active Future programme, supporting the Council's review of community centres and on the improvement of the Central Library.

Local Environmental Services - This includes all the services provided in and around people's homes, such as refuse collection and disposal, recycling, street cleaning, road gritting, parks, playing fields, playgrounds and fixed play equipment, open spaces, grounds

maintenance, neighbourhood wardens and, on behalf of the Gateshead Housing Company, housing improvements. It also runs the Council's transport fleet, building cleaning, school meals, new building and major civil engineering projects, public building repairs and maintenance, highways and street lighting maintenance, cemeteries and crematoria, allotments and the Central Nursery. In 2010/11, significant investment was made in improving the Kerbside Recycling scheme and to purchase replacement fleet vehicles and horticultural equipment.

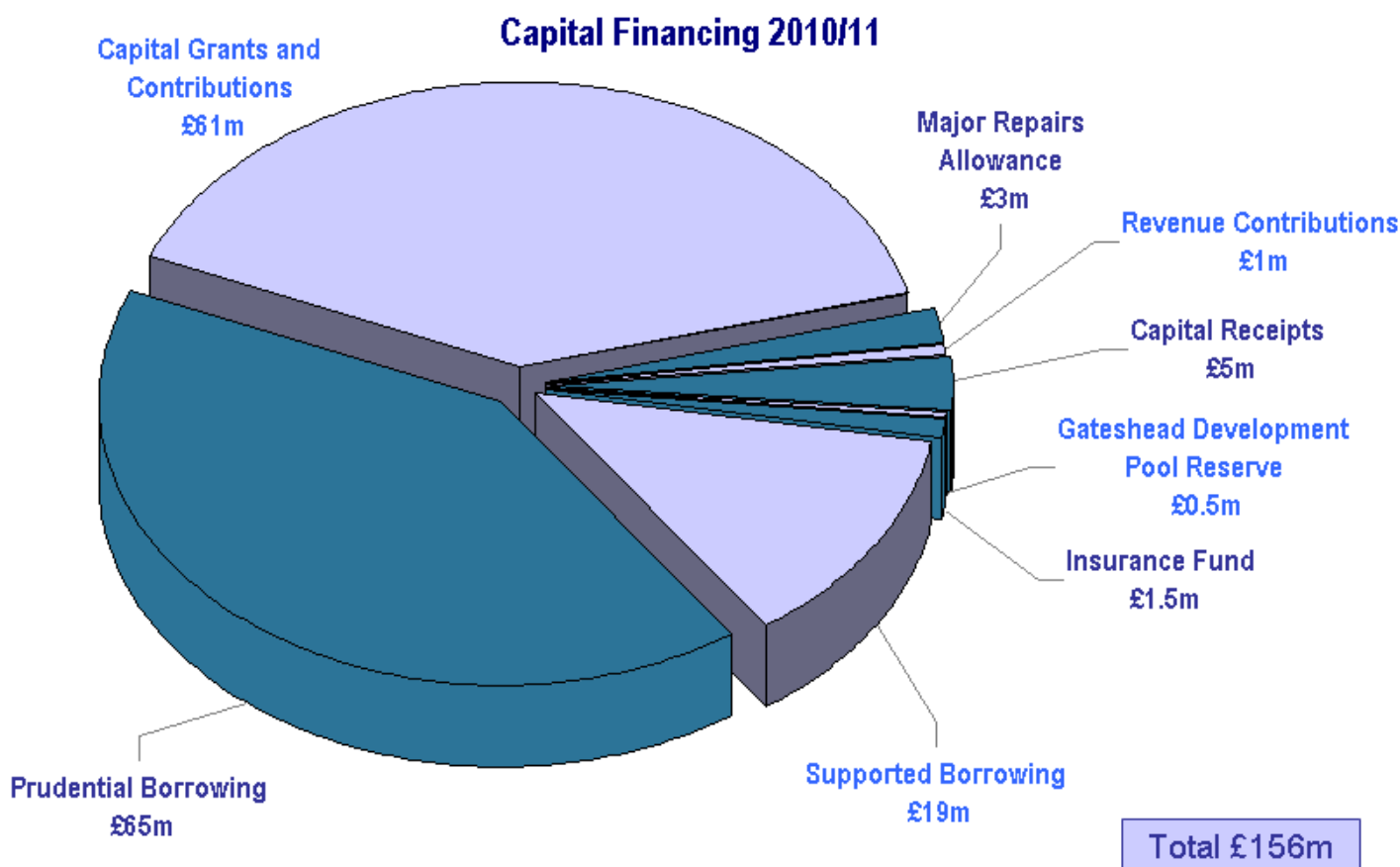
Central and Other Services - This provides the Council's core support services, such as advice on finance, legal, personnel and policy issues. Some services also support the work of other parts of the Council, while others are provided direct to the public such as the provision of housing and council tax benefits. In 2010/11, schemes included improving access to council public buildings to ensure compliance with the Equality Act 2010, and upgrading Council buildings and ICT equipment.

Major Projects - These are capital projects of key importance to Gateshead and the region. They have previously included Gateshead Millennium Bridge, The Sage Gateshead, Baltic, Saltwell Park, and currently include Gateshead International Stadium, the Northern Design Centre and the further development of Gateshead Quays.

Strategic Maintenance - In addition to routine maintenance, which is charged directly to the Council's revenue accounts, the Council includes a budget for strategic maintenance within its Capital Programme to prevent further deterioration in the Council's assets.

Financing the Capital Programme

The expenditure for the 2010/11 capital programme was financed from a number of different sources as shown in the following table:



Financial Position of the Council

The Balance Sheet shows the Council's financial position and net assets at 31 March 2011. It summarises what the Council owns and is owed:

	31st March 2009 £m	31st March 2010 £m	31st March 2011 £m
What the Council owns - assets			
Land, buildings & other long-term assets ²	1,651	1,678	1,425
Cash, money owed to the Council, & other short-term assets	171	169	146
What the Council owes - liabilities			
Short-term borrowing	(32)	(53)	(48)
Long-term borrowing	(393)	(427)	(513)
Money owed by the Council	(131)	(157)	(153)
Long-term pension liability	(379)	(509)	(391)
Net assets	887	701	466
Financed by			
Usable reserves:			
General Fund	(22)	(28)	(27)
Housing Revenue Account	(18)	(17)	(16)
Earmarked reserves	(67)	(50)	(24)
Capital reserves	(15)	(33)	(23)
	(122)	(128)	(90)
Unusable reserves:			
Capital accounting	(1,157)	(1,096)	(780)
Pensions reserve	379	509	391
Other reserves	13	14	13
Total net worth	(887)	(701)	(466)

- Earmarked reserves are available to fund specific future expenditure;
- The General Fund allows the Council to meet any unforeseen expenditure and includes amounts held by schools to support their delegated budgets;
- Capital accounting reserves represent revaluations and accounting adjustments in accordance with regulations;
- The pensions reserve reflects the estimated long-term pension liability owed to the Pension Fund; and
- The long term pension liability represents the Council's net financial commitment to existing pensioners and current employees. The pension reserve offsets the amount the Council would need to make available over a period of time to fund these benefits.

² Reduction in 2010/11 is primarily due to the revaluation of council dwellings (£318m).

Housing Revenue Account (HRA)

Council Housing

As at 31 March 2011, the Council owned 20,984 houses, for which it charges rent. It is a legal requirement that expenditure and income relating to Council housing provision be accounted for separately. Any surplus or deficit at the end of the year is either transferred into or out of housing reserves. During the year, expenditure exceeded income generated by £0.53m. This balance has been transferred from reserves, resulting in a year-end HRA balance of £16.3m. Some of this balance will be used to support investment in the housing stock in future years.

The costs and income relating to the Council's housing provision are shown below:

	2009/10 £m	2010/11 £m
Income		
Rents	(63)	(64)
Government grants	(16)	0
Charges	(3)	(2)
Other income	(1)	(3)
Total income	(83)	(69)
Expenditure		
Repairs and maintenance	19	17
Management	25	25
HRA subsidy payable	0	7
Capital charges	90	14
Total expenditure	134	63
Cost of HRA Services	51	(6)
Gain or loss on sale of assets	(1)	0
Interest payable	14	16
Statutory adjustments	(63)	(9)
Deficit for the year	1	1
Housing Revenue Account Reserves	(17)	(16)

Prospects for 2011/12 and beyond

The Local Government Finance Settlement covering the period 2011/12 to 2012/13 was confirmed in 2011, with the government planning to review local government funding in 2011 and make changes to the local government finance system from 2013/14.

The Council's formula grant for 2011/12 has reduced by £13.724m, or 11.5%. This is well above the national average of 9.9% despite the Council being in the top 15% of deprived authorities. The provisional formula grant for 2012/13 reduces by a further £8.032m (7.6%). In addition to this, a number of targeted funding streams have been withdrawn completely, the most significant being Working Neighbourhood Fund, Housing Market Renewal and a number of education-related grants.

For the financial year 2011/12, the Council has approved a net revenue budget of £204.865m and no increase in council tax. The budget reflects the Council's recognition that it will not be able to continue to resource existing levels of service without putting an extra burden on council taxpayers, and includes £32.7m budget savings which were identified to minimise the impact on frontline services.

The budget savings planned for 2011/12 include a total of 650 voluntary redundancies (VR) providing an estimated permanent saving of £15.7m for the revenue budget. The Council made an offer of voluntary redundancy to all non-school based employees.

The Council approved a capital programme of £94m for 2011/12, with the level of investment over the three years to 2013/14 forecast to be £178m. The programme includes projects that are essential to maintain delivery of key services, continue previous commitments, attract significant external funding, or are new schemes generating efficiencies.

The projected level of prudential borrowing required in 2011/12 amounts to £48m, with £27m being funded from the General Fund. This level of borrowing will result in an increase of over £1.9m in interest costs charged to the General Fund in 2011/12.

The reform of council housing finance was the government's Coalition Agreement commitment which is to be implemented in April 2012. The current HRA system will be replaced by self-financing for council housing. The objective is to provide local authorities with the resources and flexibility to manage their own housing stock for the long term, with tenants also benefitting from the changes. In order to bring about this change, there will be a one off readjustment of each local authority's housing debt. These reforms will have major implications for the operation and management of the HRA.

Medium term financial planning continues to be difficult and takes place against a background of unique funding cuts. The Spending Review in October 2010 outlined significant cuts over the next four years to 2014/15. In addition, the Council, in common with most local authorities, continues to be at risk from financial pressures.

A plan for reviewing how all activity in the Council is carried out has been developed as part of the Fit for Future programme. There are two types of review, operational and cross cutting, using the same methodology. Operational reviews are looking at one function or service and cross cutting reviews are looking at services which have something in common and can be reviewed together.

If you would like any of this information in
large print, Braille, CD or in a different
language please contact us on:

0191 433 3598