TYNE & WEAR
ARCHIVES & MUSEUMS
JOINT COMMITTEE

TYNE & WEAR archives & museums

TREASURER'S REPORT AND ACCOUNTS

2010/11

(Produced Subject to Audit)

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Explanatory Foreword by the Treasurer to the Tyne & Wear Archives & Museums Joint Committee

1. Introduction

The Joint Committee manages its affairs to ensure the economic, efficient and effective use of resources and to safeguard its assets. This task is shared by all Members and Officers of the Joint Committee. The Treasurer to the Joint Committee has a particular role in ensuring sound financial stewardship.

These accounts set out the results of the Joint Committee's activities for the year ended 31 March 2011 and its financial position at that date.

This statement of accounts has been re-stated in accordance with the new CIPFA Code of Practice on Local Authority Accounting in Great Britain (the Code), which has been updated to incorporate International Financial Reporting Standards (IFRS), and requires that the accounts present a true and fair view of the financial position of the Joint Committee. Suitable accounting policies have been employed and where necessary prudent judgements and estimates were made which complied with the Code.

The purpose of this foreword is to provide the reader with:

- A review of the Joint Committee's financial results in 2010/11 and its financial position;
- An overview of activities and significant matters which occurred during the year; and
- An understandable guide to the accounting statements.

2. Background

Tyne & Wear Archives & Museums (TWAM) is a joint service of the five local authorities (Newcastle, Sunderland, South Tyneside, North Tyneside, and Gateshead) and is governed by a Joint Committee consisting of 15 members drawn from the five constituent councils.

A 10 year Joint Agreement lays out the terms and conditions of the relationship and the involvement of central government. Under the Joint Agreement, TWAM manages ten museums and the archives for Tyne and Wear. In addition, it manages two museums Great North Museum: Hancock (GNM) and the Hatton Gallery, under an agreement with Newcastle University.

The allocation of costs is governed by Service Level Agreements enabling the constituent authorities and the University to pay agreed charges. Costs are classified under four major headings – Museums operational, Museums specialist, Archives and Corporate.

Museums operational costs: These relate to the basic running costs of individual museums and galleries, including employee costs associated with running each building including visitor services personnel, premises related expenses and supplies and services. The income generated from shops, venue hire and café franchises and contributions to the Acquisitions Reserve and

purchases of new acquisitions are also included within this heading.

Museum Specialist costs: These relate to the provision of specialist services. This includes Archaeology, Conservation, Art, History, Learning, Communications and Design, which are allocated on the basis of the use made of the services by museums and galleries within a local authority area and the needs of the collections in each area.

Archives costs: These comprise all costs attributable to the employment of staff specialising in archives and all other expenditure incurred attributable to the delivery of an archives service including such proportion of the Corporate costs as is reasonably attributable to the Archives service.

Corporate costs: Are determined by TWAM and financed from Grant-in-Aid from the Department for Culture, Media and Sport (DCMS).

Services include:

- The Senior Management Team;
- Museums administrative, financial and human resources staff;
- Lead Authority support services including Treasurers, Human Resources and Legal;
- Corporate training and professional development;
- Corporate accommodation at Discovery Museum;
- Communications of a corporate nature;
- Development Team;
- Outreach, Digitisation and Information Technology.

TWAM is also the lead partner for the North East Regional Museums Hub (NERMH) which operates on behalf of a partnership which includes the Museums, Libraries and Archives Council (MLA), Beamish: The Living Museum of the North, The Bowes Museum and Hartlepool Museums Service. The NERMH is funded by the MLA as part of the Government's Renaissance programme. In 2010/11, the partnership spent £3.4m for the benefit of museum audiences in the North East. As lead partner, TWAM assumes overall responsibility for reporting on progress and expenditure for all Hub schemes. It has direct financial responsibility for both its own and the region-wide schemes operating within this funding. The TWAM budget for this element of the programme was £2.2m in 2010/11. Other partners assume direct responsibility for their internal schemes.

3. Summary of Financial Results 2010/11

Summary of Financial Results:

- Net operating expenditure for Museums, Galleries & Archives was £7,220,447 a decrease of £1,159,557 (13.8%) compared to 2009/10 (Note 1).
    - Gross operating expenditure on projects was £5,466,059;
    - The expenditure on core activity was primarily financed by client contributions of £6,769,615 and revenue Grant-in-Aid (G-i-A) from the Department for Culture, Media and Sport of £1,412,000. Core activities are income, including trading activity and expenditure directly incurred in the day to day running of the archives, museums and galleries;
    - Other grants and contributions were £5,232,051, including capital G-i-A of £2,286,590 an increase of £1,995,759 (62%). This is primarily as a result of capital G-i-A funded schemes committed in prior years being undertaken in 2010/11;
    - In 2010/11 TWAM received a grant of £2,185,039 from the MLA in respect of the Renaissance programme.
- The turnover for external trading activity in respect of shop sales, venue hire, café franchises, records management and the Archaeology Unit was £1,170,291.
- The Joint Committee's budget for core activities in 2010/11 was £6,885,120. The final outturn of £6,769,615 represents an underspend of £115,505.

4. Income and Expenditure for the Year

Table 1 illustrates, in broad terms, where the money comes from:

Table 1: Where the Money comes from				
2009/10		**2010/11**		**Change**
£000		**£000**	**%**	**£000**
(£7,867)	Client Contributions	(£6,770)	39.5%	£1,097
(£2,436)	DCMS Grant-in-Aid	(£3,699)	21.6%	(£1,263)
(£2,082)	MLA Renaissance Grant	(£2,185)	12.8%	(£103)
(£2,198)	Other Grants & Contributions	(£2,945)	17.2%	(£747)
(£1,309)	Trading Activity	(£1,170)	6.8%	£139
(£412)	Other Income	(£363)	2.1%	£49
(£16,304)		**(£17,132)**	**100%**	**(£828)**

Where the Money comes from 2010/11

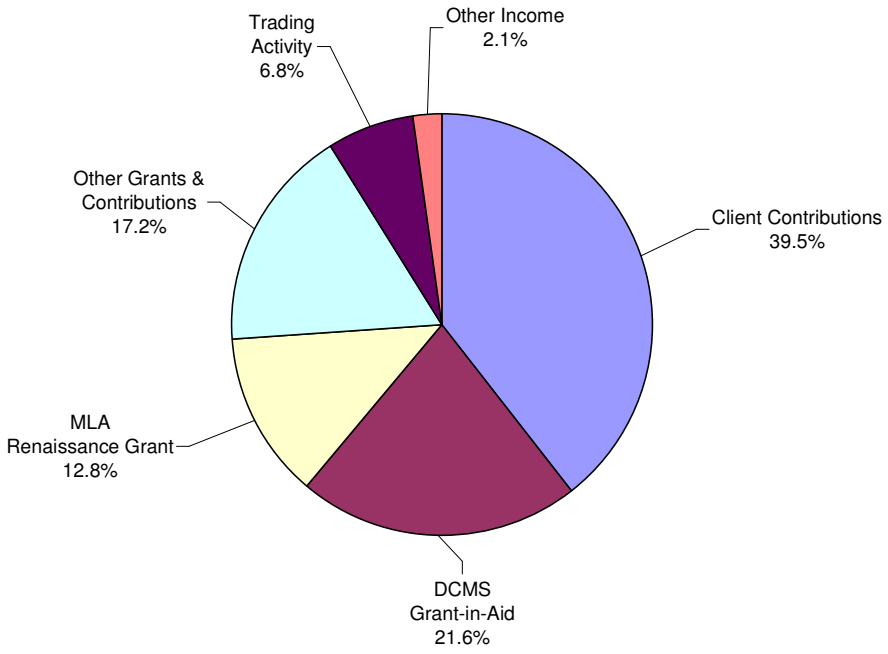
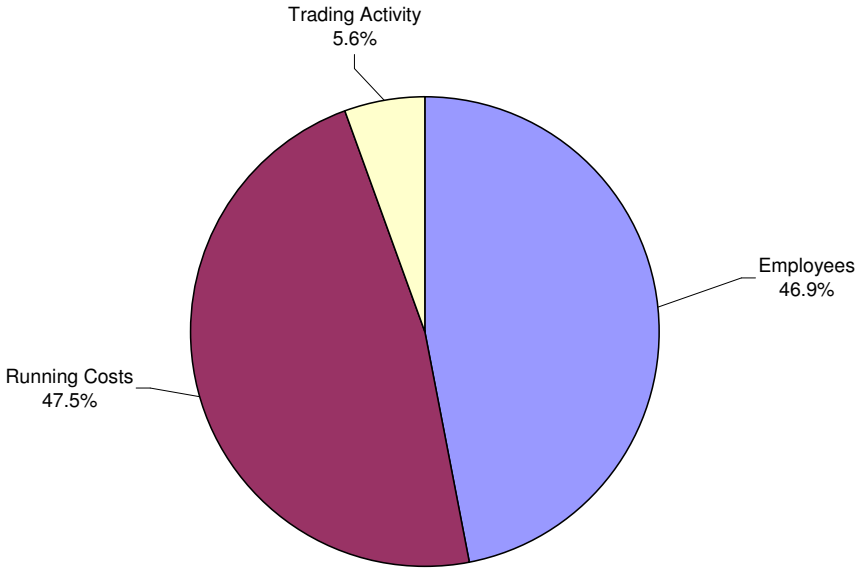


Table 2 illustrates, in broad terms, what the money was spent on:

Table 2: What the Money was spent on				
2009/10		**2010/11**		**Change**
£000		**£000**	**%**	**£000**
£8,733	Employees	£8,130	46.9%	(£603)
£6,647	Running Costs	£8,231	47.5%	£1,584
£1,044	Trading Activity	£966	5.6%	(£78)
£16,424		**£17,327**	**100%**	**£903**

What the Money was spent on 2010/11

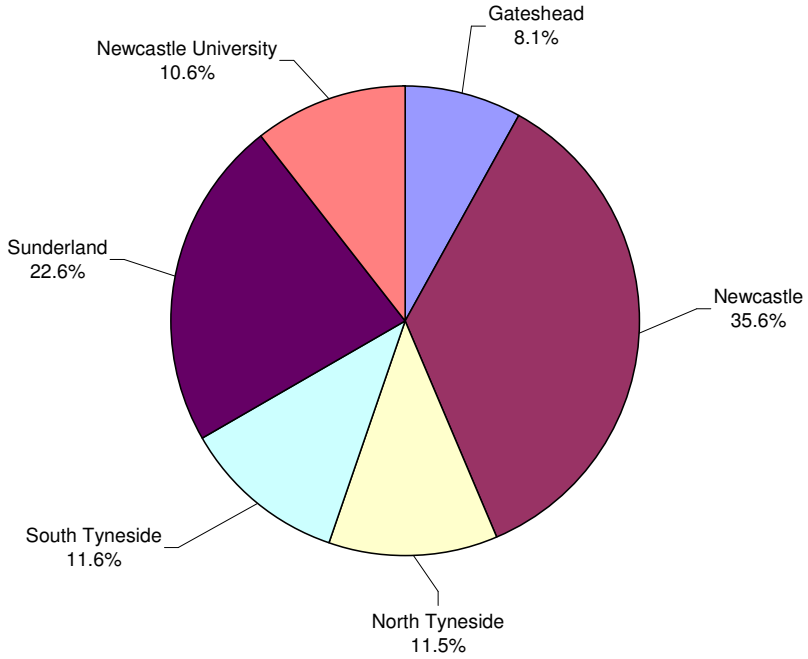


The analysis of individual client contributions is illustrated in Table 3:

Table 3: Analysis of Client Contributions			
2009/10	**2010/11**		**Change**
£000	**£000**	**%**	**£000**
(£614) Gateshead	(£545)	8.1%	£69
(£3,117) Newcastle	(£2,413)	35.6%	£704
(£847) North Tyneside	(£778)	11.5%	£69
(£944) South Tyneside	(£783)	11.6%	£161
(£1,731) Sunderland	(£1,531)	22.6%	£200
(£614) Newcastle University	(£720)	10.6%	(£106)
(£7,867)	**(£6,770)**	**100%**	**£1,097**

The main factors contributing to the decrease in client contributions between years was the requirement to fund back and equal pay included in the 2009/10 contributions and the impact of efficiency savings. For Newcastle University, the increased contribution reflects costs associated with operating the Great North Museum: Hancock, and is inline with the Business Plan.

Analysis of Client Contributions 2010/11



5. Budget Comparison

The Joint Committee's budget for core activities in 2010/11 was £6,885,120. The final outturn of £6,769,615 represents an underspend of £115,505. The most significant reasons for this were:

- Savings on building operating costs controlled directly by South Tyneside and Sunderland councils;
- An in-year reduction of £26,900 requested by North Tyneside Council.

6. Comparison with 2009/10

The decrease in TWAM's net cost of service of £1,159,557 between years is primarily due to:

- The requirement to fund back and equal pay included within 2009/10;
- The successful implementation during 2010/11 of efficiency savings of £310,650.

7. Capital Expenditure

Generally TWAM's capital programme and the museums' capital schemes are approved and controlled by the relevant constituent council or the University as part of its own capital programme, as they are owners of the assets. However, since 2005/06 the DCMS has allocated TWAM capital G-i-A. TWAM manages this funding on behalf of the five councils and the University. The funding has been utilised towards the costs of refurbishment and renewals of buildings, plant and equipment, digitisation programmes, new joint storage schemes and the purchase of other relevant capital items. The allocation in 2010/11 of £1,500,000 was distributed amongst TWAM venues and contributed towards refurbishment, renewals, and acquisitions.

Expenditure incurred during 2010/11 included:

- Contribution to refurbishment at the Shipley Art Gallery;
- Replacement of the Laing Art Gallery roof and installation of energy efficient lighting;
- A new catering kitchen in Discovery Museum to support events and catering in the Great Hall;
- ***Mediatheque*** –creation of a dedicated area in Discovery Museum enabling visitors to access the British Film Institute's material from national film archives;
- Redevelopment of the third floor galleries at Segedunum Roman Fort to create the ***Strong Place*** gallery;
- Enhanced interpretation to the Museum at Arbeia Roman Fort and improvements to Timequest and the Learning Room;
- Refurbishment of both the Shipbuilding and Art Galleries at Sunderland Museum and Winter Gardens, upgrade of interactives and refurbishment of the Learning Room;
- Contribution to the Sidings project at Monkwearmouth Station Museum to provide an enclosure for historic railway wagons to protect them from weather and vandalism and enable an enhanced level of interpretation;
- Feasibility study at Hatton Gallery to work up design options for re-configuration / gallery improvement and associated fundraising.

8. Looking Ahead

TWAM remains committed to its mission and vision as articulated in its Corporate Plan.

Mission, Vision and Commitment

Our mission is to help people determine their place in the world and define their identities, so enhancing their self-respect and their respect for others.

Our vision for the future is for everyone in Tyne and Wear to have access to museum and archive provision, to use this access and to value it for the significant and positive impact that it makes upon their lives. We will provide real or virtual, worldwide access to our museums and their collections.

Our commitment is to a World-class service that is innovative, imaginative, creative, totally inclusive, secure and sustainable.

Beliefs

TWAM, through its Joint Committee and through its officers, remains true to its stated beliefs, namely to:

- Make a positive difference to people's lives;
- Inspire and challenge people to explore their world;
- Be a powerful learning resource for people of all needs and backgrounds;
- Act as an agent of economic regeneration and help build and develop communities and the aspirations of individuals;

- Be fully accountable to our stakeholders and users;
- Make our resources accessible to everyone.

Recent Performance

Level of Usage and Activity

Following on from the exceptional 2009/10 performance when the opening of the Great North Museum: Hancock led to TWAM's achievement of an overall visitor total of 2.25m visits, 2010/11 again saw strong performance with over 2m visits to museums and galleries.

Across the organisation partnerships remained important as a number of venues hosted exhibitions and learning programmes in association with national museums. TWAM also seconded a member of staff to support the regional Lindisfarne Gospels project. Culture Shock was successfully completed achieving 573 digital stories from across the region with international interest and a number of papers on the project delivered at international conferences. A significant landmark was the purchase of Ke-EMU software to manage and provide access to museum collections replacing the MODES software which has been in use, in various versions, for 20 years.

Awards

Highlights of the year include:

- Great North Museum: Hancock
    - Gold Award Eventia 2010 Awards – Best Events Venue in the UK (in 250-750 capacity category);
    - Highly Commended in the RICS Awards 2010, Tourism and Leisure category;
    - Runner Up in the Heritage category in the National Lottery Awards 2010;
    - Highly Commended in the Design Week Awards 2010;
    - Winner of the Design Effectiveness Awards 2010;
    - Silver for Large Visitor Attraction and Bronze for *Access for All* in the NE Tourism Awards;
    - The Museum's interactives won a British Media Award;
    - Shortlisted for a Kids in Museums Award;
    - Long listed for the Art Fund Prize.
- The Shipley Art Gallery used an Art Fund Collect Award to purchase *Conservation* by Nicholas Rena;
- Culture Shock
    - Won the Arts and Business Category in the Journal Culture Awards in collaboration with John Lewis;
    - Won the Renaissance Award in the Journal Culture Awards
- Segedunum, Arbeia and South Shields Museum & Art Gallery won Sandford Awards for educational work
- TWAM was shortlisted in all four categories of the Arts & Business North Awards 2010 for:

- Abercrombies and the Shipley Art Gallery (Cultural Branding Award);
- John Lewis and Culture Shock (Community Award and People Development Award);
- Northumbrian Water and TWAM (Sustained Partnership Award).

Future Revenue Funding

Pressures on Local Joint Committee Budgets

Significant reductions have been made in local authority revenue contributions to the Joint Committee for 2011/12. These have been addressed by TWAM via a programme of efficiency savings, income generation, workforce planning and, where unavoidable, small reductions in opening hours.

The second phase of Single Status job evaluation by the Lead Authority (Newcastle) has been completed, subject to appeals which will be processed during 2011/12. Costs for both back pay and ongoing revenue pressure have been calculated, and built into budgets. Once the results of appeals are known there may be further impact on budgets. Equal pay claims continue to be an issue for all partner authorities, and this factor is constantly under review.

Current forecasts for the next three financial years suggest the requirement for ongoing year on year budget reductions and TWAM will seek to work with constituent authorities to plan these strategically to reshape service delivery.

Central Government Funding

As part of Comprehensive Spending Review (CSR), TWAM received confirmation of a settlement from DCMS which represents a 15% fall in revenue funding over 4 years. This funding settlement continues until March 2015. Any subsequent funding arrangements will be the subject of the next CSR. DCMS has indicated that it wishes to find a new mechanism to 'channel' money to the small number of non-national museums, including TWAM, which it currently sponsors, and that any funding post 2015 will be the subject of negotiation with this new sponsor. DCMS has indicated that 'There is no question of cutting these museums adrift without any financial support in the unlikely event that no new sponsorship arrangements can be found for these museums.' TWAM and the Lead Authority continue to work with direct contacts at DCMS to ensure a successful outcome post 2015.

The budget for Renaissance was reduced by 15% for 2011/12. Responsibility for the Renaissance programme will transfer to the Arts Council of England (ACE) during 2011/12 and it is anticipated that ACE will announce an application process for 'core museums' in September 2011. In order to secure funding in line with current levels and to continue to deliver the current level of service beyond March 2012, TWAM will apply to become a core museum.

External Funding Prospects

The world recession has impacted on every aspect of our business. The depth and length of the recession is critical here. There will continue to be challenges in terms of raising funds from corporate and charitable sources. Similarly, commercial activity such as archaeological field work will be increasingly hard-won whilst housing and commercial development is stalled.

Individual, disposable income is obviously restricted, but the promotion of free admission should generate more visitors, albeit spending less per head.

In order to address these issues and to maximise the opportunities for philanthropic fundraising a new Tyne & Wear Archives & Museums Development Trust was established as a charitable company limited by guarantee with an independent board of directors, in December 2010. TWAM has secured the involvement, as founding trustees, of 6 committed individuals who are prepared to carry the message of the organisation's value and importance to a wider community. These Trustees, who are volunteers, have an important role to ensure that the Trust is well run and develops the potential to be one of TWAM's most important fundraising resources, in particular from those private donors and institutions with the capacity to make substantial gifts.

It is important that TWAM maximises opportunities for income generation from all possible sources. The organisation is also working on developing commissioned services and on enhancing the entrepreneurial culture within the organisation.

Capital Projects

TWAM has sourced funding for a range of capital improvements which it manages on behalf of the five councils and Newcastle University. Projects within the programme include:

- A pre-feasibility study for a longer term major capital development of the Laing was completed in June 2010 and initial discussions have been held with potential funders. This development is a long term ambition and work will continue to take it forward.
- Following initial pre-feasibility work a detailed plan is now being undertaken for developments at the Hatton Gallery. This work is led by Newcastle University supported by TWAM.
- At Monkwearmouth Station Museum the Sidings project will be completed showcasing the historic rolling stock and providing new interpretation.
- The movement of TWAM collections from two into one building at Beamish Museum will be completed enhancing access to and use of this material.
- TWAM will continue to work closely with its client authorities to feed into, and contribute to, major spatial developments, particularly in North and South Tyneside.
- New energy efficient lighting will be installed at the Laing Art Gallery and the Shipley Art Gallery.
- Improvements to retail facilities will be made at Laing, Shipley, South Shields Museum, Sunderland Museum and GNM: Hancock.
- Gallery improvements will be made at Arbeia Roman Fort and corporate hire facilities at Discovery Museum will be developed.

- Improved access/signage/approach will be developed at the Stephenson Railway Museum.

The Importance of Maintaining Reserves

As in previous years, it is increasingly important to establish and maintain realistic reserves and maintain the ability to earmark these for both future developments and challenges.

9. Changes in Accounting Policies

The 2010/11 accounts are the first to be produced in accordance with the CIPFA Code of Practice on Local Authority Accounting 2010/11 and is based on International Financial Reporting Standards.

10. Main Statements within the Accounts and their Purpose

Tyne & Wear Archives & Museums' final accounts for 2010/11 are set out in the following pages and comprise:

Core Financial Statements

Movement in Reserves Statement (Page 20)

This statement shows the total movement in the year into and out of Reserves. Reserves are of two kinds, Usable and Non-Usable Reserves.

Usable Reserves are where the Joint Committee has in previous years made a reserve for certain eventualities that were quantifiable and likely to happen. They may also be made up of Grants received but not spent in the current year. When the expenditure occurs then a transfer is made from reserves to match that expenditure so that there will be nil impact on the Income/Expenditure Statement in that financial year. Similarly, the Joint Committee may wish to increase a reserve on the basis on what is likely to happen in the next year and that will be a charge on the current Income/ Expenditure Account. Unusable Reserves are usually accounting entry related such as revaluation reserves and restatement reserves.

Comprehensive Income and Expenditure Statement (Page 21)

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices.

Balance Sheet (Page 22)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee. The reserves are reported in two categories as outlined above Usable Reserves and Unusable Reserves.

Cash Flow Statement (Page 23)

The Cash Flow statement shows the movement in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how cash was generated or utilised by the organisation's activities and the net effect of this on cash/cash equivalents held by the Joint Committee.

The amount of net cash flow is a key indicator of the extent to which TWAM's operations have been funded by either grant income or earned income.

Notes to the Core Financial Statements

This section provides the reader of the accounts with more details on the financial transactions of the Joint Committee and also includes Accounting Policies significant to the understanding of the annual accounts.

Statement of Responsibilities for the Statement of Accounts

This statement explains both the Joint Committee's and the Treasurer to the Joint Committee's responsibilities in respect of the Statement of Accounts.

Annual Governance Statement

This sets out the Joint Committee's approach to both corporate governance and internal control.

Glossary

These pages provide a glossary of terms used throughout the Treasurer's Report and Accounts.

11. Further Information

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press. When the accounts are published copies are available for consultation in the Customer Service Centre located on the ground floor at Newcastle Civic Centre, Newcastle upon Tyne, NE99 1RD and on the Tyne & Wear Archives & Museums website at http://www.twmuseums.org.uk/about/corporatedocuments/annual-report-and-accounts/

If, however, you wish to purchase a copy of this printed booklet, a nominal charge of £5.00 is usually made to cover printing costs. If this information is needed in another format or language please contact the Finance Department at finance@twmuseums.org.uk

Enquiries on the accounts, or other general financial matters, should be addressed in the first instance to Jackie Reynolds, Head of Corporate Affairs, Tyne & Wear Archives & Museums on 0191 277 2158 or e-mail jackie.reynolds@twmuseums.org.uk

As part of a programme of continuous improvement we are striving to improve our system of reporting back to users of services. If you have any problems understanding this publication, or have any suggestions on how it may be improved, please contact either:-

Paul Woods
Treasurer to the Joint Committee

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Core Financial Statements

Movement in Reserves Statement as at 31 March 2011

	General Fund £	Earmarked General Fund [Note 8] £	Grants Unapplied Account [Note 8] £	Total Usable Reserves £	Unusable Reserves [Note 21] £	Total Reserves £
Balance at 31 March 2009 carried forward	**0**	**(2,094,790)**	**(216,697)**	**(2,311,487)**	**142,633**	**(2,168,854)**
Movement in reserves during 2009/10						
Deficit on the provision of services	119,415	0	0	119,415	0	119,415
Other Comprehensive income and expenditure	0	0	0	0	0	0
Total Comprehensive Income and Expenditure	**119,415**		**0**	**119,415**	**0**	**119,415**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(7,897)	0	0	(7,897)	7,897	0
Net (Increase)/Decrease before transfers to Earmarked Reserves	**111,518**	**0**	**0**	**111,518**	**7,897**	**119,415**
Transfers (to)/from Earmarked Reserves	(111,518)	98,346	13,172	0	0	0
(Increase)/Decrease in 2009/10	**0**	**98,346**	**13,172**	**111,518**	**7,897**	**119,415**
Balance at 31 March 2010 carried forward	**0**	**(1,996,444)**	**(203,525)**	**(2,199,969)**	**150,530**	**(2,049,439)**
Movement in Reserves during 2010/11						
Deficit on the provision of services	195,100	0	0	195,100	0	195,100
Other Comprehensive income and expenditure	0	0	0	0	0	0
Total Comprehensive Income and Expenditure	**195,100**	**0**	**0**	**195,100**	**0**	**195,100**
Adjustments between accounting basis & funding basis under regulations (Note 6)	42,002	0	0	42,002	(42,002)	0
Net (Increase)/Decrease before transfers to Earmarked Reserves	**237,102**	**0**	**0**	**237,102**	**(42,002)**	**195,100**
Transfers (to)/from Earmarked Reserves	(237,102)	292,377	(55,275)	0	0	0
(Increase)/Decrease in 2010/11	**0**	**292,377**	**(55,275)**	**237,102**	**(42,002)**	**195,100**
Balance at 31 March 2011 carried forward	**0**	**(1,704,067)**	**(258,800)**	**(1,962,867)**	**108,528**	**(1,854,339)**

Comprehensive Income & Expenditure Statement for the year ended 31 March 2011

2009/10				2010/11		
Gross Exp £	Gross Income £	Net Exp £		Gross Exp £	Gross Income £	Net Exp £
15,379,736	(6,999,732)	8,380,004	Museums, Galleries & Archives[1]	16,361,361	(9,140,914)	7,220,447
15,379,736	(6,999,732)	8,380,004	**Cost of Services (Note 1)**	16,361,361	(9,140,914)	7,220,447
1,044,079	(1,309,385)	(265,306)	Other Operating Expenditure (Note 9 & 24)	965,633	(1,170,291)	(204,658)
0	(127,813)	(127,813)	Financing & Investment Income and Expenditure (Note 10)	0	(51,074)	(51,074)
0	(7,867,470)	(7,867,470)	Non-Specific Grant Income (Note 11 & 27)	0	(6,769,615)	(6,769,615)
16,423,815	(16,304,400)	119,415	**Deficit on Provision of Services**	17,326,994	(17,131,894)	195,100
0	0	0	**Other Comprehensive Income and Expenditure**	0	0	0
16,423,815	**(16,304,400)**	**119,415**	**Total Comprehensive Income and Expenditure**	**17,326,994**	**(17,131,894)**	**195,100**

[1] Under BVACOP Museums, Galleries & Archives would be classed as Cultural, Environmental, Regulatory and Planning Services.

Balance Sheet as at 31 March 2011

1 April 2009 IFRS Adj'd £	31 March 2010 IFRS Adj'd £		31 March 2011 £	Notes
0	0	Intangible Assets	70,796	14
0	69,529	Long Term Debtors	66,975	16.1
0	**69,529**	**Long Term Assets**	**137,771**	
163,291	223,517	Inventories	238,486	15
1,302,225	3,146,037	Short Term Debtors	2,132,990	16.2
3,051,247	1,892,792	Cash and Cash Equivalents	251,086	17
4,516,763	**5,262,346**	**Current Assets**	**2,622,562**	
(2,347,909)	(2,286,585)	Short Term Creditors	(905,994)	18
0	(995,851)	Provisions	0	19
(2,347,909)	**(3,282,436)**	**Current Liabilities**	**(905,994)**	
0	**0**	**Long Term Liabilities**	**0**	
2,168,854	**2,049,439**	**Net Assets**	**1,854,339**	
(2,311,487)	**(2,199,969)**	**Usable Reserves**	**(1,962,867)**	8
142,633	**150,530**	**Unusable Reserves**	**108,528**	21
(2,168,854)	**(2,049,439)**	**Total Reserves**	**(1,854,339)**	

Cash Flow Statement as at 31 March 2011

2009/10 £		2010/11 £
(119,415)	Net (deficit) on the provision of services	**(195,100)**
(1,039,040)	Adjustments to net (deficit) on the provision of services for non cash movements	**(1,375,810)**
0	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	**0**
(1,158,455)	Net cash flows from Operating Activities (Note 22)	**(1,570,910)**
0	Investing Activities (Note 14)	**(70,796)**
0	Financing Activities	**0**
(1,158,455)	Net (decrease) in cash and cash equivalents	**(1,641,706)**
3,051,247	Cash and cash equivalents at the beginning of the reporting period	**1,892,792**
1,892,792	**Cash and cash equivalents at the end of the reporting period (Note 17)**	**251,086**

Notes to the Core Financial Statements

1. Net Cost of service

The following table provides a subjective analysis of the Net Cost of Service element of the Comprehensive Income and Expenditure statement split between core activity, North East Regional Museums Hub (NERMH) and projects.

Total 2009/10 Actual £		Core Activity 2010/11 Estimate £	Core Activity 2010/11 Actual £	NERMH 2010/11 Actual £	Projects 2010/11 Actual £	Total 2010/11 Actual £
	Expenditure					
8,733,017	Employees	5,918,990	5,956,011	1,332,438	841,654	8,130,103
1,981,062	Premises	1,633,590	1,442,398	22,880	453,418	1,918,696
182,270	Transport	55,180	66,376	34,223	63,443	164,042
	Supplies and Services					
3,940,451	- General	907,830	992,587	576,464	4,106,619	5,675,670
116,884	- Acquisitions	10,500	88,078	0	0	88,078
344,137	Central Support Services	307,300	287,884	26,642	925	315,451
81,915	Recharges	77,140	69,321	0	0	69,321
15,379,736		8,910,530	8,902,655	1,992,647	5,466,059	16,361,361
	Income					
(2,436,247)	DCMS Grant-in-Aid	(1,412,000)	(1,443,501)	0	(2,255,089)	(3,698,590)
(4,280,562)	Other Grants/Contributions	(26,200)	(162,619)	(1,985,917)	(2,981,964)	(5,130,500)
(282,923)	Other Income	(167,590)	(144,951)	(808)	(166,065)	(311,824)
(6,999,732)		(1,605,790)	(1,751,071)	(1,986,725)	(5,403,118)	(9,140,914)
8,380,004	**Net Cost of Service**	**7,304,740**	**7,151,584**	**5,922**	**62,941**	**7,220,447**

2. Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Short-term accumulating compensated absences

These are benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Joint Committee.

The most significant benefit covered by this heading is holiday pay. Under the Code, the cost of providing holidays and similar benefits should be recognised as it is earned. As a result, the Joint Committee is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn them. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	**2009/10 Statements £**	**2009/10 Re-stated £**	**Adjustments Made £**
Short Term Creditors	(2,421,973)	(2,564,606)	(142,633)
Accumulated Absences Account	-	(142,633)	142,633
31 March 2010 Balance Sheet	**2009/10 Statements £**	**2009/10 Re-stated £**	**Adjustments Made £**
Short Term Creditors	(2,339,580)	(2,490,110)	(150,530)
Accumulated Absences Account	-	(150,530)	150,530
2009/10 Comprehensive Income and Expenditure Statement	**2009/10 Statements £**	**2009/10 Re-stated £**	**Adjustments Made £**
Cost of Services (Net)	8,358,930	8,366,832	7,902
Other Operating Expenditure	(265,301)	(265,306)	(5)

Government Grants

Under the Code grants are now recognised as income when there are no conditions outstanding and the grant cannot be clawed back. This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	**2009/10 Statements £**	**2009/10 Re-stated £**	**Adjustments Made £**
Short Term Creditors	(2,421,973)	(2,205,276)	216,697
Grants Unapplied Account	-	216,697	(216,697)
31 March 2010 Balance Sheet	**2009/10 Statements £**	**2009/10 Re-stated £**	**Adjustments Made £**
Short Term Creditors	(2,339,580)	(2,136,055)	203,525
Grants Unapplied Account	-	203,525	(203,525)
2009/10 Comprehensive Income and Expenditure Statement	**2009/10 Statements £**	**2009/10 Re-stated £**	**Adjustments Made £**
Cost of Services (Net)	8,358,930	8,372,102	13,172

Therefore the re-stated figures at 31 March 2010 are respectively, Short Term Creditors £2,286,585 and the Cost of Services (Net) figure is £8,380,004.

2009/10 Balance Sheet	**2009/10 Statements £**	**2009/10 Re-stated £**	**Adjustments Made £**
Short Term Creditors	(2,339,580)	(2,286,585)	52,995

2009/10 Comprehensive Income and Expenditure Statement	**2009/10 Statements £**	**2009/10 Re-stated £**	**Adjustments Made £**
Cost of Services (Net)	8,358,930	8,380,004	21,074

3. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

Heritage Assets: Impact of the Adoption of the New Standard on the 2011/12 Financial Statements

The Code has introduced a change in accounting policy in relation to the treatment of heritage assets[1] which will impact on the treatment of those heritage assets managed and held by the Joint Committee on behalf of the five Tyne & Wear local authorities[2]. These changes will need to be adopted fully by the five Tyne & Wear local authorities in their 2011/12 financial statements.

Although full adoption of the standard is not required until the preparation of 2011/12 financial statements, the Joint Committee is required to make disclosure of the estimated effect of the new standard in the 2010/11 financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately in the five Tyne & Wear local authorities' Balance Sheets in the 2011/12 financial statements.

Heritage assets are assets that are held and managed by the Joint Committee 'principally for their contribution to knowledge or culture'. The heritage assets held and managed by the Joint Committee are the collections of assets and artefacts either exhibited or stored in:

- Shipley Art Gallery (founded 1915);
- Discovery Museum (founded 1934);
- Tyne and Wear Archives (based at Discovery Museum, est. 1974);
- Great North Museum: Hancock (founded 1829);
- Great North Museum: Resource Centre (based at Discovery Museum, est 2009);
- Hatton Gallery: Great North Museum (founded 1926);
- Laing Art Gallery (founded 1901);
- Segedunum Roman Fort, Baths & Museum (founded 2000);
- Stephenson Railway Museum (founded 1986);
- Arbeia Roman Fort & Museum (founded 1953);
- South Shields Museum & Art Gallery (founded 1876);
- Monkwearmouth Station Museum (founded 1973);
- Sunderland Museum & Winter Gardens (founded 1846);
- Washington F Pit (founded 1976);
- Regional Museums Store and Regional Resource Centre (in partnership with and based at Beamish: The Living Museum of the North (est. 2002)

[1] See definition of heritage assets provided in the Glossary to the financial statements
[2] See basis on which exhibits, records and archives are held in the Accounting Policies

The collections held by the Joint Committee are diverse and fall into 6 principal subject areas. The total collection size is estimated at about 1 million museum objects/ specimens/ digital media and film and approximately 1,562 cubic metres of archive material. This reflects collecting activities over 200 years by the museums, archives and predecessor bodies. The museums and archives follow best practice in terms of numbering and classifying the collections. The table below shows an estimated number of objects and records by subject area:

Category	**Estimated number of objects/records as at 31 March 2011**
Art (including fine art, decorative art, contemporary craft and design)	41,492
Archaeology	226,170
Ethnography	7,105
History (including social history, costume, maritime history and engineering, science and industry)	190,165
Natural Sciences (including geology and biology)	640,793
Total	**1,105,725**
	Cubic Metres
Archives	1,562

These collections are not currently valued in their entirety or recognised in the financial statements. This is due to a number of factors such as the lack of information on purchase price, the lack of comparable market values, the diverse nature of the objects and the volume of objects held. The collections are held in the asset register of the Joint Committee.

The Code will require that heritage assets are accounted for in the 2011/12 financial statements (including the 2010/11 comparative information).

The Joint Committee anticipates that the five Tyne & Wear local authorities will be able to recognise their art collections on their Balance Sheets basing this on detailed insurance valuations (based on market values). Items in the Art collection estimated to be worth in excess of £10k are identified separately for insurance purposes. From these records the valuation of this collection as at 1 April 2010 would be £124 million.

The Joint Committee believes that it is unlikely to be able to value the remaining collections as this would incur a disproportionate cost, even if it were possible, and that cost would not be commensurate with any benefits to the organisation, the Councils or its users. This exemption is permitted by the Code.

The Joint Committee considers that the heritage assets will have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation on these assets.

The Table below sets out the statement of heritage assets as if the Code applied in 2010/11. The increase in Assets in the Balance Sheet will be offset by an increase in the Revaluation Reserve.

District	Estimated number of Art objects valued at £10k or above as at 1 April 2010	Heritage Assets recognised for the first time at valuation as at 1 April 2010	Additions 2010/11 (purchase of painting)	Carrying Value as at 31 March 2011
Gateshead	148	£13.12m	£0m	£13.12m
Newcastle	699	£101.32m	£0.04m	£101.37m
North Tyneside	0	£0m	£0m	£0m
South Tyneside	13	£0.49m	£0m	£0.49m
Sunderland	133	£9.13m	£0m	£9.13m
Total	**993**	**£124.06m**	**£0.04m**	**£124.1m**

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 35, the Joint Committee has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on going concern, such as future levels of funding from local government. The concept of a going concern assumes that the Joint Committee and its services will continue in operational existence for the foreseeable future. Although contributions from the five local authorities in Tyne & Wear will be cut significantly in 2011/12 and future years this will have no effect on the Joint Committee being a going concern;
- Possible impairment of investments. Note 13, Nature & Extent of Risks Arising from Financial Instruments, details the Joint Committee's arrangements for investments and the Lead Authority's strategy and approach to managing risk. None of the Lead Authority's investments are impaired;
- Whether other entities with which the Joint Committee has a relationship are subsidiaries, associates or jointly controlled entities. The Joint Committee's relationships have been assessed and judged to be a joint venture and a jointly controlled entity. Group Accounts have not been prepared on the grounds of materiality;
- Whether contracts need to be accounted for as service concessions or with embedded leases. The Joint Committee's significant contracts have been reviewed and no embedded finance leases or service concessions found;
- The potential outcome of legal claims by or against the Joint Committee. There are no outstanding legal claims against the Joint Committee.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Joint Committee about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Joint Committee's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2011, the Joint Committee had a balance of sundry debtors for £2.1m. A review of significant balances suggested that an impairment of doubtful debts of (£22k) was appropriate (Note16.2). However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £22k to set aside as an allowance.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

6. Adjustments between Accounting Basis and Funding Basis under Regulations

This note represents the movement in Reserves required to account for the accrual at the end of March 2011 for accrued but not taken holiday pay.

2009/10	General Fund £	Earmarked General Fund £	Movement in Unusable Reserves £
Adjustment involving the Accumulated Absences Account			
Difference between officer remuneration charged to Comprehensive Income & Expenditure Statement and that accrued but not taken	0	(7,897)	(7,897)
Total Adjustments	**0**	**(7,897)**	**(7,897)**

2010/11	General Fund £	Earmarked General Fund £	Movement in Unusable Reserves £
Adjustment involving the Capital Adjustment Account:			
Reversal of itmes debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital grants and contributions applied	70,796	0	70,796
Adjustment involving the Accumulated Absences Account			
Difference between officer remuneration charged to Comprehensive Income & Expenditure Statement and that accrued but not taken	0	(28,794)	(28,794)
Total Adjustments	**70,796**	**(28,794)**	**42,002**

7. Events after the Balance Sheet date

Events happening between the balance sheet date and the date the accounts are authorised for issue are classified as post balance sheet events. There have been no such events requiring disclosure since the balance sheet date.

8. Revenue Reserves

The health of the Joint Committee's finances is determined by more than the in-year performance. The various provisions and balances within the Joint Committee's balance sheet are also of vital importance to TWAM. It is the existence of these provisions and balances which help TWAM maintain stability and withstand unexpected financial events.

	Balance at 1 April 2009	Reserve Applied	Contribution to Reserves	Interest	Balance at 31 March 2010
	£	£	£	£	£
Acquisitions Reserve	**(220,577)**	8,341	(11,976)	(7,081)	**(231,293)**
Renewals Reserve	**(309,108)**	147,867	(9,760)	(9,922)	**(180,923)**
Business Partners Reseve	**(76,074)**	37,832	(29,193)	(2,442)	**(69,877)**
Museums Earmarked Balances	**(1,427,493)**	434,594	(401,091)	(45,823)	**(1,439,813)**
Future Repairs & Maintenance Reserve	**(61,538)**	38,975	(50,000)	(1,975)	**(74,538)**
Grants Unapplied Account	**(216,697)**	77,922	(64,750)	0	**(203,525)**
Total	**(2,311,487)**	**745,531**	**(566,770)**	**(67,243)**	**(2,199,969)**

2010/11

	Balance at 1 April 2010	Reserve Applied	Contribution to Reserves	Interest	Balance at 31 March 2011
	£	£	£	£	£
Acquisitions Reserve	**(231,293)**	9,471	(900)	(4,649)	**(227,371)**
Renewals Reserve	**(180,923)**	0	(1,000)	(3,637)	**(185,560)**
Business Partners Reseve	**(69,877)**	4,566	0	(1,405)	**(66,716)**
Museums Earmarked Balances	**(1,439,813)**	369,897	(12,024)	(12,885)	**(1,094,825)**
Future Repairs & Maintenance Reserve	**(74,538)**	26,441	(80,000)	(1,498)	**(129,595)**
Grants Unapplied Account	**(203,525)**	165,986	(221,261)	0	**(258,800)**
Total	**(2,199,969)**	**576,361**	**(315,185)**	**(24,074)**	**(1,962,867)**

Acquisitions Reserve

In 2010/11 interest accruing on the fund balance, along with inflationary contributions have been added to the core fund and invested. In 2010/11, £9,471 of the reserve was used to purchase a new item for the collection.

Renewals Reserve

The table below summarises the movements during 2010/11:

	Balance at 1 April 2010	Reserve Applied	Contribution to Reserves	Interest	Balance at 31 March 2011
	£	£	£	£	£
Access	**(5,974)**	0	0	(120)	**(6,094)**
Information Technology	**(17,272)**	0	0	(347)	**(17,619)**
Transport	**(150,344)**	0	0	(3,023)	**(153,367)**
RMS	**(7,333)**	0	(1,000)	(147)	**(8,480)**
Total	**(180,923)**	**0**	**(1,000)**	**(3,637)**	**(185,560)**

Business Partners Reserve

In 2010/11, Connecting through Culture TWAM's business partnership scheme, enjoyed another good year with 28 members representing a wide range of private sector businesses. Income generated from the membership enabled TWAM to support 13 projects totalling £26,899 with awards of between £1,500 and £5,000 respectively. The breadth of projects supported was very diverse ranging from learning and outreach work to significant art exhibitions. Support from the Business Partners Fund helped to leverage a further £778,000 from other external funders.

Museums Earmarked Balances

The funds within this reserve have been earmarked to support revenue expenditure and projects in future years. In total earmarked reserves have decreased by £344,989. It should be emphasised, that balances sit within the budgets of individual districts and there is, of course, no transfer between budgets of separate districts. Equally, balances on central funds are allocated centrally.

24% of Earmarked balances for 2010/11 were utilised during the year. Balances utilised included those earmarked for the Northern Spirit Project at the Laing, learning and conservation, market research both of users and non-users, exhibitions, corporate governance, railway operations, events refurbishment projects and the TWM Archaeology Unit deficit.

Future Repairs and Maintenance Reserve

This reserve holds sums required to carry out essential repairs to museums. In 2010/11, the reserve was increased by £55,058.

Grants Unapplied Account

This reserve holds grants received either with no conditions attached or the conditions have been satisfied so will not be clawed back by the Grant funder. In 2010/11, the reserve was increased by £55,275.

9. Other Operating Expenditure

The other operating expenditure shown in the Comprehensive Income & Expenditure Statement consists of:

2009/10 £		2010/11 £
171,794	Trading - Archaeology	179,304
(437,100)	Other Trading Operations	(383,962)
(265,306)	**Total**	**(204,658)**

10. Financing and Investment Income and Expenditure

The financing and investment income & expenditure shown in the Comprehensive Income & Expenditure Statement consists of:

2009/10 £		2010/11 £
	Interest receivable and similar income:	
(60,570)	Revenue operations	(10,945)
(67,243)	Reserves	(40,129)
(127,813)	**Total**	**(51,074)**

11. Non Specific Grant

The non specific grant income shown in the Comprehensive Income & Expenditure Statement consists of:

2009/10		2010/11
£		£
(7,867,470)	Client contributions	(6,769,615)
(7,867,470)	**Total**	**(6,769,615)**

Further detail is provided in Note 27.

12. Financial Instruments

The following categories of financial instrument are carried in the balance sheet:

	01 April 2009	31 March 2010	31 March 2011
	£	£	£
Long term investments:	**0**	**0**	**0**
Short term investments:			
Bank deposits	2,094,790	1,996,444	1,704,067
	2,094,790	**1,996,444**	**1,704,067**
Debtors:			
Long-term debtors	0	69,529	66,975
Current debtors	1,248,697	3,033,057	2,018,635
Total debtors	**1,248,697**	**3,102,586**	**2,085,610**
Borrowings:			
Current borrowings	0	(114,867)	(1,463,606)
Total borrowings	**0**	**(114,867)**	**(1,463,606)**
Creditors:			
Financial liabilities carried at contract amount	630,534	(1,693,267)	(419,581)
Total creditors	**630,534**	**(1,693,267)**	**(419,581)**

Income, Expense, Gains and Losses

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

Financial Liabilities

	31 March 2010		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£	£	£	£
Borrowings	(114,867)	(114,867)	(1,463,606)	(1,463,606)
Creditors	(1,693,267)	(1,693,267)	(419,581)	(419,581)
	(1,808,134)	**(1,808,134)**	**(1,883,187)**	**(1,883,187)**

Financial Assets

	31 March 2010		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£	£	£	£
Short term investmen	1,996,444	1,996,444	1,704,067	1,704,067
Long-term debtors	69,529	69,529	66,975	66,975
Current debtors	3,050,334	3,033,057	2,040,675	2,018,635
	5,116,307	**5,099,030**	**3,811,717**	**3,789,677**

The fair value of the debtors balance is the debt due to the Joint Committee minus the provision for doubtful debts.

13. Nature & Extent of Risks Arising from Financial Instruments

The Joint Committee's activities expose it to a variety of financial risks:

- **Credit risk:** the possibility that other parties might fail to pay amounts due to the Joint Committee;
- **Liquidity risk:** the possibility that the Joint Committee might not have funds available to meet its commitments to make payments; and
- **Market risk:** the possibility that financial loss might arise for the Joint Committee as a result of changes in such measures as interest rates, market prices, foreign currency exchange rates etc.

The Joint Committee has a Service Level Agreement (SLA) with the Lead Authority for its treasury management. The Lead Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Lead Authority in the Annual Treasury Management Strategy Statement. The statement provides written principles for overall financial risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk - arises from deposits with banks and financial institutions, as well as credit exposure to the Joint Committee's customers. Suppliers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and

parameters set by the Joint Committee. Deposits are not made with banks and financial institutions unless they meet the relevant criteria as adopted within the Lead Authority's Treasury Management Strategy. The Lead Authority's investment priorities are the security of capital and the liquidity of its investments. The Lead Authority will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

The following analysis summarises the Joint Committee's potential maximum exposure to credit risk on other financial assets, based on experience of default and recovery history over the last four financial years, adjusted to reflect current market conditions.

Amount at 31 March 2011	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2011	Estimated maximum exposure to default & uncollectibility at 31 March 2011	Estimated maximum exposure at 31 March 2010
£ 2,155,030	0.112%	0.287%	£ 6,194	£ 2,883

However, as stated in Note 5, a review of significant balances suggested that an impairment of doubtful debts of £22k was more appropriate.

Liquidity risk - as the Joint Committee has ready access to its investments, there is no significant risk that it will be unable to access finance to meet its commitments under financial instruments.

Market risk - the Joint Committee is exposed to risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the Joint Committee. For instance a rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Income & Expenditure Account will rise;
- investments at fixed rates – the fair value of the assets will fall.

Treasury Management officers in the Lead Authority, in conjunction with external advisers, continually monitor both the prevailing interest rates and market forecasts and adopt the following responses to changes:

- if it were felt there was a significant risk of a sharp rise in long and short term rates then the portfolio position would be re-appraised with the likely action that fixed rate funding would be drawn whilst interest rates were still relatively cheap
- if it were felt that there was a significant risk of a sharp fall in long and short term rates then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.

Sensitivity to market interest rates: Changes in market interest rates affecting the fair value of financial assets and liabilities would have no impact on their carrying values as the Joint Committee currently has no financial instruments carried at fair value. However, the Joint Committee is required to disclose the impact that a hypothetical change in market interest rates during the year would have had on its recognised gains and losses. The extent to which the Joint Committee's interest receivable would have been different had market interest rates during the year been 1% lower than they actually were, calculated based on the investments that the Joint Committee held during the year is as follows:

Interest Rate Sensitivity

	Actual Interest Recognised in Comprehensive I&E Account at 31 March 2011	Interest receivable assuming a 1% decrease in interest rates	Change
Interest receivable on investments	(£51,074)	(£28,172)	(£22,902)

Foreign Exchange Risk
The Joint Committee has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

14. Intangible Assets

The Joint Committee accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible asset relates to purchased licenses and installation charges and will be written-off over a period of five years once the software is operational in 2011/12. The carrying amount of intangible assets is amortised on a straight-line basis. There is no amortisation charge in 2010/11 as the software is not yet operational.

The movement on Intangible Asset balances during the year is as follows:

	2009/10 Purchased Licences £	2010/11 Purchased Licences £
Net carrying amount at start of year	0	0
Additions: Purchases	0	70,796
Amortisation for the period	0	0
Net carrying amount at end of year	**0**	**70,796**

Comprising:

Gross carrying amounts	0	70,796
Accumulated amortisation	0	0

15. Inventories

Inventories represent the value of stock held in respect of the museum's shops.

1 April 2009 £	31 March 2010 £	Central & District	31 March 2011 £
134,256	151,793	Balance outstanding at start of year	189,496
272,023	247,561	Purchases	220,908
(254,486)	(209,858)	Recognised as an expense in the year	(209,462)
0	0	Written off balances	0
0	0	Reversals of write-offs in previous years	0
151,793	**189,496**	**Balance outstanding at year end**	**200,942**

1 April 2009 £	31 March 2010 £	Great North Museum	31 March 2011 £
0	11,499	Balance outstanding at start of year	34,021
15,984	90,951	Purchases	56,285
(4,485)	(68,429)	Recognised as an expense in the year	(52,762)
0	0	Written off balances	0
0	0	Reversals of write-offs in previous years	0
11,499	**34,021**	**Balance outstanding at year end**	**37,544**

1 April 2009 £	31 March 2010 £	Total	31 March 2011 £
134,256	163,292	Balance outstanding at start of year	223,517
288,007	338,512	Purchases	277,193
(258,971)	(278,287)	Recognised as an expense in the year	(262,224)
0	0	Written off balances	0
0	0	Reversals of write-offs in previous years	0
163,292	**223,517**	**Balance outstanding at year end**	**238,486**

16. Debtors

16.1 Long-term Debtors

Net Debtors as at 01 April 2009 £	Net Debtors as at 31 March 2010 £	Classification	Net Debtors as at 31 March 2011 £
0	**69,529**	Long Term Debtors	**66,975**

Long term debtors fall due after a period of at least one year. This balance relates to a number of Archaeology debtors resulting from the suspension of projects at a stage when the full costs of the work undertaken to date cannot

be charged, usually because a stage of work is incomplete. In all cases, the debt is considered to be recoverable but there is no certainty about when the projects will resume and it not expected that any of these projects will restart during 2011/12.

16.2 Short-term Debtors

Net Debtors as at 01 April 2009 £	Net Debtors as at 31 March 2010 £	Classification	Net Debtors as at 31 March 2011 £
142,900	799,214	Central Government bodies	741,803
138,509	973,269	Other local authorities	307,975
1,015,960	1,378,623	Other entities and individuals	1,086,663
(10,658)	(17,277)	Bad Debt provision	(22,040)
1,286,711	3,133,829		2,114,401
15,514	12,208	Payments in advance	18,589
1,302,225	**3,146,037**		**2,132,990**

Net debtors have decreased by £1,013,047 (32%) between years. Within the classification "Other local authorities" debtors have decreased by £665,294 (68%). The most significant factor relates to the client contributions, which were required to fund payment in lieu of back pay and equal pay of £995,851, for which debtors were raised in March 2010. Due to the delays in completing the implementation of Single Status Phase 2, payments of £705,662 were received in year and debtors of £290,189 were outstanding at 31 March 2011. All payments have since been received. Within the classification "Other entities and individuals" debtors have decreased by £291,960 (21%). As of 20 June 2011, 95% (£917,305) of the debt on corporate debtors had been recovered.

In 2010/11 the provision for doubtful debts increased by £4,763 to £22,040. The increase relates to archaeology schemes where the age profile of the debt has increased. The unit is actively working with the clients involved to recover this debt.

17. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

01 April 2009 £	31 March 2010 £		31 March 2011 £
9,410	11,215	Cash and Bank Balances	10,625
2,094,790	1,996,444	Cash Investments - regarded as cash equivalents	1,704,067
947,047	(114,867)	Bank Overdraft	(1,463,606)
3,051,247	**1,892,792**		**251,086**

18. Short-Term Creditors

The table below shows an analysis of the Joint Committee's creditors as at the 31 March 2011.

01 April 2009 £	31 March 2010 £	Classification	31 March 2011 £
(2,112)	(14,951)	Central Government bodies	0
(75,270)	(196,583)	Other local authorities	(41,065)
(4,415)	0	Public Corporations and trading funds	0
(548,737)	(485,882)	Other entities and individuals	(378,516)
(630,534)	(697,416)		(419,581)
(1,717,375)	(1,589,169)	Receipts in advance (Note 27)	(486,413)
(2,347,909)	**(2,286,585)**		**(905,994)**

19. Provisions

The provision held at 1 April 2010 related to the estimated cost of meeting 11 equal pay claims and pay in lieu of back pay resulting from the implementation of Single Status by Newcastle City Council and was fully utilised during 2010/11.

	Equal Pay/ Back Pay £
Balance at 1 April 2010	(995,851)
Additional provisions made 2010/11	0
Amounts used in 2010/11	995,851
Unused amounts reversed in 2010/11	0
Unwinding of discounts 2010/11	0
Balance at 31 March 2011	**0**

20. Usable Reserves

Movements in the Joint Committee's usable reserves are detailed in the Movement in Reserves Statement (Note 8).

21. Unusable Reserves

1 April 2009 £	31 March 2010 £		31 March 2011 £
142,633	150,530	Accumulated Absences Account	179,324
0	0	Capital Adjustment Account	(70,796)
142,633	**150,530**		**108,528**

21.1 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March.

31 March 2010 £		31 March 2011 £
142,633	Balance at 1 April	150,530
(142,633)	Settlement or cancellation of accrual made at the end of the preceding year	(150,530)
150,530	Amounts accrued at the end of the current year	179,324
7,897	Difference between officer remuneration charged to Income & Expenditure Statement and that accrued but not taken	28,794
150,530	**Balance at 31 March**	**179,324**

21.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of the acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Joint Committee as finance for the costs of acquisition, construction and enhancement.

31 March 2010 £		31 March 2011 £
0	Balance at 1 April	0
	Capital financing applied in the year:	
0	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(70,796)
0	**Balance at 31 March**	**(70,796)**

22. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £		2010/11 £
(127,813)	Interest received	(51,974)
33,649	Interest paid	34,735
0	Dividends received	0

There were no investing or finance activities in the year.

23. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service expenditure for the year is as follows:

2009/10	Core Activity 2009/10 Actual	NERMH 2009/10 Actual	Projects 2009/10 Actual	Total 2009/10 Actual
Income	**£**	**£**	**£**	**£**
Fees, charges & other service income	0	0	0	0
Interest and investment income	0	0	0	0
Government grants and contributions				
DCMS Grant-in-Aid	(1,399,000)	0	(1,037,247)	(2,436,247)
Other Grants/Contributions	(264,826)	(2,113,938)	(1,901,798)	(4,280,562)
Other Income	(120,095)	(700)	(162,128)	(282,923)
	(1,783,921)	(2,114,638)	(3,101,173)	(6,999,732)
Expenditure				
Employee expenses	6,769,623	1,298,356	665,038	8,733,017
Other service expenses:				
Premises	1,747,052	0	234,010	1,981,062
Transport	95,456	46,162	40,652	182,270
Supplies and Services - General	950,070	720,924	2,269,457	3,940,451
Supplies and Services - Acquisitions	110,998	0	5,886	116,884
Central Support Services	293,807	49,221	1,109	344,137
Support service recharges:				
Recharges	81,915	0	0	81,915
	10,048,921	2,114,663	3,216,152	15,379,736
Net Cost of Service	**8,265,000**	**25**	**114,979**	**8,380,004**

2010/11	Core Activity 2010/11 Actual	NERMH 2010/11 Actual	Projects 2010/11 Actual	Total 2010/11 Actual
Income	**£**	**£**	**£**	**£**
Fees, charges & other service income	0	0	0	0
Interest and investment income	0	0	0	0
Government grants and contributions				
DCMS Grant-in-Aid	(1,443,501)	0	(2,255,089)	(3,698,590)
Other Grants/Contributions	(162,619)	(1,985,917)	(2,981,964)	(5,130,500)
Other Income	(144,951)	(808)	(166,065)	(311,824)
	(1,751,071)	(1,986,725)	(5,403,118)	(9,140,914)
Expenditure				
Employee expenses	5,956,011	1,332,438	841,654	8,130,103
Other service expenses:				
Premises	1,442,398	22,880	453,418	1,918,696
Transport	66,376	34,223	63,443	164,042
Supplies and Services - General	992,587	576,464	4,106,619	5,675,670
Supplies and Services - Acquisitions	88,078	0	0	88,078
Central Support Services	287,884	26,642	925	315,451
Support service recharges:				
Recharges	69,321	0	0	69,321
	8,902,655	1,992,647	5,466,059	16,361,361
Net Cost of Service	**7,151,584**	**5,922**	**62,941**	**7,220,447**

Reconciliation of Museums Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.

All items included in the Segmental Income and Expenditure statements are included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Archives and Museums income and expenditure relate to a subjective analysis of the (Surplus) or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2009/10	Segmental Analysis £	Trading activities outside the Joint Committee £	Interest and investment income £	Contributions from Constituent Bodies £	Total £
Fees, charges & other service income	0	(265,306)	0	0	(265,306)
Interest and investment income	0	0	(127,813)	0	(127,813)
Government grants and contributions:					
DCMS Grant-in-Aid	(2,436,247)	0	0	0	(2,436,247)
Other Grants/Contributions	(4,280,562)	0	0	(7,867,470)	(12,148,032)
Other Income	(282,923)	0	0	0	(282,923)
Total Income	**(6,999,732)**	**(265,306)**	**(127,813)**	**(7,867,470)**	**(15,260,321)**
Expenditure					
Employee expenses	8,733,017	0	0	0	8,733,017
Other service expenses:					
Premises	1,981,062	0	0	0	1,981,062
Transport	182,270	0	0	0	182,270
Supplies and Services - General	3,940,451	0	0	0	3,940,451
Supplies and Services - Acquisitions	116,884	0	0	0	116,884
Central Support Services	344,137	0	0	0	344,137
Support service recharges:					
Recharges	81,915	0	0	0	81,915
Total expenditure	**15,379,736**	**0**	**0**	**0**	**15,379,736**
(Surplus) or deficit on the provision of services	**8,380,004**	**(265,306)**	**(127,813)**	**(7,867,470)**	**119,415**

2010/11	Segmental Analysis £	Trading activities outside the Joint Committee £	Interest and investment income £	Contributions from Constituent Bodies £	Total £
Fees, charges & other service income	0	(204,658)	0	0	(204,658)
Interest and investment income	0	0	(51,074)	0	(51,074)
Government grants and contributions:					
DCMS Grant-in-Aid	(3,698,590)	0	0	0	(3,698,590)
Other Grants/Contributions	(5,130,500)	0	0	(6,769,615)	(11,900,115)
Other Income	(311,824)	0	0	0	(311,824)
Total Income	**(9,140,914)**	**(204,658)**	**(51,074)**	**(6,769,615)**	**(16,166,261)**
Expenditure					
Employee expenses	8,130,103	0	0	0	8,130,103
Other service expenses:					
Premises	1,918,696	0	0	0	1,918,696
Transport	164,042	0	0	0	164,042
Supplies and Services - General	5,675,670	0	0	0	5,675,670
Supplies and Services - Acquisitions	88,078	0	0	0	88,078
Central Support Services	315,451	0	0	0	315,451
Support service recharges:					
Recharges	69,321	0	0	0	69,321
Total expenditure	**16,361,361**	**0**	**0**	**0**	**16,361,361**
(Surplus) or deficit on the provision of services	**7,220,447**	**(204,658)**	**(51,074)**	**(6,769,615)**	**195,100**

24. Trading Operations 2010/11

TWAM has established trading units where the service is required to operate in a commercial environment and generate income from other organisations or service users. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement.

		2009/10	2010/11	Change
		£	£	£
TWM Archaeology	Turnover	(353,673)	(351,679)	1,994
	Expenditure	525,467	530,983	5,516
	Deficit	**171,794**	**179,304**	**7,510**
Other trading operations	Turnover	(955,711)	(818,612)	137,099
	Expenditure	518,611	434,650	(83,961)
	Surplus	**(437,100)**	**(383,962)**	**53,138**
Net deficit/(surplus) on external trading undertakings		**(265,306)**	**(204,658)**	**60,648**

TWM Archaeology is a section of TWAM which carries out projects to discharge archaeological planning conditions for private, corporate and public clients. All archaeological organisations which carry out work for developers have been severely affected by the economic downturn, which resulted in the suspension by developers of several large projects and pressure on profit margins because of increased competition in a shrinking market. During 2010/11 a transformation project was initiated which included significant reductions in staff costs going forward. Despite this, TWM Archaeology made a trading loss during 2010/11 of £179,304. The deficit has been transferred to Earmarked Reserves and TWAM is currently addressing this issue to identify viable models for future operation of the Unit.

Other Trading Operations

Trading units include museum shops, archives activity, venue hire and café franchises as follows:

	2009/10	2010/11	Change
	£	£	£
Shop sales	(643,560)	(557,164)	86,396
Archives activity	(64,108)	(67,536)	(3,428)
Venue hire	(86,535)	(83,808)	2,727
Café franchises	(110,592)	(68,395)	42,197
Other	(50,916)	(41,709)	9,207
Total	**(955,711)**	**(818,612)**	**137,099**

In 2009/10 the phenomenal response to the opening of the GNM: Hancock in May 2009 was also reflected in very healthy sales in shop merchandise and catering income commission and is responsible for the majority of the difference between years. In addition, following the withdrawal of the new catering provider after only one month of operation in autumn 2009 and protracted contract negotiations with the replacement provider, café franchise commission was reduced in 2010/11.

25. Officers' Remuneration

The Joint Committee is required to disclose information on their employees' remuneration in two sections. Full details are required for those employees defined in the Regulations as senior employees whose salary is above £50,000 per annum, and an additional summary disclosure is required of the numbers of other staff whose total remuneration (i.e. salary plus pension etc.) is above £50,000.

Senior employees: Senior employees are defined by the Regulations as those employees who have a role in the overall management of the Joint Committee. The following officers fall within the definition of senior employees and received an annual salary of above £50,000:

Senior employees' remuneration

	Employment Period	Salary	Taxable Expenses	Employers Pension Contributions	Total Remuneration
		£	£	£	£
2009/10					
Director of TWAM	1 April 2009 to 21 March 2010	83,880	300	12,503	96,683
Acting Director of TWAM	22 March 2010 to 31 March 2010	1,578	-	240	1,818
2010/11					
Acting Director of TWAM	1 April 2010 to 24 November 2010	50,688	229	7,705	58,622
Director of TWAM	25 November 2010 to 31 March 2011	27,887	2	4,239	32,128
Senior Manager (1)	1 April 2010 to 31 March 2011	58,487	-	6,680	65,167
Senior Manager (2)	1 April 2010 to 31 March 2011	51,174	-	6,680	57,854
Senior Manager (3)	1 April 2010 to 31 March 2011	57,612	-	6,680	64,292

General Notes:

- No bonuses were paid during 2009/10 and 2010/11.
- No compensation for loss of employment or any other benefits were paid during 2009/10 and 2010/11.

As a result of Single Status three additional posts now appear in this note. The salary figures include payments in lieu of back pay. In 2010/11, the Acting Director of TWAM and the Director of TWAM was the same person.

Other employees: There were no other employees who, in their employment with Newcastle City Council on behalf of the Joint Committee received remuneration above £50,000 in bands of £5,000 who are not already included in the detailed disclosure for senior employees given above.

26. External Audit Costs

The Joint Committee has incurred the following costs in relation to the audit of the Statement of Accounts and statutory inspections.

2009/10 £		2010/11 £
20,000	Fees payable to Deloitte (previous year the Audit Commission) with regard to external audit services carried out by the appointed auditor for the year	27,900
20,000		**27,900**

27. Grant Income

The Joint Committee credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

Credited to Non Specific Grant Income:	**2009/10 £**	**2010/11 £**
Contributions from:		
Gateshead	614,013	545,020
Newcastle	3,117,034	2,413,090
North Tyneside	846,945	777,590
South Tyneside	943,938	783,034
Sunderland	1,730,901	1,530,961
Newcastle University	614,638	719,920
Total	**7,867,469**	**6,769,615**

Credited to Services:	**2009/10 £**	**2010/11 £**
MLA	(2,171,392)	(2,303,222)
DCMS	(1,179,789)	(2,753,846)
Heritage Lottery Fund	(329,197)	(588,948)
Trust Funds	(189,210)	(278,174)
Acquisitions Grants	(64,459)	(48,865)
Other District Contributions	(29,311)	(23,332)
Sponsorship	(69,561)	(65,038)
Donations	(75,810)	(47,403)
Other Grants	(1,209,080)	(1,308,263)
Add DCMS Revenue Grant in Aid	(1,399,000)	(1,412,000)
Total	**(6,716,809)**	**(8,829,091)**

The Joint Committee has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the

funder. These balances are included within short-term creditors (Note 18). The balances at the year-end are as follows:

Revenue Grants Receipts In Advance	2009/10 £	2010/11 £
MLA	(159,527)	(16,534)
DCMS	(850,591)	0
Creativity,Culture & Education	(353,994)	(343,949)
Heritage Lottery Fund	(109,690)	(74,205)
Trust Funds	(19,262)	0
Donations	(1,177)	0
Other Grants	(91,428)	(51,725)
Total	**(1,585,669)**	**(486,413)**

28. Related Parties

The Joint Committee is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Joint Committee or to be controlled or influenced by the Joint Committee. Disclosure of these transactions allows readers to assess the extent to which the Joint Committee might have been constrained in its ability to operate independently or might have constrained another party's ability to bargain freely with the Joint Committee.

Central government has effective control over the general operations of the Joint Committee – it is responsible for providing the statutory framework within which the Joint Committee operates, provides significant funding in the form of grants and prescribes the terms of many transactions which the Joint Committee has with other parties. The five councils within Tyne & Wear provide significant funding in the form of contributions and appoint members to the Joint Committee. Details of transactions with government departments and the five councils are set out in Note 27.

Members of the Joint Committee have direct control over the Joint Committee's financial and operating policies. During 2010/11, works and services to the value of £981,123 and income totalling £886,960 were received from organisations in which members had an interest. Contracts were entered into in full compliance with the Joint Committee's standing orders. Grants were received with proper consideration of the declarations of interest. The relevant members did not take part in any discussion or decision relating to these transactions.

Officers of the Joint Committee declared pecuniary interest in accordance with section 117 of the Local Government Act 1972 in transactions with eight organisations. The value of works and services was £13,971 and income totalling £80,213 was received.

The table below summarises the value of any third party transactions greater than £5,000.

2010/11			
	Income £	Expenditure £	Total £
Newcastle University	(729,099)	861,830	132,731
Generation 2012 Legacy Trust	(71,621)	0	(71,621)
Arts Council England	(67,263)	0	(67,263)
Northern Rock Foundation	(41,911)	0	(41,911)
Newcastle Gateshead Initiative	(28,847)	800	(28,047)
Beamish Museum	(26,871)	8,981	(17,890)
Royal Society for the Arts	(10,616)	0	(10,616)
Journal Tyne Theatre	(9,000)	0	(9,000)
Northern Region Film & Television Archive	(8,592)	0	(8,592)
The National Trust	0	9,535	9,535
Total	**(993,820)**	**881,146**	**(112,674)**

29. Capital Expenditure and Capital Financing

Capital expenditure on intangible assets incurred in the year is shown in the table below, together with the resources that have been used to finance it.

	2009/10 £	2010/11 £
Opening Capital Financing Requirement:	0	0
Capital Investment		
Intangible assets	0	70,796
Sources of Finance		
MLA Renaissance Grant	0	(70,796)
Closing Capital Financing Requirement:	**0**	**0**

30. Leases

Authority as Lessee:

Finance Leases
TWAM does not hold any material finance leases.

Operating Leases
The Joint Committee has entered into operating leases with lives ranging from two to six years.

The future minimum lease payments due under non-cancellable leases in future years are:

2009/10 £		2010/11 £
5,607	Not later than one year	8,727
11,958	Later than one year and not later than five years	13,034
0	Later than five years	0
17,565		**21,761**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2009/10 £		2010/11 £
6,617	Minimum lease payments	8,440
6,617		**8,440**

31. Termination Benefits

TWAM had no termination benefits outstanding at 31 March 2010 or 31 March 2011.

32. Defined Benefit Pension

Newcastle City Council employs all the Joint Committee's staff. As a result, although the pension scheme is a defined benefit scheme, it has been accounted for in the Joint Committee's accounts as a defined contribution scheme. The ISA19 liabilities relating to these staff are therefore included in Newcastle City Council's accounts and it is not practical to identify the liability relating to staff working for the Joint Committee separately. The details of these recharges are set out below:

	2009/10	2010/11	Change
Ordinary employers contributions (payable to the Tyne and Wear Superannuation Fund)	£797,571	£861,743	£64,172
being percentage of pensionable pay	15.2%	15.2%	0.0%
Added years benefits and related increases	**£84,818**	**£85,093**	**£275**
being percentage of pensionable pay	1.6%	1.5%	(0.1%)
Number of employees in scheme	297	293	(4)

- The increase between years primarily reflects additional payments made under Single Status.
- The contribution rate in 2010/11 was determined by the Fund's actuary based on the latest valuation as at 31 March 2010.
- The above figures have been provided by the actuaries to the Tyne & Wear Pension Fund using information provided by the scheme and assumptions determined by Newcastle City Council in conjunction with the actuary.
- Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.
- Further information can be found in the Tyne and Wear Pension Fund Annual Report which is available upon request from South Tyneside Council, Town Hall and Civic Offices, Westoe Road, South Shields, NE33 2RL.

33. Contingent Liabilities

At 31 March 2011, the Joint Committee had the following contingent liability: Claims under the Equal Pay Act - during 2010/11 the Joint Committee settled 11 claims under the Act. There remain a number of cases, 5 to date, which have been issued under the Equal Pay Act and/or the Equality Act 2010. Some of these raise different legal arguments to the cases already settled, principally claims of equal value, male claims which are contingent upon female comparators establishing their claims and claims where earlier settlements are being challenged. As the legal arguments to the residual litigation are complex and proceedings are still at an early stage it is too early to assess liability.

34. Central Support Services

Newcastle City Council as the 'lead' Authority provides the Joint Committee with support services principally in the areas of accountancy, ICT, human resources, democratic services and legal. The charges are allocated on the basis of Service Level Agreements. The amounts payable in 2010/11 were £287,551 (2009/10 £324,137).

35. Accounting Policies

General Principles

The Statement of Accounts summarises the Joint Committee's transactions for the 2010/11 financial year and its re-stated position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code). The accounting convention adopted is historic cost. The Code is based on approved accounting standards, except where these conflict with specific statutory accounting requirements, so that the Joint Committee's accounts present a true and fair view of the financial position and transactions of TWAM. Any exceptions are noted in the paragraphs below.

In addition, these accounts are also compiled, as far as practicable, in accordance with the Best Value Accounting Code of Practice (BVACOP). The original code was published in 2000 by CIPFA and it has been updated each year since. BVACOP sets out "proper practice" with regard to financial reporting by local authorities. The purpose of this code is to ensure consistency and comparability in financial reporting between local authorities. Because of this the accounting statements in these accounts do not always correspond to the Joint Committee's management structure i.e. the way in which the Joint Committee's annual budget is presented.

Reserves and Provisions

Reserves

The Joint Committee sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then

appropriated back into the Movement in Reserves Statement so that there is no net charge against current year contributions for the expenditure.

Certain reserves are kept to manage the accounting processes for financial instruments, retirement and employee benefits and do not represent usable resources for the Joint Committee - these reserves are explained in the relevant notes.

Provisions
Provisions are made where an event has taken place that gives the Joint Committee a legal or constructive obligation that probably requires settlement and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Joint Committee becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a settlement will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Accruals of Income & Expenditure
Activity is accounted for in the year in which it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Joint Committee transfers the significant risks and rewards of ownership to the purchaser and it is probable that consideration will flow to the Joint Committee;
- Revenue from the provision of services is recognised when the Joint Committee can measure reliably the percentage completion of the transaction and it is probable that consideration will flow to the Joint Committee;
- Supplies of stock are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the balance sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is

recorded in the balance sheet. The Joint Committee has adopted a *de minimis* level of £500 for creditors which means that they are not included in the accounting statements. Generally a full year's charge is included in the accounts for those supplies and services used continuously and charged on a periodic basis (e.g. gas, electricity and water), but the period covered by the payments does not always coincide with the financial year.

Government Grants and Contributions (Revenue)
Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Joint Committee when there is reasonable assurance that:

- The Joint Committee will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Joint Committee are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. A condition exists where there are stipulations that grant money can be clawed back by the funder if the terms of the grant are not adhered to.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

Intangible Assets
Expenditure on non-monetary assets that do not have physical substance but are controlled by the Joint Committee as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Joint Committee.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Joint Committee can be determined by reference to an active market. In practice, no intangible asset held by the Joint Committee meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts

Reserve.

The only category of intangible assets for the Joint Committee is software; the asset life used for software is 5 years.

Fixed Assets
The buildings in which the Archives and Museums are housed are the property of the constituent authority, and are therefore excluded from TWAM's balance sheet.

Museum exhibits purchased before local government re-organisation in 1974 are the property of the constituent authority, which succeeded the local authority owning the exhibit prior to re-organisation. Exhibits purchased by the former Tyne and Wear Metropolitan County Council and the Joint Committee are held by Newcastle City Council and are placed at the disposal of the Joint Committee in the interests of all the constituent authorities.

All records and archives acquired on behalf of the Joint Committee together with the records and archives acquired by the former Tyne and Wear Metropolitan County Council and the Joint Committee are held by Newcastle City Council as Trustee for the joint use and benefit of all of the Constituent Councils

The value of records, archives and exhibits is excluded from the balance sheet, although some will be included the balance sheets of the five council's in 2011/12 (See note 3).

Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Finance Leases
The Joint Committee does not hold any material finance leases.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Employee Costs
The Joint Committee employees are employed by the Lead Authority, Newcastle City Council. Employee costs in the Revenue Account include all direct salaries and wages, employers' contributions for National Insurance and pension costs. The Joint Committee's employees consist of curators, archivists, officers, drivers, and visitor services personnel. The costs of certain technical and professional staff are charged initially to various holding accounts from which a recharge is made to the appropriate service such as transport or premises, to capital projects or to an outside agency.

Benefits Payable during Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Joint Committee. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

The Local Government Pension Scheme
As employees of Newcastle City Council, employees of TWAM are admitted to the Tyne and Wear Pension Fund, which is administered by South Tyneside Council under the Local Government Pension Regulations 1997. The scheme is a defined benefit type whereby benefits are based on employee pensionable remuneration and length of service. The scheme's assets are held within the Tyne and Wear Pension Fund. Contributions to the scheme are set by an independent actuary at a rate designed to eliminate any surplus or deficit in the fund, based on a three yearly valuation. The funds website may be visited at www.twpf.info

The Code requires that the cost of services should bear the current service cost of employees. However, as stated above, the Joint Committee employees are employed by the Lead Authority, Newcastle City Council, therefore, current service cost of these employees is borne by Newcastle City Council and disclosed in Newcastle City Council's accounts.

Recharges
As the buildings in which the Archives and Museums are housed are the property of the constituent authorities, any financing charges due in respect of the Archives and Museums are paid by the individual authorities and appear as recharges to the Joint Committee.

Inventories, Stores and Work in Progress
Inventories and work in progress are valued at the lower of cost or net realisable value. Cost is based on 'latest invoice price' and issues have been

charged into the accounts on the same basis.

Cost of Support Services
The costs of central support e.g. Accountancy, Human Resources and Legal Services, have been allocated to the Joint Committee on the basis of Service Level Agreements in accordance with the guidance given by CIPFA in the BVACOP. In line with CIPFA guidance, the cost of corporate management is not charged to services.

Insurance
The insurance for the Joint Committee is arranged through Newcastle City Council, and is a separate bespoke policy. All premiums relating to the cover are charged to the Joint Committee's revenue account.

Deficit/Surplus for the year
The deficit/surplus represents the position before transfers to and from reserves, which are required to meet commitments. Under the Joint Committee's current budgetary framework, which has been in place for many years, the opportunity exists to carry forward surpluses and deficits into the following year. It is considered prudent to allow surpluses to be carried forward in this way as it promotes planned spending of resources rather than forced spending within the constraints of any given financial year.

Value Added Tax
VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue & Customs. VAT receivable is excluded from income.

Former Tyne and Wear County Council Debt
The Joint Committee's revenue accounts include a recharge from the constituent authorities for the share of the debt of the former County Council relating to Archives and Museums. Principal, interest and debt management expenses are recharged to the successor districts on a population basis.

Investments
Investments are limited to approved investments in accordance with Department of Communities & Local Government Guidance on Local Government Investment and CIPFA's Treasury Management Code. Such investments are shown in the Balance Sheet at fair value.

Interest
Interest is earned by the Joint Committee in respect of the investment of reserves which are invested in the money market until required.

Doubtful Debts
The write-off of debt is part of the normal annual accounting process. Write-off is recommended as the debts are unlikely to be collected for a number of reasons, e.g. the death of the debtor, uneconomical to collect, on legal advice or where the debtor is untraceable. Although it is good accounting practice for debts to be written off in the accounts to reflect a more accurate view of the level of the arrears that can be collected, they will still be pursued and

recovered if the opportunity arises.

The Treasurer to the Joint Committee may write-off amounts under £2,000 using delegated powers. Annually a report is submitted to the Audit Committee summarising the items written-off under delegated powers. Accounts written off in excess of £2,000 are submitted to the Joint Committee for approval once TWAM is satisfied that all appropriate measures have been taken to try to recover the debt. The cost of the write-off is met from the provision for doubtful debts.

Financial Instruments

Financial Assets
The financial assets of the Joint Committee are all held at fair value and are:

- Sundry Debtors
- Cash and Cash Equivalents

Financial Liabilities
The financial liabilities of the Joint Committee are all held at fair value and are:

- Sundry Creditors
- Provision for Back Pay/Equal Pay

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Joint Committee a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Joint Committee. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that a settlement of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Events after the Balance Sheet Date
Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period– the Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Cash and Cash Equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Joint Committee's cash management.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Joint Committee's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Statement of Responsibilities for the Statement of Accounts

The Joint Committee's Responsibilities

The Joint Committee is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In TWAM, that officer is the Treasurer to the Joint Committee;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

I confirm that the Joint Committee has approved the attached Statement of Accounts.

Signed:

Chair to the Joint Committee
Dated:

The Treasurer to the Joint Committee's Responsibilities

The Treasurer to the Joint Committee is responsible for the preparation of TWAM's Statement of Accounts in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code")

In preparing this statement of accounts, the Treasurer to the Joint Committee has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Treasurer to the Joint Committee has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Treasurer to the Joint Committee Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Joint Committee at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Signed:

P. V. Woods
Treasurer to the Joint Committee

Annual Governance Statement

1. Scope of responsibility

Tyne & Wear Archives & Museums (TWAM) has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be viewed on TWAM's website at http://www.twmuseums.org.uk/about/corporatedocuments/governance-arrangements/ , or can be obtained from the Head of Corporate Affairs, Tyne & Wear Archives & Museums, Discovery Museum, Blandford Square, Newcastle upon Tyne, NE1 4JA. The Code evidences our commitment to achieving good governance and demonstrates how we comply with the governance standards recommended by CIPFA. As part of the continuing review and improvement process, TWAM updates its Local Code annually to reflect key changes in its governance arrangements. Throughout 2010/11, the TWAM senior management team (SMT) has regularly reviewed the Local Code in order to identify any changes required or particular issues arising.

TWAM is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards. It must ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. TWAM also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having due regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, TWAM is responsible for putting in place proper arrangements for the governance of its affairs, including arrangements for the management of risk to a reasonable level, thereby facilitating the effective exercise of its functions. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

This statement explains how TWAM has complied with the Code and how it meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control. It builds on last year's Annual Governance Statement; changes outlined within this statement have been made to enhance, not replace, existing arrangements for governance.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which TWAM is governed and managed. It also covers the ways in which TWAM engages with communities and is held accountable by users. It enables TWAM to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level.

The quality of governance arrangements underpins the levels of trust in public services and is therefore a fundamental building block upon which the organisation can build its promise to users and stakeholders. Trust in public services is also influenced by the quality of services received, regardless of who is responsible for delivering them, and also by how open and honest an organisation is about its performance. Good governance, and a framework for the implementation of good governance allows the Joint Committee to be clear about its approach to discharging its responsibilities as outlined above and to promote this widely both internally, to officers and members, and externally to partners, stakeholders and most importantly the users of our services.

The arrangements required for gathering assurances for the preparation of the Annual Governance Statement provide an opportunity for the Joint Committee to consider the robustness of the governance arrangements in place and to consider this as a corporate issue that affects all parts of the organisation. It also helps to highlight those areas where improvement is required.

The governance framework has been in place at TWAM for the year ended 31 March 2011 and up to the date of approval of the Accounts.

3. The Governance Framework

The following section describes the key elements of the systems and processes that comprise TWAM's governance arrangements:

a) Identifying and communicating TWAM's vision of its purpose and intended outcomes for citizens and service users

TWAM has a commitment to maximising engagement with audiences. This is articulated through its mission, its vision and its commitment, all of which have been generated through wide consultation amongst stakeholders and staff and are endorsed by the Joint Committee.

Mission Statement
Our mission is to help people determine their place in the world and define their identities, so enhancing their self-respect and their respect for others.

Vision
Our vision for the future is for everyone to have access to museum and archive provision in Tyne and Wear, to use this access and to value it for the significant and positive impact that it makes upon their lives. We will provide real or virtual, worldwide access to our museums and archives and their collections.

Commitment
Our commitment is to a World-class service that is innovative, imaginative, creative, totally inclusive, secure and sustainable.

b) Reviewing TWAM's vision and its implications for TWAM's governance arrangements

TWAM reviews its mission, vision and commitment annually through the review of its Corporate Plan which is produced in consultation with key stakeholders and staff. The Plan sets out our five key priorities and identifies the key strategic objectives which will allow us to achieve these priorities:

- Contribute to the development of a sense of place and to the success and sustainability of the area's economy and environment
- Strengthen TWAM as an organisation that is resilient and adaptable to change.
- Contribute to increasing the attainment and aspiration of children and young people
- Support communities and enhance happiness, learning and wellbeing.
- Manage collections effectively to ensure that they are thriving and used as a dynamic resource

TWAM conducts an annual review of the effectiveness of its system of internal control and governance arrangements, updates the Local Code and publishes the results in an Annual Governance Statement.

c) Measuring the quality of services for users, ensuring they are delivered in accordance with TWAM's objectives and ensuring that they represent the best use of resources

Service quality is a TWAM-wide priority. Measures of service quality include the Annual Residents' Survey, benchmarking of visitors, performance indicators, VAQAS (Visitor Attraction Quality Assurance Service), mystery shoppers and Customer Comments, Compliments and Complaints.

Progress towards the achievement of objectives is monitored regularly by the SMT and by regular meeting with clients. An annual review is reported to the Joint Committee and in the Annual Report.

The annual budget process includes an efficiency review, considers the impact on service users of all proposals, compares costs through benchmarking with our peers and identifies specific actions required to improve value for money which are then built into our budget.

TWAM completes an annual self-assessment in respect of value for money, which the external auditor assesses, and concludes whether, or not, the Joint Committee has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources. The feedback is used to inform the annual action plan for improvement.

Performance measurement and management information includes Department for Culture, Media and Sport, Renaissance targets and management performance indicators. Target setting for all indicators includes analysis of past and current performance, comparative performance and priorities identified through consultation with stakeholders, users and staff and

checks are applied to ensure achievability.

d) Defining and documenting the roles and responsibilities of the Joint Committee, Audit Committee and officer functions, with clear delegation arrangements and protocols for effective communication

TWAM is a joint service of five local authorities (Newcastle, Sunderland, South Tyneside, North Tyneside, and Gateshead), with additional support and contributions from the Department for Culture, Media and Sport (DCMS). TWAM has a separate management agreement with Newcastle University, to manage the Great North Museum.

It manages twelve museums and galleries and the archives for Tyne & Wear, on behalf of its clients; however, it is an autonomous body, client-centred but with its own management committee of elected members from the five authorities.

The relationship between, and commitment of, the partners is enshrined in the Tyne & Wear Archives & Museums Joint Agreement 2009. The Joint Agreement lays out the terms and conditions of the relationship and the involvement of central government.

TWAM is also the lead partner for the North East Regional Museums Hub (NERMH) which operates on behalf of a partnership which includes the Museums, Libraries and Archives Council (MLA), Beamish: The Living Museum of the North, The Bowes Museum and Hartlepool Museums Service.

Policy and decision making is undertaken by the Joint Committee and an approved plan of objectives for the forthcoming year is outlined in the Corporate Plan. Extensive consultation on priorities and options shapes the budget decisions that are made.

The Joint Committee has delegated certain responsibilities to the Director, which are set out in the Financial Handbook.

Decisions taken under delegated powers are reported on a regular basis to the Chair of the Joint Committee.

e) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The standards of conduct and behaviour expected of members and officers is set out in the Code of Conduct provided by Newcastle City Council, TWAM's lead body, and is supported by training programmes for both members and staff.

Employee contracts of employment, Induction Plans, Personal Development Plans, a Members Training Programme, a Trustee induction programme and the Dignity at Work Policy further support high standards of behaviour.

To prevent members and employees from being influenced by prejudice, bias

or conflicts of interest, we maintain and perform regular checks on our Register of Interests and Register of Gifts and Hospitality for both members and officers.

The roles of the Joint Committee and the members of the SMT are published on the TWAM website.

The Financial Regulations set out procedures to ensure objectivity, fairness and probity in the procurement process.

f) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

In order to ensure that decision makers have followed a proper process, all decisions are properly documented and taken with regard to all relevant considerations. Members and officers have all relevant information before decisions are made, including the outcome of constructive scrutiny and a detailed assessment of the risks to ensure that resources are used legally and efficiently.

The system is based on a framework of annual budgeting and accounting, regular management information, financial regulations and procedure notes, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

TWAM has adopted a Risk Management Strategy, which was reviewed and updated during 2010/11 and requires the consideration of risks in relation to the achievement of delivery priorities (whether through services, projects or partnerships), in order to help provide assurance that aims will be met, resources are effectively used and areas of weakness are highlighted at an early stage.

TWAM purchases appropriate levels of insurance cover from the insurance market, and participates in the Government Indemnity Scheme.

g) Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Audit Committee is embedded as part of TWAM's overall governance framework. Membership includes an independent chair and vice-chair. The Audit Committee's key responsibility is to seek evidence and obtain independent assurance on behalf of the Joint Committee that a comprehensive, coordinated and effective framework of internal control and corporate governance is maintained across the organisation.
During 2010/11, the Audit Committee has considered the Head of Audit and Strategic Risk's annual report and opinion, received regular updates on internal audit activity (actual and proposed), been kept up to date with the progress made against the Action Plan for Improvement, and in respect of the Statement of Accounts 2010/11, considered whether appropriate accounting policies have been followed and whether there are concerns arising from the

financial statements or from the external audit that need to be brought to the attention of the Joint Committee.

Annually the Audit Committee undertakes a self-assessment of its effectiveness and reports on the outcome to the Joint Committee. In 2010/11 the self-assessment concluded that there is considerable compliance with best practice guidance as advocated by CIPFA.

Regular training is provided for members to support the effective implementation of their *Terms of Reference*. The work of the Audit Committee is demonstrated through its agendas and minutes which are available on TWAM's website.

h) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Director is primarily responsible for ensuring compliance with established policies and procedures, breach of which could lead to legal challenge and loss for TWAM.

TWAM has a service level agreement with Newcastle City Council's Legal Services department which advises managers to ensure the lawfulness and fairness of decision making. Advice is also provided to members and officers on the likely impact of new legislation affecting TWAM and the legal implications of key decisions are highlighted.

TWAM is subject to internal and external audit and inspection regimes. The Audit Committee ensures high standards of conduct throughout TWAM and oversees issues relating to governance and internal control.

The City Treasurer at Newcastle City Council is the officer nominated under section 151 of the Local Government Act 1972 and is responsible for ensuring the proper administration of TWAM's financial affairs, financial reporting and for reporting breaches of financial regulations as appropriate. The City Treasurer is also responsible for ensuring compliance with the requirements of the Accounts and Audit Regulations 2003 relating to accounting records, control systems and audit.

TWAM's financial regulations (and detailed financial procedure notes) set out the key features of TWAM's system of internal financial control. Bi-monthly budget and performance monitoring reports are submitted to the Joint Committee setting out any significant decisions that require approval. TWAM has a service level agreement with Newcastle City Council's internal audit service, which meets the requirements of the CIPFA Code of Practice on Internal Audit.

The Director is the accounting officer to the DCMS in respect of the annual grant-in-aid provided by that body.

i) Whistle-blowing and receiving and investigating complaints from the public

TWAM has a Confidential Reporting Policy enabling anyone who works for TWAM, including temporary and agency staff, and those providing goods and services to TWAM, who may have serious concerns about TWAM operations, to voice those concerns with the knowledge that they will be addressed fairly and in confidence. The Policy is available on the website and provides advice on how to raise concerns.

TWAM has a Counter Fraud and Corruption Policy approved by the Joint Committee. In addition to providing advice, information and support to officers, a Fraud Response Plan is included, clearly detailing how concerns regarding suspected instances of fraud and corruption can be reported, and how investigations into suspicions will be conducted and concluded.

TWAM has a Customer Comments, Compliments and Complaints Procedure. Matters raised through this process are reviewed regularly by the SMT.

j) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

TWAM values its staff as one of its greatest assets. TWAM has achieved Investors in People Silver accreditation and is committed to identifying and fulfilling the learning and development needs of officers, volunteers and members. TWAM has produced a Workforce Development Plan to ensure both staff and volunteers have the necessary skills and knowledge to be effective in carrying out their responsibilities. For new staff, there is a formal induction and training programme and annual Personal Development Plan reviews for existing staff.

Whilst elected members are supported via their individual authority through an induction programme, training needs assessments, mentoring and their own Learning and Development Plans, TWAM also provides specific induction and ongoing development opportunities.

The Audit Committee carried out a self-assessment of its effectiveness and agreed an action plan which includes addressing training needs.

k) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

TWAM has a long history of community consultation and participation. Our work with users and other stakeholders has assisted with the design of services and informed programme development. Methods of communication with the public and stakeholders include:

- The annual Corporate Plan which sets out TWAM's strategic objectives
- The Annual Report provides a record of activities and achievements in the previous year.

- Regular review meetings with the five local authorities, Newcastle University, DCMS and other stakeholders
- Established consultation frameworks including: The Museums and Galleries Disabled Access Group (MAGDAG): a group of disabled people serving as advisory body and critical friend to TWAM; Collective Minds: a young persons group informing programme development; gathering of customer satisfaction data through surveys, complaints and mystery shopping
- Publication of Joint Committee and Audit Committee agendas and papers on the website in advance of meetings, which are held in public unless there are specific reasons for confidentiality.
- Project specific consultation

TWAM was voted Public Sector Organisation of the Year at the North East Business Awards (2009). The judges commented particularly on the strong social and community role of TWAM.

TWAM maintains a close working relationship with key partners. Stakeholders also ensure that TWAM continues to reflect upon its priorities and its governance arrangements.

l) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in TWAM's overall governance arrangements.

TWAM is working in partnership with a wide range of other organisations and has compiled a partnership register to record all partnerships in which it is involved.

Our partnership working is governed by a Significant Partnerships Code of Practice. This Code of Practice aims to provide advice and guidance for partnership arrangements in which TWAM is involved. Its purpose is to ensure that good practice is embedded and practiced throughout all our partnership working.

4. Review of effectiveness

TWAM has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within TWAM who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Strategic Risk's annual report, and also by comments made by the Audit Committee, external auditors and other review agencies and inspectorates.

The review process includes:

- The Archives & Museums Joint Committee as the primary source of scrutiny
- Annual reviews of TWAM's financial accounts and supporting systems by

the external auditors leading to their opinion as published in the year-end statements.

- The Annual Audit letter from the external auditor, reported to the Joint Committee in November 2010.
- Views and comments from the Audit Committee, which oversees internal control arrangements and helps to secure improvements in these systems.
- The Annual Internal Audit Opinion, informed by the work of the Internal Audit Section operating under the requirements and standards of the CIPFA Code of Practice for Internal Audit in Local Government in the UK (2003) and a risk-based audit plan which is informed by the Joint Committee's risk management strategy. The plan is approved by the Audit Committee annually. The Head of Audit and Strategic Risk has carried out an independent review of the internal control environment, which is reported to the Audit Committee. He has concluded that the state of the internal control environment is satisfactory.
- The Value for Money conclusion issued by the auditors.
- The annual assurance statements confirming the adequacy of governance arrangements within service areas completed by TWAM SMT.
- TWAM's Strategic Risk Register, which holds the most significant risks to TWAM's objectives.
- The review of the Joint Committee's arrangements on Internal Audit. This review, required by the Accounts and Audit (Amendment) Regulations 2006, requires the Joint Committee to review the effectiveness of its system of Internal Audit once a year. The 2010/11 Review concluded that internal audit complies with all the organisational standards set out in the 'CIPFA Code of Practice: Internal Standards for Local Government in the UK'.
- The opinion of the MLA's Accreditation Panel on TWAM's status in respect of the Accreditation Standard.
- Scrutiny arrangements of the Regional Renaissance Board.
- VAQAS assessment.
- Regular surveys of visitors by BDRC for TWAM; BDRC for Renaissance and visitors to British Archives carried out by the Public Services Quality Group

A working group comprising members of the Audit Committee and TWAM officers reviewed the sources of assurance in place during 2010/11, considered the effectiveness of the current governance framework and highlighted improvement areas for 2011/12 designed to ensure continuous improvement of the system is in place.

5. Significant governance issues

The system of governance (including the system of internal control) can only provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of TWAM's objectives have been mitigated. The 2010/11 review has not identified any items which are considered to represent a significant internal control issue and therefore require

disclosure in the 2010/11 Annual Governance Statement.

6. Continual improvement in the governance and internal control environment

In order to develop and maintain an effective governance and control environment, there is a need for continuous review, reflection and improvement in an environment that is constantly changing and presenting new risks. The annual review of effectiveness in 2009/10 highlighted the following improvement areas which were the focus of the action plan during 2010/11. Progress against these specific improvement areas is summarised below.

Improvement Area	Improvements Implemented
Effective Communication	Effective communication improved by introduction of 'Valuing Visitors' newsletter to employees, a dedicated online staff newsletter 'TWAM News' and the creation of a 'You Said, We Did' webpage to feed back to users on how we have responded to their views.
Improvement Area	**Improvements Implemented**
Business Continuity	Venue specific Emergency Plans have been revised and updated and work has continued on Corporate Business Continuity Management Policy.
Demonstrating that museums deliver against government objectives	Developed a set of outcome grids to enable museum practitioners to evidence how their outcomes deliver against a number of government objectives.
Health & Safety	Enhanced health & safety based training including successful completion of the IOSH Managing Safely course by 16 key managers with specific health and safety responsibilities; carried out a scoping exercise to identify the key priority areas of operation with Newcastle City Council, agreed a revised SLA and adopted the NCC reporting structures.
Archaeology Unit	Following an options appraisal, implemented a transformation project for TWM Archaeology Unit.
Joint Committee	All new members offered induction training. Dedicated information on the Joint Committee on the TWAM website.
Data Quality and Information Guidelines	1st draft of the TWAM Information Management Framework has been produced. A specification and brief has been prepared for a Digital Documentation Management System. A retention periods schedule has been prepared.
Project Management Guidelines	Training and briefings delivered on practical application of the Guidelines. Internal Audit assessment improved from 'some weaknesses' to 'satisfactory'.

Annual Efficiency Statement	Introduced a Value for Money Strategy to explain how TWAM intends to approach the delivery of efficiencies in the future and outlines the steps that will be taken over the medium term to maximise the gains realisable from efficiency measures, and to provide evidence of TWAM's performance in achieving value for money.
Staff Handbook	Introduced a staff Welcome Pack which will help to promote TWAM's reputation as a quality organisation and support the induction process.
Collections Management	Introduced an annual collections audit to monitor and test the quality of object location recording across all venues and collection groups, procured a new collections management system (KE software's EMu system), which will be fully implemented in 2011/12, introduced Collections Management Action Plans and new improved processes for object and data management.

During 2010/11, TWAM also implemented the following to strengthen its corporate governance environment:

- Introduction of a Lost Property Policy to provide standardised guidance to staff on the procedures to manage and control lost property in an open, fair and documented way, thereby protecting the interests of both employees and visitors;
- Fraud awareness training for members and officers;
- A review of the Risk Management Framework to ensure that risk management continues to be recognised as an integral part of good management practice and the delivery of TWAM's objectives;
- Reviewed and refreshed the Corporate Plan to ensure it remains relevant

Although significant progress was made on all areas identified for improvement during 2010/11, the need to prioritise work in relation to work-force planning following CSR 2010 and the need to implement significant budget savings whilst maintaining public services has resulted in delays in fully implementing the Action Plan by 31 March 2011. The areas affected, Business Continuity and Information Management will be prioritised in 2011/12.

The annual review of effectiveness has highlighted the following improvement areas to further enhance our governance arrangements which will be the focus of the organisations improvement plan for 2011/12.

Improvement Area	Action	Responsible Officer
Information Management	Complete the process which began in 2009/10 to introduce a framework for handling information in an effective, transparent and secure manner in line with ethical, quality and legal obligations, including Freedom of Information and Data Protection.	Head of Corporate Affairs
Business Continuity	Implement the Business Continuity Management Policy to provide a framework for improving our resilience to disruptions in order to maintain the delivery of our critical services and functions.	Head of Corporate Affairs
Develop a performance framework for TWAM	Quantify and report on TWAM performance and evidence the impact of our services in helping to deliver our key partners priorities and improvement objectives.	Head of Corporate Affairs
Information Technology	Merge TWAM Active Directory to Newcastle City Council Active Directory to improve resilience.	Senior Manager: North & South Tyneside
Collections Management	Build on the work started in 2010/11 to improve collections care, ensure compliance with FRS 30 Accounting for Heritage Assets and work towards cataloguing all collections to SPECTRUM standard by March 2015.	Senior Manager: Gateshead and Sunderland
Records Management	Implement the recommendations of Internal Audit in respect of the Archives Records Management service.	Chief Archivist
Workforce Development	Undertake a review of the Personal Development Plan process and consider implementing an appraisal system.	Senior Manager: Regional Programmes
Efficiency	Investigate how process engineering can improve efficiency throughout the organisation.	Head of Corporate Affairs

7. Conclusion

The governance (and internal control) environment operating during 2010/11 is considered to provide reasonable and objective assurance that any significant risks impacting on the achievement of TWAM's principal objectives will be identified and actions taken to avoid or mitigate their impact.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

_____	_____	_____
Paul Woods Treasurer to the Joint Archives & Museums Committee 30 June 2011	Iain Watson Director of Tyne & Wear Archives & Museums 30 June 2011	Chair of the Joint Archives & Museums Committee 30 June 2011

Glossary of Terms

Abbreviations	The symbol “k” following a figure represents £ thousand. The symbol “m” following a figure represents £million.
Accruals	Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
Accounting policies	Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.
Actuarial gains or losses (Pensions)	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise either because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or the actuarial assumptions themselves have changed.
Assets	Items of worth which are measurable in terms of money as at 31 March.
Balances	The total level of surplus funds the Joint Committee has accumulated over the years as at 31 March.
Budgets	A statement of the Joint Committee’s forecast expenditure, that is, net revenue expenditure for the year.
Capital Adjustment Account	An account that reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
Capital Expenditure	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
Cash and Cash Equivalents	Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
CIPFA Code of Practice (The Code)	The Code sets out the accounting concepts and accounting principles which underpin the Statement of Accounts.
Comprehensive Income & Expenditure Account	This account summarises the resources that have been generated and consumed in providing services and managing the Joint Committee during the financial year.
Consistency	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Core Activity	Income and expenditure incurred in the day to day running of the archives, museums and galleries, including exhibitions, learning, collections care, building costs and the corporate centre. It is primarily funded by the five districts, the Department for Culture, Media and Sport and Newcastle University.
Creditors	An amount owed by the Joint Committee for work done, goods received or services rendered, but for which payment has not been made as at 31 March.
Current Service Cost (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Debtors	Monies owed to the Joint Committee but not received at the balance sheet date.
Defined Benefit Scheme (Pensions)	A pension or other retirement scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.
Earmarked Reserve	A sum set aside for a specific purpose.
Emoluments	Payments received in cash and benefits for employment.
Events after the Balance Sheet Date	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.
Expected Rate of Return on Pensions Assets	This is an actuarially calculated estimate of the return on the scheme's investment assets during the year.
Fair Value	The fair value of an asset is the price at which it could be exchanged in an arm's length transaction (A transaction between two related or affiliated parties that is conducted as if they were unrelated, so that there is no question of a conflict of interest) less, where applicable, any grants receivable towards the purchase or use of the assets.
Fees and Charges	Income arising form the provision of services, for example, charges for research enquiries or group tours.
Financial Instrument	Document (such as a cheque, draft, bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement

	between two or more parties regarding a right to payment of money.
FRS	Financial Reporting Standard issued by the Accounting Standards Board.
Going Concern	The concept that the Joint Committee will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.
Heritage Assets	Assets held and managed by the Joint Committee principally for their contribution to knowledge or culture.
IFRS	International Financial Reporting Standard issued by the International Accounting Standards Board.
Liabilities	Any amounts owed to individuals or organisations, as at 31 March, which will have to be paid at some time in the future.
Liquid Resources	Current asset investments that are readily disposable by the Joint Committee without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.
Materiality	An item is material if its omission, non-disclosure or mis-statement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.
Movement in Reserves Statement	Shows the movement of reserves held by the Joint Committee analysed into Usable and Unusable reserves.
Provisions	These are sums set aside to meet liabilities or losses which have been incurred but where the amount and/ or timing of such costs are uncertain.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of information available.
Related Party Transactions	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. An example could be the purchase, sale, lease, rental or hire of assets between related parties.
Reserves	These are sums set aside to meet possible future liabilities where there is no certainty about whether or not these liabilities will be incurred.

Revenue Expenditure	Expenditure on providing day-to-day services, for example employees' costs and premises costs.
Usable Reserves	A reserve that can be applied to fund expenditure, eg Earmarked Reserves
Unusable Reserves	A reserve that cannot be applied to fund expenditure, eg Accumulating Absences Account.
Use of Brackets	Brackets are used to indicate income, decreases in assets or increases in liabilities.