

Sunderland City Council

Guide to the Statement of Accounts 2010/2011

Introduction

This summarised version of the council's Statement of Accounts aims to provide easier to understand information, focusing on the key points within the Audited financial statements and to show how the statements interlink. The figures in this summary have been prepared with regard to proper accounting practice and have been subjected to external audit to ensure that they present a true and fair view of the council's financial position.

Movement in Reserves

The Movement in Reserves Statement shows the movement in the year on the reserves held by the Council. These are then analysed into 'usable' reserves (cash reserves that can be used to fund expenditure or reduce council tax) £168m and 'unusable' reserves (non-cash reserves representing asset valuations and other accounting adjustments) £518m see Note 3.

	Note	Usable Reserves			Total Unusable Reserves £'000	Total Reserves £'000
		General Fund Balance £'000	Earmarked Reserves £'000	Total Usable Reserves £'000		
Balance at 1st April 2010		(22,241)	(138,832)	(161,073)	(376,675)	(537,748)
(Surplus) on the provision of service	1	(116,624)	0	(116,624)	0	(116,624)
Adjustments for non-cash accounting entries	2	109,724	(194)	109,530	(140,970)	(31,440)
Transfers (to) or from earmarked reserves		8,632	(8,632)	0	0	0
Balance at 31st March 2011	3	(20,509)	(147,658)	(168,167)	(517,645)	(685,812)
(Increase) or decrease in reserves	4	1,732	(8,826)	(7,094)	(140,970)	(148,064)

Notes

- (1) The (Surplus) on the provision of service is analysed by services in the Comprehensive Income and Expenditure Statement. This figure is not a true representation of the surplus made by the Council in the year as it includes a number of non-cash items that are required for accounting compliance purposes, once these items are adjusted for (listed in Note 2) the true (surplus) / deficit for the year can be established (see Note 4).
- (2) Adjustments for non-cash accounting entries include, actuarial gains and losses on the pension fund, asset charges and employee benefit accruals.
- (3) Total usable reserves at 31.3.11 (i.e. real cash backed reserves) amounts to £168,167k made up from the General Fund Balance of £20,509k and Earmarked Reserves of £147,658k. These are the key figures from this statement.
- (4) The other message to note from this statement is that although the General Fund Balance has reduced in total by £1.732m in the year, the council's usable cash reserves have increased by a net £7.094m. Although the council's General Reserve reduced in the year by £2.330m (part of the

£1.732m) – the details are set out on page 9 of the accounts to explain why and that this was a managed and planned outcome.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting costs in the year for providing services rather than the cost in cash terms. The cash position is shown in the movement in reserves statement, with a net overall increase in 'usable' cash backed reserves of £7.094m.

	Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Central services to the public		41,484	34,996	6,488
Cultural, environmental , regulatory and planning services		121,900	39,803	82,097
Education and children's services		335,464	252,573	82,891
Highways and transport services		37,385	10,669	26,716
Other housing services		136,520	120,614	15,906
Adult social care		117,064	50,593	66,471
Corporate and democratic core		17,598	2,230	15,368
Non distributed costs		3,021	4,479	(1,458)
Exceptional Item - Pension Adjustment	5	(135,000)	0	(135,000)
Other operating expenditure		40,179	298	39,881
Financing and investment income and expenditure		22,522	3,546	18,976
Taxation and non-specific grant income		0	334,960	(334,960)
(Surplus) or deficit on the provision of service*	6	738,137	854,761	(116,624)
Other comprehensive (income) and expenditure**				(31,440)
Total Comprehensive income and expenditure				(148,064)

Linkages to other statements

* The (Surplus) or deficit on the provision of service is included in the Movement in Reserves Statement (see explanatory note 1).

** Other comprehensive income and expenditure represents the value of all adjustments for non-cash accounting entries in the movement in reserves statement. See Note 2 to see what is included in this figure.

Notes

(5) The exceptional item of £135m relates to the change in valuation method of the pension fund from RPI to CPI, this resulted in a £135m reduction in the deficit on the pension fund. This is not a cash item and is removed as part of the non-cash adjustments in the Movement in Reserves Statement.

(6) The (Surplus) on the provision of service is not a true representation of the surplus made by the council as it includes a number of non-cash items that are included for proper accounting purposes. The real position is that School balances increased by £0.598m, General Reserve reduced by £2.330m and other reserves increased by £8.826m, a net increase in reserves of £7.094m.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities of the Council in other words the net worth of the council. Assets should exceed liabilities if the organisation is a going concern. The net assets held by the Council (assets less liabilities) are off-set by reserves held by the authority, some are cash backed and some are purely accounting non cash reserves as explained previously.

	Note	Totals £'000
Assets		
Long term assets including property, land and equipment	7	1,228,827
Short term investments		161,550
Inventories		1,693
Cash*		29,479
Cash owed to the council - debtors		42,354
Total Assets		1,463,903
Liabilities		
Cash owed by the council - creditors / borrowing	8	(760,182)
Cash overdrawn*		(8,235)
Provisions		(9,674)
Total Liabilities		(778,091)
Net Assets (Total Assets less Total Liabilities)		685,812
Reserves**		
Usable reserves		(168,167)
Unusable reserves	8	(517,645)
Total Reserves		(685,812)

Linkages to other statements

* The sum of the cash and cash overdrawn can be reconciled to the Net Cash at 31st March 2011 in the Cash Flow Statement.

** The value of Usable and unusable reserves are detailed in the Movement in Reserves Statement together with the (increase) or decrease in reserves in the year.

Notes

- (7) The majority of the council's value is held in the physical assets that it owns which is in excess of £1.2bn.
- (8) Included within cash owed by the council and unusable reserves is the value of the pension fund deficit, this is required by International Accounting Standard 19 (IAS19) and reduces the balance sheet worth of the council by £436.580m. Under IAS 19 the council has in place actions to balance this deficit over 22 years. Excluding this amount as it is being proactively addressed would mean that the Balance Sheet worth of the council would increase to over £1 billion (i.e. £1.122bn).

Cash Flow Statement

The Cash Flow Statement shows the movement in cash of the authority and can be reconciled to the sum of the cash and cash overdrawn reported in the balance sheet.

	Note	Net Expenditure £'000
Net (Surplus) or deficit on the provision of services		(116,624)
Adjustments for non-cash items and investing and financing activities		73,198
Net cash flows from investing and financing activities		19,788
Net (increase) or decrease in cash and cash equivalents	9	(23,638)
Net Cash at 1st April 2010		44,882
Net Cash at 31st March 2011*		21,244

Linkages to other statements

* The Net Cash at 31st March 2011 reconciles to the sum of the cash and cash overdrawn in the Balance Sheet.

Note

(9) This reduction in the councils cash position is primarily the result of an increase in short term investments, exemplifying the council's pursuit of the best level of return from liquid resources.

Collection Fund

The council is responsible for both the billing and collection of both council tax and business rates from taxpayers in the area. Council tax is collected not only for the council itself, to help fund the services it provides, but it's also collected for and paid over to Tyne and Wear Fire and Rescue Authority and Northumbria Police Authority to assist in funding their services. In addition, business rates are set by and paid over to central government where they are pooled nationally before being re-distributed to authorities on a formula basis each year. The table below sets out the amount of business rates and council tax that was collected and paid over in 2010/2011.

	Note	£'000
Business Rates		
Collected from businesses 'in year'		74,949
Paid to Central government in year		(73,079)
Council Tax		
Collected from council taxpayers 'in year'		108,713
Collected and paid over 'in year' to:		
Sunderland City Council		(95,238)
Tyne and Wear Fire and Rescue Authority		(5,875)
Northumbria Police		(6,720)
Other income and expenses		(1,947)
Surplus in year *		803
Transfer to General Fund	10	(50)
Surplus brought forward		1141
Collection Fund Surplus *	11 & 12	1,894

Linkages to other statements

* The Collection Fund Balance is reflected in the cash or usable reserves of the council set out in the Balance Sheet and the movement in the reserve for the Council, an increase of £665k during the year out of the total surplus generated of £803k is reflected in the Statement of Movement in Reserves (Earmarked Reserves) figure.

Note

- (10) The amount of £50k was used to contribute towards the level of council tax for 2010/11
- (11) Any surplus on the Collection Fund can only be used to reduce the level of council tax set in future years and cannot be used to supplement council spending.
- (12) The Collection Fund balance of £1,894k includes an element for Northumbria Police Authority £118k and Tyne and Wear Fire and Rescue Authority £103k, with the remainder £1,673k belonging to the Council. This balance is apportioned according to the precept amounts 'charged' to this separate fund each year.