Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Service line shows the true economic cost of providing the authority's services, more detail of which is shown in the Comprehensive Income and Expenditure Statement. These are different to the statutory amounts required to be charged to the General Fund Balance. The Net Increase / Decrease before Transfers to / from earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the authority. The tables below show the details for both 2009/2010 and 2010/2011 as required by the Code of Accounting Practice.

Financial Statements (Continued)

Movement in Reserves Statement

	Notes	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grant Receipts in Advance £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 31 March 2009 (Restated)		**(17,324)**	**(131,321)**	**(6,425)**	**(1,033)**	**(156,103)**	**(492,252)**	**(648,355)**
Movement in reserves during 2009/2010								
(Surplus) or Deficit on provision of services		20,559	0	0	0	**20,559**	0	**20,559**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	90,048	**90,048**
Total Comprehensive Income and Expenditure		**20,559**	**0**	**0**	**0**	**20,559**	**90,048**	**110,607**
Adjustments between accounting basis & funding basis under regulations	8	(27,496)	0	1,073	(609)	**(27,032)**	27,032	**0**
Net Increase / Decrease before transfers to Earmarked Reserves		**(6,937)**	**0**	**1,073**	**(609)**	**(6,473)**	**117,080**	**110,607**
Transfers to / from Earmarked Reserves	9	2,020	(1,312)	0	0	**708**	(708)	**0**
(Increase) / Decrease in 2009/2010		**(4,917)**	**(1,312)**	**1,073**	**(609)**	**(5,765)**	**116,372**	**110,607**
Balance at 31 March 2010 (Restated)		**(22,241)**	**(132,633)**	**(5,352)**	**(1,642)**	**(161,868)**	**(375,880)**	**(537,748)**
Movement in reserves during 2010/2011								
Surplus or (Deficit) on provision of services		(116,624)	0	0	0	**(116,624)**	0	**(116,624)**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	(31,440)	**(31,440)**
Total Comprehensive Income and Expenditure		**(116,624)**	**0**	**0**	**0**	**(116,624)**	**(31,440)**	**(148,064)**
Adjustments between accounting basis & funding basis under regulations	8	109,724	0	(259)	65	**109,530**	(109,530)	**0**
Net Increase / Decrease before transfers to Earmarked Reserves		(6,900)	0	(259)	65	**(7,094)**	(140,970)	**(148,064)**
Transfers to / from Earmarked Reserves	9	8,632	(8,632)	0	0	**0**	0	**0**
Increase / Decrease in 2010/2011		1,732	(8,632)	(259)	65	**(7,094)**	(140,970)	**(148,064)**
Balance at 31 March 2011		**(20,509)**	**(141,265)**	**(5,611)**	**(1,577)**	**(168,962)**	**(516,850)**	**(685,812)**

Financial Statements (Continued)

Comprehensive Income and Expenditure Statement

This statement shows the accounting costs in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is show in the Movement in Reserves Statement.

Financial Statements (Continued)

Comprehensive Income and Expenditure Statement

2009/2010 (Restated)					2010/2011		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Notes	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
40,841	35,335	5,506	Central services to the public		**37,140**	**31,023**	**6,117**
118,991	35,207	83,784	Cultural, environmental, regulatory and planning services		**121,900**	**39,803**	**82,097**
351,576	250,152	101,424	Education and children's services		**335,464**	**252,573**	**82,891**
33,067	12,442	20,625	Highways and transport services		**37,385**	**10,669**	**26,716**
134,570	129,407	5,163	Other housing services		**136,520**	**120,614**	**15,906**
118,049	49,149	68,900	Adult social care		**117,064**	**50,593**	**66,471**
10,892	1,947	8,945	Corporate and democratic core		**25,908**	**10,169**	**15,739**
6,065	8,122	(2,057)	Non Distributed Costs		**(131,979)**	**4,479**	**(136,458)**
814,051	521,761	292,290	**Cost of Services**	27	**679,402**	**519,923**	**159,479**
18,702	664	18,038	Other operating expenditure	10	**40,179**	**298**	**39,881**
40,125	6,534	33,591	Financing and investment income and expenditure	11	**22,522**	**3,546**	**18,976**
0	323,360	(323,360)	Taxation and non-specific grant income	12	**0**	**334,960**	**(334,960)**
872,878	852,319	20,559	**(Surplus) or Deficit on Provision of Services**	27	**742,103**	**858,727**	**(116,624)**
		(40,860)	Surplus or deficit on the revaluation of fixed assets	13			**(23,870)**
		708	Surplus or deficit on the revaluation of available for sale financial assets				**0**
		130,200	Actuarial gain / loss on pension assets / liabilities	43			**(7,570)**
		90,048	**Other Comprehensive Income and Expenditure**				**(31,440)**
		110,607	**Total Comprehensive Income and Expenditure**				**(148,064)**

Financial Statements (Continued)

Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are prepared in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudential level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

01 Apr 09 (Restated) £'000	31 Mar 10 (Restated) £'000		Notes	**31 Mar 11 £'000**
1,077,290	1,109,962	Property, Plant and Equipment	13	**1,115,432**
87,828	82,067	Investment Property	14	**83,327**
1,320	1,391	Intangible Assets	15	**1,509**
31,525	817	Long Term Investments	16	**817**
28,181	28,064	Long Term Debtors	16	**27,742**
1,226,144	1,222,301	**Long Term Assets**		**1,228,827**
80,845	121,392	Short Term Investments	16	**161,550**
2,094	1,548	Inventories	17	**1,693**
42,203	42,926	Short Term Debtors	18	**42,354**
56,114	53,015	Cash and Cash Equivalents (In-hand & bank)	19	**29,479**
181,256	218,881	**Current Assets**		**235,076**
(11,427)	(8,133)	Cash and Cash Equivalents (overdrawn)	19	**(8,235)**
(32,241)	(32,464)	Short Term Borrowing	16	**(32,985)**
(94,586)	(89,654)	Short Term Creditors	20	**(69,033)**
(138,254)	(130,251)	**Current Liabilities**		**(110,253)**
(8,309)	(6,826)	Provisions	21	**(9,674)**
(139,093)	(148,064)	Long Term Borrowing	16	**(178,443)**
(473,389)	(618,293)	Other Long Term Liabilities	16/23d	**(479,721)**
(620,791)	(773,183)	**Long Term Liabilities**		**(667,838)**
648,355	537,748	**Net Assets**		**685,812**
(156,103)	(161,868)	Usable Reserves	9 / 22	**(168,962)**
(492,252)	(375,880)	Unusable Reserves	23	**(516,850)**
(648,355)	(537,748)	**Total Reserves**		**(685,812)**

Financial Statements (Continued)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made from resources which are intended to contribute towards the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2009/2010 (Restated) £'000		Notes	**2010/2011 £'000**
20,559	Net (surplus) or deficit on the provision of services		**(116,624)**
(7,709)	Adjust net surplus or deficit on the provision of services for non cash movement		**92,174**
(33,591)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**(18,976)**
(20,741)	Net cash flows from operating activities	24	**(43,426)**
(13,437)	Investing activities	25	**33,021**
34,373	Financing Activities	26	**(13,233)**
195	**Net (increase) or decrease in cash and cash equivalents**		**(23,638)**
44,687	Cash and cash equivalents at the beginning of the reporting period		**44,882**
44,882	**Cash and cash equivalents at the end of the reporting period**	19	**21,244**

Notes to the Accounts

Notes to the Accounts (Continued)

Notes to the Accounts (Continued)

Note 1 – Significant Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/2011 financial year and its position at the year ended 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, and these Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011 and the Best Value Accounting Code of Practice 2010/2011, both based on International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Income & Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Supplies 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 and payable on borrowings is accounted for respectively as income and expenditure 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. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. 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.

Residential Care fees administered through the Council's GIPS system are accounted for on a cash basis. This is a departure from the Code of Local Authority Accounting Practice, although the values of the transactions are not considered material to the Council's Account's.

1.3 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 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 Council's cash management.

Notes to the Accounts (Continued)

1.4 Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.5 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 Council'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. The reason and impact of any necessary adjustments are explained in more detail in the accounts as required.

1.6 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7 Employee Benefits

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 (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. 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 based on the wage and salary rates applicable in the following accounting year in which the employee takes the benefit.

Accounting Policies (Continued)

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, but this accounting treatment ensures that there is no actual impact on the Council's cash reserves.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or to the pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes: the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) and the Local Government Pensions Scheme, administered by South Tyneside Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), which are earned as employees work for the Council.

However, the arrangements for the teachers' pension scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and as a result no liability for future payments of benefits is recognised in the Council's Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 6.6% based on the indicative rate of return on high quality corporate bonds;
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities at current bid price;
  - unquoted securities based on professional estimate;
  - unitised securities at current bid price;

- property at market value;
- The change in the net pensions liability is analysed into seven components:

(a) Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

(b) Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

(c) Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

(d) Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

(e) Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

(f) Actuarial gains and losses – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited (loss) or credited (gain) to the Pensions Reserve;

(g) contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense. In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as those applied to the Local Government Pension Scheme.

1.8 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;

Notes to the Accounts (Continued)

- 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.

All events taking place after the date of authorisation for issue are not required to be reflected in the Statement of Accounts.

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and these are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Soft Loans (loans below market rate)

A Soft Loan is a loan made to a third party at a preferential rate of interest, i.e. below market rate. In accordance with the Code of Practice on Local Authority Accounting, the difference between the interest payable to the council by the recipient of the loan and the amount they would have paid if they had acquired a loan for the same amount on the open market is charged to the Income and Expenditure Account under the relevant net cost of service heading. This charge is then reversed out through the Movement in Reserves Statement to mitigate any effect on Council Tax.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis;
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Notes to the Accounts (Continued)

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Other Investments

Investments in companies and in marketable securities are shown in the Balance Sheet at cost. Provision for losses in value is made where appropriate in accordance with the Code of Practice on Local Authority Accounting. No such provisions have been considered necessary at this time.

1.10 Government Grants & Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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 (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

1.11 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council.

Notes to the Accounts (Continued)

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) 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 to the relevant service line(s) 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 Council is software licences; the asset life used for licences is 10 years.

1.12 Interests in Companies & Other Entities

The Code of Practice requires local authorities to produce group accounts to reflect significant activities provided to Council taxpayers by other organisations in which an authority has an interest. The Council has reviewed its partnership arrangements against the criteria for group accounts as set out in the Code and has concluded that there are no such material interests that require the preparation of group accounts.

1.13 Inventories

Inventories are included in the Balance Sheet at cost price, with the exception of inventories held by Building and Highways Maintenance Department within City Services and salt stock which is valued at latest price.

1.14 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund

Notes to the Accounts (Continued)

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.

1.15 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.

(a) The Council as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting 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).

(b) The Council as Lessor

Finance Leases
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or

Notes to the Accounts (Continued)

Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits 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 premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.16 Overheads & Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/2011 (BVACOP). The Civic Centre and Area Offices costs are allocated on the basis of floor area occupied. Financial Resources, Personnel, Legal Services and Property Services operate Service Level Agreements for allocating the costs of services to their customers. All other central service departments allocate their costs based on either estimated time or actual time spent.

1.17 Internal Interest

Interest is credited to the General Fund from the Consolidated Advances and Borrowing Pool based on cash flow and fund balances. The amounts are calculated using 7-day money market rates in accordance with guidance contained within the Code of Practice on Local Authority Accounting.

Notes to the Accounts (Continued)

1.18 Delegated Budgets

Within predefined limits as set out in the Local Management of Schools Scheme, schools may carry forward any under-spending on their budgets to the following financial year as provisions for specific future spending plans or as earmarked general balances. Above those predefined limits, schools are required to submit a separate case for approval. Similarly, the principle of delegated budgets was extended to all Council Directorates in a report approved by Council on 22nd July 1992, and revised and approved by Management Committee on 18th September 1996.

1.19 Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction. Capital projects that are still in progress are classed as 'fixed assets under construction' and are shown in the balance sheet under the relevant asset category. For material capital schemes that have been completed an assessment is undertaken by the Head of Land and Property to determine any change the capital scheme has made to an asset's value.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historic cost;
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives DRC is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. To ensure that this takes place a rolling programme of valuations has been put in place by the Head of Land and Property. Assets are valued in accordance with the principles of the RICS (Royal Institution of Chartered Surveyors) Appraisals and Valuation Standards. The valuations are supervised by the Council's qualified chartered surveyor, N. Wood, the Council's qualified (ARICS) Chartered Surveyor. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service, adjusted for depreciation that would have been charged if the loss had not been recognised.

Where decreases in value are identified, they are accounted for:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

De-Minimis Levels

The use of a de-minimis level for capital expenditure means that in the above categories assets below the de-minimis level are charged to the revenue account, i.e. the asset is not included in the balance sheet unless it is part of an overall project costing more than the established de-minimis level.

For all capital expenditure the de-minimis level is £20,000.

All capital expenditure is included in the Asset Register.

Impairment

Assets are assessed at the year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Notes to the Accounts (Continued)

Where impairment losses are identified, they are accounted for:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation on all Property, Plant and Equipment assets has been calculated on a straight line basis by taking the net asset value at 1st April 2010 divided by the future life expectancy. Depreciation is therefore charged in the year following acquisition.

The life expectancy for each asset category falls within the following ranges:

Asset Category	Years
Buildings	1 - 60
Infrastructure	40
Vehicles, plant and furniture	3 - 15

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A de-minimis level for considering componentisation has been set at £1m. A standard list of components is used by the Council:

- Building structure;
- Mechanical and electrical

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals & Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is carried at its value prior to reclassification. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.20 Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor.

Recognising assets and liabilities

Property used in a PFI and similar contract shall be recognised as an asset or assets of the local authority. A related liability shall also be recognised at the same time. The asset shall be recognised in accordance with the Code of Practice on Local Authority Accounting; this will be when the asset is made available for use unless the local authority bears an element of the construction risk, which will not be the case where standard PFI contract terms are used. Where the authority bears the construction risk, it shall recognise an asset under construction prior to the asset being made available for use where it is probable that the expected future benefits attributable to the asset will flow to the Council. In accordance with the Code of Practice on Local Authority Accounting, separate assets shall be recognised in respect of land and buildings where appropriate. The related liability shall initially be measured at the value of the related asset, and subsequently shall be calculated using the same actuarial method used for finance leases under the Code of Practice on Local Authority Accounting.

Prepayments

PFI and similar contracts may be structured to require payments to be made (either as part of a unitary payment or a lump sum contribution) before the related property is recognised as an asset on the Balance Sheet. Such payments shall be recognised as prepayments. At the point that the infrastructure is recognised as an asset, the related liability shall also be recognised. The prepayments shall be applied to reduce the outstanding liability.

Notes to the Accounts (Continued)

Depreciation, impairment and revaluation

Once recognised on the Balance Sheet, property under a PFI and similar contract is depreciated, impaired and re-valued in the same way as for any other fixed asset.

MRP (England and Wales)

Assets acquired under a PFI and similar contract that are recognised on the authority’s Balance Sheet are subject to MRP in the same way as assets acquired using other forms of borrowing. The amounts of MRP to be charged to the General Fund for the year shall be in accordance with the appropriate regulations and statutory guidance. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Capital financing requirement

Where PFI contracts or similar arrangements come ‘on-Balance Sheet’ as a result of the SORP changes, the Capital Financing Requirement will be adjusted to reflect this and the authorised limits and operational boundaries will be set accordingly.

1.21 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For example, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council 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 transfer of economic benefits 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 for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

1.22 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow 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.

Notes to the Accounts (Continued)

1.23 Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.24 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score 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 General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are maintained to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.25 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged to the Comprehensive Income and Expenditure Statement so that there is no impact on the level of council tax.

1.26 VAT

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.

1.27 Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are converted at the spot exchange rate at 31 March. Resulting gains and losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.28 Treasury Management

The Council continues to fully comply with CIPFA Code of Practice for Treasury Management in the Public Services which was issued on 20 November 2002. A major requirement of this Code related to the need to have in place a Treasury Management Policy Statement (TMPS), which is approved by full Council in March of each year.

During 2009, and in response to the demise of the Icelandic Banks and the banking crisis in 2008, CIPFA published a revised Treasury Management Code of Practice to further strengthen arrangements to be complied with by local authorities. The Council responded positively and proactively by the early adoption of the key recommendations of the new Code and has since fully embraced all of the additional requirements of the new Code.

Under the TMPS for 2010/2011 the policies and objectives of treasury management were further updated to reflect formal adoption of the revised Treasury Management Code of Practice on 3rd March 2010 (the words in the brackets show the minor changes to the original statement) and was as follows:

a) Treasury Management activities are defined as:
The management of the authority's (investments and) cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

b) The successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of (its) treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

c) Effective treasury management will provide support towards the achievement of the Council's business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Further information relating to the Council's Treasury management policy and strategy can be found on the Council's website at:
http://www.sunderland.gov.uk/committees/CmisWebPublic/Binary.ashx?Document=16395 and information on the measures the Council adopted in 2009/2010 in advance of the Revised CIPFA Treasury Management Code of Practice in the Public Sector (2009) can be found on the Council's website at: http://www.sunderland.gov.uk/committees/CmisWebPublic/Binary.ashx?Document=11934

Note 2 – Transition to International Financial Reporting Standards

The Statement of Accounts for 2010/2011 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 2009/2010.

The following tables explain the material differences between the amounts presented in the 2009/2010 financial statements and the equivalent amounts presented in the 2010/2011 financial statements.

Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority 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 the benefits. 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 2009/2010 financial statements:

Notes to the Accounts (Continued)

Opening 1 April 2009 Balance Sheet

	2008/2009 Statements £'000	Adjustments Made £'000	2008/2009 Adjusted Figures £'000
Debtor	35,144	3,407	38,551
Creditor	(84,022)	(7,946)	(91,968)
Accumulated Absences Account	0	(4,539)	(4,539)

31 March 2010 Balance Sheet

	2008/2009 Statements £'000	Adjustments Made £'000	2008/2009 Adjusted Figures £'000
Debtor	40,954	1,766	42,720
Creditor	(84,489)	(6,600)	(91,089)
Accumulated Absences Account	0	(4,834)	(4,834)

2009/2010 Comprehensive Income and Expenditure Statement

Cost of Services (Net):

	2009/2010 Statements £'000	Adjustments Made £'000	2009/2010 Adjusted Figure £'000
Central services to the public	4,453	5	4,458
Cultural, environmental, regulatory and planning services	82,323	51	82,374
Education and children's services	74,500	123	74,623
Highways and transport services	19,385	11	19,396
Other housing services	8,031	5	8,036
Adult social care	69,470	55	69,525
Corporate and democratic core	8,965	5	8,970
Non Distributed Costs	(2,692)	40	(2,652)

Leases of Property

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged. Where the Authority is the lessor, the regulations allow the Authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

Notes to the Accounts (Continued)

As a consequence of classifying the buildings element of the lease as a finance lease, the financial statements have been amended as follows:

- The Authority has recognised an asset (the building) and a finance lease liability.

- The operating lease charge within the Service Expenditure Analysis has been reduced by the amount that relates to the buildings element of the lease payments.

- A depreciation charge has been included within Service Expenditure Analysis.

- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/2010 are reported in the Movement in Reserves Statement for the year.

- The interest element of the lease payment in respect of the buildings element is charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made to the 2009/2010 financial statements:

Opening 1 April 2009 Balance Sheet

	2008/2009 Statements £'000	Adjustments Made £'000	2008/2009 Adjusted Figures £'000
Property, Plant and Equipment (leased assets)	955,012	6,713	961,725
Other long term liabilities (finance lease liability)	(464,824)	(6,713)	(471,537)

31 March 2010 Balance Sheet

	2009/2010 Statements £'000	Adjustments Made £'000	2009/2010 Adjusted Figures £'000
Property, Plant and Equipment (leased assets)	1,011,810	(15)	1,011,795
Other long term liabilities (finance lease liability)	(608,887)	15	(608,872)

Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.

- Portions of government grants deferred were previously recognised as income in 2009/2010; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures

Notes to the Accounts (Continued)

- A grant was received in 2009/2010 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the liabilities section of the balance sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.

This has resulted in the following changes being made to the 2009/2010 financial statements:

Opening 1 April 2009 Balance Sheet

	2008/2009 Statements £'000	Adjustments Made £'000	2008/2009 Adjusted Statement £'000
Government grants deferred account	(223,958)	223,958	0
Creditors	(84,022)	1,033	(82,989)
Capital Grants Unapplied Reserve	0	1,033	1,033
Capital adjustment account	560,015	223,958	783,973

Opening 31 March 2010 Balance Sheet

	2009/2010 Statements £'000	Adjustments Made £'000	2009/2010 Adjusted Statement £'000
Government grants deferred account	(252,813)	28,855	(223,958)
Debtors	40,954	138	41,092
Creditors	(84,489)	471	(84,018)
Capital Grants Unapplied Reserve	0	609	609
Capital Adjustment account	520,857	28,855	549,712

2009/2010 Comprehensive Income and Expenditure Statement

Cost of Services (Net):

	2009/2010 Statements £'000	Adjustments Made £'000	2009/2010 Adjusted Statement £'000
Cultural, environmental, regulatory and planning services	82,323	2,190	84,513
Education and children's services	107,239	10,396	117,635
Highways and transport services	19,385	134	19,519
Other housing services	5,031	125	5,156
Adult social care	69,470	276	69,746
Other operating expenditure	18,015	458	18,473
Taxation and non specific grant income	(279,215)	(44,144)	(323,359)

Leases Equipment

Under the Code, leases of equipment have been re-assessed to establish whether they are operating leases or finance leases. The major change in the assessment is the removal of the ‘90% test’ which under SORP 2009 meant that if lease payments amounted to 90% of the value of the asset then it was treated as a finance lease. The code requires a lease or lease type arrangement to be regarded as a finance lease if the Council has most of the risk and rewards of the asset.

Notes to the Accounts (Continued)

As a consequence of classifying some equipment leases and lease type arrangements as finance leases, the financial statements have been amended as follows:

- The Authority has recognised an asset and a finance lease liability.
- The operating lease charge within the Service Expenditure Analysis has been reduced by the amount that relates to the finance element of the lease payments.
- A depreciation charge has been included within Service Expenditure Analysis.
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/2010 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payment in respect of the buildings element is charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

Opening 1 April 2009 Balance Sheet

	2008/2009 Statements £'000	Adjustments Made £'000	2008/2009 Adjusted Statement £'000
Property, Plant and Equipment (leased assets)	955,012	1,852	956,864
Other long term liabilities (finance lease liability)	(464,824)	(1,852)	(466,676)

31 March 2010 Balance Sheet

	2009/2010 Statements £'000	Adjustments Made £'000	2009/2010 Adjusted Statement £'000
Property, Plant and Equipment (leased assets)	1,011,810	870	1,012,680
Other long term liabilities (finance lease liability)	(608,887)	(870)	(609,757)

Investment Properties

Under the Code, properties can only be classified as investment property if they meet the strict criteria of investment property, that is that they are only being held for capital appreciation or rental income purposes. Also, assets held for sale can only be classified as such if they are being actively marketed and a sale imminent. As a consequence the following adjustments have been made to the 01 April 2009 and the 01 April 2010 balance sheets.

Opening 1 April 2009 Balance Sheet

	2008/2009 Statements £'000	Adjustments Made £'000	2009/2010 Adjusted Statement £'000
Property, Plant and Equipment	955,012	40,141	995,153
Investment Property	40,141	47,687	87,828
Assets Held for Sale	87,828	(87,828)	0
Revaluation Reserve	139,357	(5,854)	133,503
Capital Adjustment Account	560,015	5,854	565,869

Notes to the Accounts (Continued)

31 March 2010 Balance Sheet

	2009/2010 Statements £'000	Adjustments Made £'000	2009/2010 Adjusted Statement £'000
Property, Plant and Equipment	1,011,810	20,496	1,032,306
Investment Property	42,214	(2,073)	40,141
Capital adjustment account	520,857	18,423	539,280

Cost of Services (Net):

	2009/2010 Statements £'000	Adjustments Made £'000	2009/2010 Adjusted Statement £'000
Cultural, environmental, regulatory and planning services	82,324	388	82,712
Non Distributed Costs	(2,692)	779	(1,913)
Other operating expenditure	18,015	22	18,037
Surplus or deficit on the revaluation of fixed assets	(42,095)	(16,636)	(58,731)

Note 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 2011/2012 Financial Statements

The Code has introduced a late change in the accounting policy in relation to the treatment of heritage assets which will impact on the treatment of those heritage assets managed and held by the Tyne & Wear Museums and Archives Joint Committee on behalf of the five Tyne & Wear local authorities. These changes will need to be adopted fully by the Joint Committee in the 2011/2012 financial statements.

Although full adoption of the standard is not required until the preparation of 2011/2012 financial statements, the Joint Committee is required to make disclosure of the estimated effect of the new standard in the 2010/2011 financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately in the Joint Committee's Balance Sheet in the 2011/2012 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)

Notes to the Accounts (Continued)

- Regional Museums Store and Regional Resource Centre (in partnership with and based at Beamish Open Air Museum (est. 2002))

The collections held by the Joint Committee are diverse, covering six principal fields. The collection ranges in medium and materials, and includes objects, specimens, documents, digital media and film. The total collection size is estimated at circa, 1m museum objects and approximately 1,562 cubic metres of archive material. It reflects a period of collecting of over 200 years by the archives, museums and their predecessor bodies. The definition of numbers in the collection follows museum and archive best practice but, in terms of valuing the asset, is fairly arbitrary as single items accessioned may comprise a wide range of objects, artefacts, components or supporting papers. However the following table indicates the estimated number of objects/records held within each field:

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

The collection is not currently recognised in the financial statements as no reliable information is available on the summative cost or the value of the assets. This is due to a number of factors, not all of which will apply consistently to the different fields, but includes: the lack of information on purchase cost; the lack of comparable market values; the diverse nature of the objects; and the volume of objects held. The assets are held in the asset register of the Joint Committee, currently MODES database software, but in the process of migrating to KE EMu collections management system.

The Code will require that heritage assets are measured at valuation in the 2011/2012 financial statements (including the 2010/2011 comparative information). The 2011/2012 Code where it relates to heritage assets will permit some relaxations of the normal valuation requirements of heritage assets and this will mean that the Joint Committee is able to recognise more of its collections of heritage assets in the Balance Sheet.

The Joint Committee anticipates that it will be able to recognise its art collection on the Balance Sheet using as its base the detailed insurance valuations (which are based on market values) held by the Joint Committee in respect of much of this collection. The Joint Committee is unlikely to be able to recognise the majority of the other collections in future financial statements as it is of the view that conventional valuation approaches lack sufficient reliability and obtaining any valuations for the vast majority of these collections would likely incur a significant cost. Even if valuations could be obtained it would involve a disproportionate cost that would not be commensurate with any benefits to the Joint Committee, its senior management, curatorial staff, the public or to the users of the Joint Committee’s financial statements – this exemption is permitted by the 2011/2012 Code.

Only items in the collection estimated to be worth in excess of £10k are identified separately for insurance purposes. The Joint Committee estimates, from its insurance records, that the value of those items within the art collection worth in excess of £10k is £124.064 million as at 1 April 2010. Therefore, it is estimated that the total value of heritage assets to be recognised in the Balance Sheet at 1 April 2010 (under the requirements of the 2011/2012 Code) will be £124.064 million. As these assets have not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve of £124.064 million, i.e. a revaluation gain.

Notes to the Accounts (Continued)

The Joint Committee considers that the heritage assets held by the Joint Committee will have indeterminate lives and a high residual value; hence the Joint Committee does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the Joint Committee's heritage assets.

The following table sets out the movements of heritage assets in the year to provide users of the financial statements with a fuller understanding of the impact of the new standard on the balance sheet in 2010/2011 financial year and provides a split between the owners of the assets.

District	Estimated number of Art objects valued at £10k or above as at 31 March 2011	Heritage Assets recognised for the first time at valuation as at 31 April 2010	Additions (purchase of painting)	Carrying Value as at 31 March 2011
Gateshead	148	£13.12m	£0m	£13.12m
Newcastle	699	£101.32m	£0.04m	£101.36m
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**

The Council also owns a number of statues, monuments and public art which are located within the city. Currently these assets are held on the asset register with community assets. Their value is part of the overall value of the park in which they are located. These assets will be reviewed in light of IAS30 and accounted for accordingly in 2011/2012.

Note 4 – Critical Judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Authority 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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Retirement benefit obligations – the Council recognise and disclose its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'. The calculations include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase in salaries and life expectancy amongst others. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation. The key assumptions made are set out in Note 42.
- Provisions – provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Balance sheet date, and are discounted to present value where the effect is material.
- Impairment of property, plant and equipment and computer software – property, plant and equipment and computer software are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates.

- Depreciation of property, plant and equipment and amortisation of computer software – depreciation and amortisation is provided so as to write down the assets to their residual values over their estimated useful lives as set out above. The selection of these residual values and estimated lives requires the exercise of management judgement.
- Valuation Newcastle Airport – the value of the Council's investment in Newcastle Airport is based on the last independent valuation at 31st March 2010.

Note 5 – Assumptions made about the future and major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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 Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1.593m for every year that useful lives had to be reduced.*
Provisions	The Authority has provisions of £9.69m, £4.03m of this relates to Insurance.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.402m to the provision needed.*
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £100.96m. However, the assumptions interact in complex ways. During 2010/2011, the Authority's actuaries advised that the net pensions liability had increased by £29.73m as a result of estimates being corrected as a result of experience and decreased by £5.11m attributable to updating of the assumptions used.

Notes to the Accounts (Continued)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2011, the Authority had a balance of debtors of £47.442m. A review of significant balances suggested that an impairment of doubtful debts of 10.73% (£5.089m) was appropriate. However, to the significant changes current economic climate could effect the adequacy of this provision.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £5.089m to set aside as an allowance.*

* However, the above risks are mitigated as the Council fully assesses the likelihood of any variations during the budget process and includes a contingency provision as necessary. Throughout the year budget monitoring is carried out to ensure the actual position is in line with the budgeted provision and appropriate actions are taken as necessary.

Note 6 – Material items of income and expenditure

The loss on disposal of fixed assets of £21.299m relates mainly to schools which have opted out of local authority control and have become academies. Under statutory regulations, assets in respect of the school are transferred from the local authority to the new academy body on a long term lease. As such the Council has had to write these assets out of its accounts for a nil consideration. The accounting entries require this 'loss' to be charged on the face of the Comprehensive Income and Expenditure Account and then this 'charge' is reversed out in the Movement in Reserves Statement, so that it does not have any impact on the Council Tax payer.

As part of this loss, assets have been transferred to the following schools during 2010/2011;

School	Loss on Disposal £m	Date of Transfer
Hylton Red House Secondary School	£16.523m	25th March 2011
Bexhill Primary School	£3.376m	1st March 2011
Town End Farm Primary School	£2.217m	1st March 2011
Other Net (Gains) and losses	(£0.817m)	
Total	**£21.299m**	

Note 7 – Events after the balance sheet date

Non-adjusting Post Balance Sheet Event

On 1st June 2011 the Council, in agreement with the other Tyne and Wear authorities, agreed to act as guarantors for the pension liabilities of the North East Regional Employers Organisation (NEREO), Disability North, the Percy Hedley Foundation and Tyne and Wear Enterprise Trust (ENTRUST) from 1st April 2011. The Councils involved have also agreed with the Pension Fund administrators that if any of the above bodies should cease operating then any pension's deficit would be repaid over a 10 year repayment period. The Council's share of the potential liabilities (based upon the latest Actuarial Valuation) in the unlikely event that all of the bodies should fail would be approximately £1.11 million in total.

Notes to the Accounts (Continued)

The Empire Theatre Trust Ltd has become a moribund employer whereby the organisation has no active contributors. In cases such as these the Pensions Authority will carry out a terminal valuation rather than set a new contribution rate as part of the 2010 valuation. This means that if a deficit exists once valued, this has to be paid by the Theatre and/or its guarantor which is the Council. The valuation position is not yet available and as such this is considered a non adjusting balance sheet event.

Note 8 – Adjustments between accounting basis and funding basis under regulations

This note recognises the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

Notes to the Accounts (Continued)

Adjustments between accounting basis and funding basis under regulations

	2010/2011				2009/2010 (Restated)			
	Usable				Usable			
	General Fund Balance £'000	**Capital Receipts Reserve £'000**	**Capital Grant Unapplied £'000**	**Movement in Unusable Reserves £'000**	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grant Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account:								
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Charges for depreciation and impairement of non current assets	**(37,408)**	**0**	**0**	**37,408**	(32,409)	0	0	32,409
Revaluation losses on Property Plant and Equipment	**(23,848)**	**0**	**0**	**23,848**	(44,676)	0	0	44,676
Movements in market value of investment property	**634**	**0**	**0**	**(634)**	(5,761)	0	0	5,761
Amortisation of intangible assets	**(195)**	**0**	**0**	**195**	(171)	0	0	171
Capital grants and contributions	**45,606**	**0**	**0**	**(45,606)**	40,937	0	0	(40,937)
Revenue expenditure funded from capital under statute	**(7,472)**	**0**	**0**	**7,472**	(4,235)	0	0	4,235
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	**(21,933)**	**0**	**0**	**21,933**	(166)	0	0	166
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>			**0**				0	
Statutory provision for the financing of capital investment	**11,349**	**0**	**0**	**(11,349)**	11,085	0	0	(11,085)
Capital expenditure charged against General Fund balances	**12,635**	**0**	**0**	**(12,635)**	19,215	0	0	(19,215)
Adjustments involving the Capital Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	**554**	**0**	**(554)**	**0**	3,207	0	(3,207)	0
Application of grants and capital financing transferred to the Capital Adjustment Account	**0**	**0**	**619**	**(619)**	0	0	2,598	(2,598)

Notes to the Accounts (Continued)

Adjustments between accounting basis and funding basis under regulations

	2010/2011				2009/2010 (Restated)			
	Usable				Usable			
	General Fund Balance £'000	**Capital Receipts Reserve £'000**	**Capital Grant Unapplied £'000**	**Movement in Unusable Reserves £'000**	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grant Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments involving the Capital Reciepts Reserve:								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		**(1,174)**		**1,174**		(949)		949
Use of capital reserves to finance new capital expenditure	**0**	**896**	**0**	**(896)**	0	2,485	0	(2,485)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital reciepts pool	**(19)**	**19**	**0**	**0**	(25)	25	0	
Adjustments involving the Deferred Capital Receipts Reserve:								
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**0**	**0**	**0**	**0**	0	(488)	0	488
Adjustments involving the Financial Instruments Adjustment Account:								
Amount of which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**(116)**	**0**	**0**	**116**	(74)	0	0	74
Adjustments involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	**93,230**	**0**	**0**	**(93,230)**	(51,120)	0	0	51,120
Employer's pensions contributions and direct payments to pensioners payable in the year	**36,740**	**0**	**0**	**(36,740)**	36,130	0	0	(36,130)

Notes to the Accounts (Continued)

Adjustments between accounting basis and funding basis under regulations

	2010/2011				2009/2010 (Restated)			
	Usable			Movement in Unusable Reserves £'000	Usable			Movement in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grant Unapplied £'000		General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grant Unapplied £'000	
Adjustments involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different to Council Tax income calculated for the year in accordance with statutory requirements	**665**	**0**	**0**	**(665)**	862	0	0	(862)
Adjustments involving the Accumulating Compensated Absences Adjustment Account:								
Amount of which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(698)**	**0**	**0**	**698**	(295)	0	0	295
Total Adjustments	**109,724**	**(259)**	**65**	**(109,530)**	(27,496)	1,073	(609)	27,032

Notes to the Accounts (Continued)

Note 9 – Movements in usable reserves

	Balance at 01 April 2009 £'000	Transfers Out 2009/2010 £'000	Transfers In 2009/2010 £'000	Balance at 31 March 2010 £'000	Transfers Out 2010/2011 £'000	Transfers In 2010/2011 £'000	**Balance at 31 March 2011 £'000**
General Fund Balance	11,553	0	3,196	14,749	(2,330)	0	**12,419**
Delegated Budget Reserves:							
Balances held by schools under a scheme of delegation	5,771	0	1,722	7,493	0	597	**8,090**
Delegated budgets reserve - general	10,949	(1,031)	0	9,918	(2,635)	2,688	**9,971**
Total Delegated Reserves	16,720	(1,031)	1,722	17,411	(2,635)	3,285	**18,061**
Capital Reserves:							
Unutilised RCCO Reserve	7,559	(3,698)	5,055	8,916	(5,124)	2,701	**6,493**
Strategic Investment Plan Reserve	12,741	(1,940)	742	11,543	(1,706)	0	**9,837**
Other General Capital Reserves	4,577	(88)	0	4,489	(762)	0	**3,727**
Childrens Social Care Capital reserve	358	(163)	0	195	(3)	0	**192**
Usable Capital Reciepts	6,425	(2,510)	1,437	5,352	(915)	1,174	**5,611**
Capital Grants Unapplied	1,033	0	609	1,642	(65)	0	**1,577**
Total Capital Reserves	32,693	(8,399)	7,843	32,137	(8,575)	3,875	**27,437**
Earmarked Revenue Reserves:							
Insurance Reserve	5,384	(184)	0	5,200	(1,288)	36	**3,948**
Strategic Investment Reserve	56,184	(9,663)	4,666	51,187	(2,394)	12,521	**61,314**
Economic Development Reserve	1,000	0	0	1,000	(700)		**300**
Winter Maintenance and Economic Downturn Reserve	300	0	900	1,200	(1,134)	1,000	**1,066**
Sandhill Centre PFI Smoothing Reserve	2,804	(161)	0	2,643		66	**2,709**

Notes to the Accounts (Continued)

	Balance at 01 April 2009 £'000	Transfers Out 2009/2010 £'000	Transfers In 2009/2010 £'000	Balance at 31 March 2010 £'000	Transfers Out 2010/2011 £'000	Transfers In 2010/2011 £'000	**Balance at 31 March 2011 £'000**
School Community Reserve	2,367	(2,367)	2,245	2,245	(2,245)	2,033	**2,033**
Connexions Hub Agreement	379	0	327	706	(717)	1,192	**1,181**
Education Redundancies Reserve	872	(800)	880	952	0	649	**1,601**
Street Lighting and Highways Signs PFI Smoothing Reserve	7,637	(308)	119	7,448	(383)		**7,065**
Adult Services Modernisation and Service Pressures Reserve	800	0	0	800	(64)	1,047	**1,783**
Play Areas Reserve	1,377	(627)	354	1,104	(83)		**1,021**
House Sale Income	0	0	1,250	1,250		178	**1,428**
WNF - Software City	0	0	2,600	2,600	0	0	**2,600**
WNF Visible Workshop and other projects	0	0	3,600	3,600	0	0	**3,600**
BTP Invest to Save	0	0	0	0	0	1,677	**1,677**
Modernisation Improvements	0	0	0	0	0	1,000	**1,000**
Utilities Reserve	0	0	0	0	0	1,043	**1,043**
Invest to Save Commercial and economic development activities	0	0	0	0	0	1,500	**1,500**
Other Earmarked Reserves	14,530	(5,244)	5,555	14,841	(5,868)	4,408	**13,381**
Total Revenue Reserves	93,634	(19,354)	22,496	96,776	(14,876)	28,350	**110,250**
Available for sale reserve (Newcastle Airport)	1,503	(708)	0	795	0	0	**795**
Total Reserves	156,103	(29,492)	35,257	161,868	(28,416)	35,510	**168,962**

Notes to the Accounts (Continued)

Purpose of Earmarked Reserves

Capital Reserves:	Purpose of the Reserve
Un-utilised RCCO Reserve	The reserve consists of unutilised direct revenue financing and is fully earmarked to fund capital projects previously approved.
Strategic Investment Plan Reserve	This reserve is necessary to fund part of the Council's contribution to its Strategic Investment Plan approved by Council in April 2008.
Other General Capital Reserve	Usable capital receipts set aside to fund future capital projects previously approved.
Children's Social Care Capital Reserves	Reserve earmarked for capital developments within Children's Services.
Revenue Reserves:	**Purpose of the Reserve**
Strategic Investment Reserve	A reserve established to address some of the Council's key developments and strategic priorities.
Other Earmarked Reserves	Numerous small revenue reserves set up for specific purposes.
Economic Development Reserve	This reserve was established to fund future economic development grants.
Winter Maintenance and Economic Downturn Reserve	To mitigate the potential budgetary impact of the economic downturn and winter maintenance pressures.
School Community Reserve	The reserve holds the surpluses on community schemes at schools. Reserve to be held until all schemes are closed.
Connexions Hub Agreement	The reserve is held as part of the current Hub agreement to provide for unforeseen costs.
Education Redundancies Reserve	The reserve was established to meet the anticipated costs of voluntary redundancies at schools as a result of falling pupil rolls within the Authority's schools.
Street Lighting and Highway Signs PFI Smoothing Reserve	The reserve was established to smooth the financial impact of the contract across the 25 years of the contract life.
Adult Services Modernisation and Service Pressures Reserve	Reserve required to meet increased demand pressures especially in Learning Disabilities residential nursing and home and day care and modernisation investment requirements.
Play Areas Reserve	The reserve relates to monies paid over by the developers of new housing estates, under Section 106 of the Town and Country Planning Act 1990. On completion of the development the contributions are used to provide play equipment on housing developments.
House Sale Income	Reserve established from income owed to the council for the care needs of clients in independent sector care homes.
WNF - Software City	Reserve established to help fund the development of Software City
WNF Visible Workshop	Reserve established to help fund the development of visible workshop.
BTP Invest to Save	Reserve established to finance BTP invest to save initiatives.
Modernisation Improvements	Reserve established to assist with the financial implications of the Councils Modernisation plans.
Utilities Reserve	Reserve established to protect the council against the future volatility of utility costs.
Invest to Save Commercial and Economic development Activity	Reserve established to take advantage of commercial and economic development opportunities that will meet priorities of the Council.

Notes to the Accounts (Continued)

Note 10 – Other operating expenditure

2009/2010 (Restated) £'000		**2010/2011 £'000**
51	Parish Council Precept	**53**
18,412	Levies	**18,622**
(664)	Surplus on Trading Undertakings	**(298)**
26	Deficit on Trading Undertakings	**186**
25	Payments to the Government Housing Capital Receipts Pool	**19**
188	Gain / losses on the disposal of non current assets	**21,299**
18,038	**Total**	**39,881**

Note 11 – Financing and investment income and expenditure

2009/2010 (Restated) £'000		**2010/2011 £'000**
9,805	Interest payable and similar charges	**10,272**
30,320	Pensions interest cost and expected return on pension fund assets	**12,250**
(3,558)	Interest receivable and similar income	**(3,546)**
(2,976)	Changes in the fair value of investment property	**0**
33,591	**Total**	**18,976**

Note 12 – Taxation and non specific grant income

2009/2010 (Restated) £'000		**2010/2011 £'000**
95,269	Council Tax Income	**95,954**
125,643	Non domestic rates	**137,496**
58,303	Non-ringfenced government grants	**55,904**
44,145	Capital grants and contributions	**45,606**
323,360	**Total**	**334,960**

Notes to the Accounts (Continued)

Note 13 – Property, Plant and Equipment
Movement on Balances 2010/2011

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets included in Property Plant and Equipment £'000
Cost or Valuation					0	
At 1 April 2010 (Restated)	864,292	68,771	279,773	29,590	1,242,426	54,973
Additions	38,536	6,996	4,352	15,633	65,517	
Revaluation increases / (decreases) recognised in the Revaluation Reserve	17,316				17,316	
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(27,508)				(27,508)	
Derecognition - Disposals	(23,399)				(23,399)	
Derecognition - Other	(302)				(302)	
Other movements in Cost or Valuation	17,030	592	2,670	(20,327)	(35)	
At 31 March 2011	**885,965**	**76,359**	**286,795**	**24,896**	**1,274,015**	**54,973**
Accumulated Depreciation and Impairment						
At 1 April 2010 (Restated)	41,837	28,637	61,990	0	132,464	7,787
Depreciation Charge	23,302	6,725	7,382	0	37,409	1,632
Depreciation written out to Revaluation Reserve	(6,555)				(6,555)	
Depreciation written out to the Surplus / Deficit on the Provision of Services	(3,661)				(3,661)	
Derecognition - Disposals	(1,023)				(1,023)	
Derecognition - Other	(51)				(51)	
At 31 March 2011	**53,849**	**35,362**	**69,372**	**0**	**158,583**	**9,419**
Net Book Value						
At 31 March 2010 (Restated)	**822,455**	**40,134**	**217,783**	**29,590**	**1,109,962**	**47,186**
At 31 March 2011	**832,116**	**40,997**	**217,423**	**24,896**	**1,115,432**	**45,554**

Notes to the Accounts (Continued)

Movement on Balances 2009/2010

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets included in Property Plant and Equipment £'000
Cost or Valuation					0	
At 1 April 2009 (Restated)	787,773	56,068	272,201	75,959	1,192,001	54,973
Additions (capital expenditure)	28,909	12,119	6,587	21,015	68,630	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	27,858	0	0	0	27,858	0
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(45,419)	(910)	0	0	(46,329)	0
Derecognition - Disposals	(100)	0	0	0	(100)	0
Derecognition - Other	(1,015)	0	0	0	(1,015)	0
Other movements in Cost or Valuation (transfers between categories)	66,286	1,494	985	(67,384)	1,381	0
At 31 March 2010 (Restated)	**864,292**	**68,771**	**279,773**	**29,590**	**1,242,426**	**54,973**
Accumulated Depreciation and Impairment						
At 1 April 2009 (Restated)	36,402	23,480	54,829	0	114,711	6,205
Depreciation Charge	19,961	5,287	7,161	0	32,409	1,582
Depreciation written out to Revaluation Reserv	(13,003)	0	0	0	(13,003)	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	(1,523)	(130)	0	0	(1,653)	0
At 31 March 2010 (Restated)	**41,837**	**28,637**	**61,990**	**0**	**132,464**	**7,787**
Net Book Value						
At 31 March 2009 (Restated)	**751,371**	**32,588**	**217,372**	**75,959**	**1,077,290**	**48,768**
At 31 March 2010 (Restated)	**822,455**	**40,134**	**217,783**	**29,590**	**1,109,962**	**47,186**

Notes to the Accounts (Continued)

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings – 1 – 60 years
- Vehicles, Plant and Equipment – 3 – 15 years
- Infrastructure - 20 – 40 years

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/2012 and future years budgeted to cost £26.568m (As at 31 March 2010 £36.936m). The major commitments are:

- Sunderland Software City - £6.908m
- St Joseph's RC Primary School - £4.003m
- Houghton Primary care Centre - £2.389m
- Economic Development Support £2.000m
- Seafront Regeneration - £1.400m
- Sunderland Strategic Transport Corridor - £1.323m
- Southern Radial Route - £1.119m

Effects of changes in Estimates

In 2011/2012 the Council made a material change to its accounting estimates for Property, Plant and Equipment. This was in respect of componentised assets. The effect of the change was to increase depreciation charged in 2010/2011 by £2.671 million above the depreciation that would have been charged had the change in estimates not taken place.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out internally. Valuations of Land and Buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- Depreciated Replacement Cost method has been used where the asset is used by the Council to deliver services but the property is considered to be of a specialist nature in that there is little or no market evidence to support value
- Existing Use Value has been used where the asset is used by the Council to deliver services but is not specialised and there is market evidence to support value
- Assets are fit for the purpose for which they are used and will continue to remain so physically, complying with fire, health and safety or any other statutory regulations
- The assets are free from contamination and deleterious or hazardous substances
- Current use fully complies with current planning legislation and consents and the existing use will continue for the near future and will remain viable
- No allowance has been made for taxation, acquisition, realisation or disposal costs or other expenses
- Properties assessed by the DRC method of valuation are subject to the prospect and viability of the continuance of the occupation and use.

Notes to the Accounts (Continued)

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Total £'000
Carried at historic cost	37,208	76,359	286,795	400,362
Valued at fair value as at:				
31 March 2011	280,984	0	0	280,984
31 March 2010	150,217	0	0	150,217
31 March 2009	433,246	0	0	433,246
31 March 2008	6,046	0	0	6,046
31 March 2007	3,160	0	0	3,160
Total Cost or Valuation	**910,861**	**76,359**	**286,795**	**1,274,015**

Note 14 – Investment properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2008/2009 £'000	2009/2010 £'000		**2010/2011 £'000**
5,839	6,207	Rental income and investment property	**5,639**
0	0	Direct operating expenses arising from investment property	**0**
5,839	6,207	**Net gain / (loss)**	**5,639**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

2009/2010 (Restated) £'000		**2010/2011 £'000**
87,828	Balance at the start of the year	**82,067**
(5,761)	Net gain / losses from fair value adjustments	**634**
	Transfers:	
0	To / From Property, Plant and Equipment	**626**
82,067	Balance at the end of the year	**83,327**

Notes to the Accounts (Continued)

Note 15 – Intangible Assets

The Authority 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 integral assets include both purchased licences and internally generated software.

All software is given a finite useful life, based on assumptions of the period that the software is expected to be of use to the Authority. The useful life for all software is deemed to be 10 years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.195m charged to revenue in 2010/2011 was charged to the Administration cost centres and absorbed where appropriate as an overhead across service headings in the Net Expenditure of services

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

	2010/2011 Software Licences £'000	2009/2010 Software Licences £'000
Balance at start of year:		
Gross carrying amounts	**1,906**	1,664
Accumulated Amortisation	**(515)**	(344)
Net carrying amount at the start of the year	**1,391**	1,320
Additions		
Purchases	**313**	242
Amortisation for the period	**(195)**	(171)
Net carrying amount at the year end	**1,509**	1,391
Comprising		
Gross carrying amounts	**2,219**	1,906
Accumulated amortisation	**(710)**	(515)
	1,509	1,391

Software Licences have been purchased in the year for use on a number of the Council's IT systems. There are no items of capitalised software that are individually material to the financial statements.

Notes to the Accounts (Continued)

Note 16 – Financial Instruments

Categories of Financial Instruments

	Long Term			Current		
	31 March 2011 £'000	31 March 2010 (Restated) £'000	31 March 2009 (Restated) £'000	**31 March 2011 £'000**	31 March 2010 (Restated) £'000	31 March 2009 (Restated) £'000
Investments						
Loans and receivables	**0**	0	30,000	**161,550**	121,392	80,845
Available-for-sale financial assets	**817**	817	1,525	**0**	0	0
Unquoted equity investment at cost	**0**	0	0	**0**	0	0
Financial assets at fair value through P&L	**0**	0	0	**0**	0	0
Total Investments	**817**	817	31,525	**161,550**	121,392	80,845
Debtors						
Loans and receivables	**26,985**	27,246	27,303	**29,479**	53,015	56,114
Financial assets carried at contract amount	**757**	818	878	**42,354**	42,926	42,203
Total Debtors	**27,742**	28,064	28,181	**71,833**	95,941	98,317
Borrowings						
Financial liabilities at amortised costs	**(178,443)**	(148,064)	(139,093)	**(41,220)**	(40,597)	(43,668)
Financial liabilities at fair value through P&L	**0**	0	0	**0**	0	0
Total Borrowings	**(178,443)**	(148,064)	(139,093)	**(41,220)**	(40,597)	(43,668)
Other Long Term Liabilities						
PFI and finance lease liabilities	**(43,141)**	(44,173)	(44,459)	**0**	0	0
Pensions	**(436,580)**	(574,120)	(428,930)	**0**	0	0
Total other long term liabilities	**(479,721)**	**(618,293)**	**(473,389)**	**0**	0	0
Creditors						
Financial liabilities at amortised cost	**0**	0	0	**0**	0	0
Financial liabilities carried at contract amount	**0**	0	0	**(69,033)**	(89,654)	(94,586)
Total creditors	**0**	0	0	**(69,033)**	(89,654)	(94,586)

Notes to the Accounts (Continued)

Income, Expense, Gains and Losses

	2010/2011				2009/2010			
	Financial Liabilities	Financial Assets		Total	Financial Liabilities	Financial Assets		Total
	Liabilities measured amortised cost	Loans and receivables	Available for sale assets		Liabilities at amortised cost	Loans and receivables	Available for sale assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense	**(6,169)**	**0**	**0**	**(6,169)**	(6,046)	0	0	(6,046)
Total expenses in Surplus or Deficit on the Provision of Services	**(6,169)**	**0**	**0**	**(6,169)**	(6,046)	0	0	(6,046)
Interest Income	**0**	**3,546**	**0**	**3,546**	99	3,558	0	3,657
Total expenses in Surplus or Deficit on the Provision of Services	**0**	**3,546**	**0**	**3,546**	99	3,558	0	3,657
Net Gain / (loss) for the year	**(6,169)**	**3,546**	**0**	**(2,623)**	(5,947)	3,558	0	(2,389)

Notes to the Accounts (Continued)

Fair Value of Assets and Liabilities carried at Amortised Cost

Financial assets and liabilities are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instrument, using the following assumptions:

- For PWLB debt, the discount rate used is the premature repayment rates as per rate sheet number 063/10.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms for a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.

The fair values calculated are as follows:

Liabilities	**31 March 2011**		31 March 2010	
	Carrying Amount £'000	**Fair Value £'000**	Carrying Amount £'000	Fair Value £'000
PWLB	**137,950**	**138,175**	108,675	105,257
LOBO's	**40,221**	**46,126**	40,578	47,500
Stock	**105**	**75**	128	88
Other	**167**	**231**	238	276
Bank Overdraft	**8,235**	**8,235**	8,133	8,133
Short Term Borrowing	**32,985**	**32,985**	30,908	30,908
Financial Liabilities	**219,663**	**225,827**	188,660	192,162

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rates payable are higher than the rates available for similar loans at the balance sheet date. The commitment to pay interest is below current market rates, reducing the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Assets	**31 March 2011**		31 March 2010	
	Carrying Amount £'000	**Fair Value £'000**	Carrying Amount £'000	Fair Value £'000
Deposits with Banks & Building Societies	**188,991**	**189,357**	172,247	172,650
Financial Assets	**188,991**	**189,357**	172,247	172,650

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date.

Notes to the Accounts (Continued)

Note 17 – Inventories

2010/2011

	Consumable Stores £'000	Maintenance Materials £'000	Client Services Work £'000	Total £'000
Balance Outstanding at start of year	**972**	**158**	**418**	**1,548**
Purchases	**6,265**	**265**	**344**	**6,874**
Recognised as an expense in the year	**(5,982)**	**(284)**	**(418)**	**(6,684)**
Written off balances	**(45)**	**0**	**0**	**(45)**
Balance outstanding at the year-end	**1,210**	**139**	**344**	**1,693**

2009/2010

	Consumable Stores £'000	Maintenance Materials £'000	Work In Progress £'000	Total £'000
Balance Outstanding at start of year	801	169	1,124	2,094
Purchases	5,726	332	418	6,476
Recognised as an expense in the year	(5,521)	(343)	(1,124)	(6,988)
Written off balances	(34)	0	0	(34)
Balance outstanding at the year-end	972	158	418	1,548

Notes to the Accounts (Continued)

Note 18 – Short Term Debtors

2008/2009 (Restated) £'000	2009/2010 (Restated) £'000		**2010/2011 £'000**
12,494	18,499	Central government bodies	**23,156**
1,464	387	Other local authorities	**626**
1,717	2,337	NHS bodies	**2,177**
229	16	Public corporations and trading funds	**0**
26,299	21,687	Other entities and individuals	**16,395**
42,203	42,926	**Total**	**42,354**

Note 19 – Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

2008/2009 (Restated) £'000	2009/2010 (Restated) £'000		**2010/2011 £'000**
(9,578)	(5,973)	Cash held by the Authority	**(6,196)**
46,237	45,849	Bank current accounts	**27,440**
8,028	5,006	Short-term deposits with building societies	**0**
44,687	44,882	**Total Cash and Cash Equivalents**	**21,244**

Note 20 – Short-Term Creditors

2008/2009 (Restated) £'000	2009/2010 (Restated) £'000		**2010/2011 £'000**
(38,812)	(42,160)	Central government bodies	**(32,091)**
(3,507)	(4,776)	Other local authorities	**(4,291)**
(1,453)	(1,935)	NHS bodies	**(1,047)**
0	(928)	Public corporations and trading funds	**0**
(50,814)	(39,855)	Other entities and individuals	**(31,604)**
(94,586)	(89,654)	**Total**	**(69,033)**

Notes to the Accounts (Continued)

Note 21 – Provisions

	Insurance Provision £'000	Other Provision £'000	Total £'000
Balance at 1 April 2009	3,268	5,041	8,309
Additional provisions made 2009/2010	2,789	169	2,958
Amounts used 2009/2010	(2,784)	(1,657)	(4,441)
Balance at 31 March 2010	3,273	3,553	6,826
Additional provisions made 2010/2011	3,587	5,460	9,047
Amounts used 2010/2011	(2,834)	(3,365)	(6,199)
Balance at 31 March 2011	4,026	5,648	9,674

Included within other provisions £1.463m back on the map temporary funding (2009/2010 £2.898m), £2.929m known transitional costs (2009/2010 £Nil), £1.037m procurement efficiencies to support the 2011/2012 budget (2009/2010 £Nil) and guarantee bonds of £0.219m (2009/2010 £1.128m).

Note 22 – Usable Reserves

Movements in the Council's usable reserves are detailed in Note 9 – Movement in Usable Reserves (Pages 66 – 68).

Note 23 – Unusable Reserves

2008/2009 (Restated) £'000	2009/2010 (Restated) £'000		Note	**2010/2011 £'000**
133,503	166,800	Revaluation Reserve	23a	**184,994**
789,827	785,377	Capital Adjustment Account	23b	**771,277**
(442)	(516)	Financial Instrument Adjustment Account	23c	**(631)**
(428,930)	(574,120)	Pensions Reserve	23d	**(436,580)**
2,685	2,164	Deferred Capital Receipts Reserve	23e	**1,650**
146	1,008	Collection Fund Adjustment Account	23f	**1,673**
(4,537)	(4,833)	Accumulated Absence Account	23g	**(5,533)**
492,252	375,880	**Total Unusable Reserve**		**516,850**

The following tables show the detail for each line item as follows:

23a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. The balance is reduced when assets with accumulated gains are;

- revalued downwards, or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation, or;
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Notes to the Accounts (Continued)

2009/2010 (Restated) £'000		**2010/2011 £'000**
133,503	**Balance at 1 April**	**166,800**
58,857	Upward revaluation of assets	**34,008**
(17,997)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Service	**(10,138)**
174,363	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	**190,670**
3,498	Revaluation gain transfers offsetting revaluation losses	**0**
3,965	Difference between fair value depreciation and historical cost depreciation	**4,638**
100	Accumulated gains on assets sold or scrapped	**1,038**
7,563	Amount written off to the Capital Adjustment Account	**5,676**
166,800	**Balance at 31 March**	**184,994**

23b) 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 acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Notes to the Accounts (Continued)

2009/2010 (Restated) £'000		2010/2011 £'000
789,827	**Balance at 1 April**	**785,377**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(32,410)	Charges for depreciation and impairment of non-current assets	**(37,409)**
(44,676)	Revaluation losses on Property, Plant and Equipment	**(23,848)**
(171)	Amortisation of intangible assets	**(195)**
(4,202)	Net revenue expenditure funded from capital under statute	**(7,437)**
(1,115)	Amount of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	**(22,687)**
(82,574)		**(91,576)**
7,563	Adjusting amounts written out of Revaluation Reserve	**5,678**
(75,011)	Net written out amount of the cost of non current assets consumed in the year	**(85,898)**
	Capital financing applied in the year:	
2,486	Use of Capital Receipts to finance new capital expenditure	**896**
40,938	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have applied to capital financing	**45,606**
2,598	Application of grants to capital financing from the Capital Grants Unapplied Account	**619**
11,085	Statutory provision for the financing of capital investment charged against the General Fund balance	**11,349**
19,215	Capital expenditure charged against the General Fund balance	**12,634**
76,322		**71,104**
(5,761)	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	**694**
785,377	**Balance at 31 March**	**771,277**

23c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. [The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed]

Notes to the Accounts (Continued)

2009/2010 £'000		**2010/2011 £'000**
(442)	**Balance at 1 April**	**(516)**
171	Premiums incurred in the year charged to the Comprehensive Income and Expenditure Account	**107**
(245)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**(222)**
(516)	**Balance at 31 March**	**(631)**

23d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/2010 £'000		**2010/2011 £'000**
(428,930)	**Balance at 1 April**	**(574,120)**
(130,200)	Actuarial gains and loses on pensions assets and liablilities	**7,570**
(51,120)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**93,230**
36,130	Employers' pensions contributions and direct payments to pensioners payable in the year	**36,740**
(574,120)	**Balance at 31 March**	**(436,580)**

23e) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/2010 £'000		**2010/2011 £'000**
2,685	**Balance at 1 April**	**2,164**
(33)	Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	**(34)**
(488)	Transfer to the Capital Receipts Reserve upon receipt of cash	**(480)**
2,164	**Balance at 31 March**	**1,650**

Notes to the Accounts (Continued)

23f) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/2010 £'000		**2010/2011 £'000**
146	**Balance at 1 April**	**1,008**
862	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	**665**
1,008	**Balance at 31 March**	**1,673**

23g) 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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/2010 £'000		**2010/2011 £'000**
(4,537)	**Balance at 1 April**	**(4,833)**
4,539	Settlement or cancellation of accrual made at the end of the preceding year	**4,833**
(4,833)	Amounts accrued at the end of the current year	**(5,533)**
(4,831)	**Balance a 31 March**	**(5,533)**

Note 24 – Cash Flow Statement – Operating Activities

The cash flows from operating activities include the following items:

2009/2010 (Restated) £'000		**2010/2011 £'000**
3,357	Interest received	**3,546**
(9,805)	Interest paid	**(10,272)**
201	Dividends received	**0**

Notes to the Accounts (Continued)

Note 25 – Cash Flow Statement – Investing Activities

2009/2010 (Restated) £'000		**2010/2011 £'000**
67,347	Purchase of property, plant and equipment, investment property and intangible assets	**70,510**
0	Purchase of short-term and long-term investments	**0**
1,247	Other payments for investing activities	**975**
(949)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(694)**
0	Proceeds for short-term and long-term investments	**0**
(81,082)	Other receipts from investing activities	**(37,770)**
(13,437)	**Net cash flows from investing activities**	**33,021**

Note 26 – Cash Flow Statement – Financing Activities

2009/2010 (Restated) £'000		**2010/2011 £'000**
(455)	Capital receipts of short and long-term borrowing	**(455)**
(34,935)	Other receipts and financing activities	**(41,180)**
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	**0**
25,741	Repayments of short and long term borrowing	**10,274**
44,022	Other payments and financing activities	**18,128**
34,373	**Net cash flows from financing activities**	**(13,233)**

Note 27 – Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular;

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority is recorded below in line with the portfolio structure used for internal financial reporting as follows:

Notes to the Accounts (Continued)

Portfolio Income and Expenditure 2010/2011

	Leader and Deputy Leader £'000	Resources £'000	Children and Learning City £'000	Prosperous City £'000	Healthy City £'000	Safer City and Culture £'000	Attractive and Inclusive City £'000	Sustainable Communities £'000	Responsive Local Services and Customer Care £'000	Total £'000
Fees and Charges	(1,071)	(11,665)	(13,597)	(2,867)	(17,520)	(1,977)	(12,774)	(449)	(689)	(62,609)
Government grants	(87)	(142,836)	(222,340)	(569)	(2,673)	(869)	(2,649)	(406)	(1,648)	(374,077)
Other Grants, reimbursements and contributions	(1,339)	(581)	(9,477)	(2,945)	(29,831)	(2,891)	(3,614)	(1,363)	(836)	(52,877)
Total Income	(2,497)	(155,082)	(245,414)	(6,381)	(50,024)	(5,737)	(19,037)	(2,218)	(3,173)	(489,563)
Employee expenses	4,779	(130,974)	204,065	6,371	42,756	8,971	33,383	3,480	4,927	177,758
Other service expenditure	24,227	145,582	88,758	10,165	82,508	11,109	25,828	10,790	6,205	405,172
Total Expenditure	29,006	14,608	292,823	16,536	125,264	20,080	59,211	14,270	11,132	582,930
Net Expenditure	26,509	(140,474)	47,409	10,155	75,240	14,343	40,174	12,052	7,959	93,367

Notes to the Accounts (Continued)

Portfolio Income and Expenditure 2009/2010

	Leader and Deputy Leader £'000	Resources £'000	Children and Learning City £'000	Prosperous City £'000	Healthy City £'000	Safer City and Culture £'000	Attractive and Inclusive City £'000	Sustainable Communitie s £'000	Responsive Local Services and Customer Care £'000	Total £'000
Fees and Charges	(1,814)	(14,704)	(16,216)	(3,761)	(18,070)	(2,011)	(12,650)	(609)	(424)	(70,259)
Government Grants	(81)	(138,037)	(205,286)	(376)	(13,629)	(161)	(2,371)	(61)	(159)	(360,161)
Other Grants, reimbursements and contributions	5,402	(8,468)	(15,978)	(4,110)	(26,469)	(2,830)	(3,523)	(1,797)	(2,127)	(59,900)
Total Income	3,507	(161,209)	(237,480)	(8,247)	(58,168)	(5,002)	(18,544)	(2,467)	(2,710)	(490,320)
Employee Expenses	5,836	3,210	203,465	6,198	40,042	8,623	30,805	2,653	4,712	305,544
Other Service Expense	5,585	147,225	82,843	8,995	81,027	10,645	24,225	5,488	5,569	371,602
Total Expenditure	11,421	150,435	286,308	15,193	121,069	19,268	55,030	8,141	10,281	677,146
Net Expenditure	14,928	(10,774)	48,828	6,946	62,901	14,266	36,486	5,674	7,571	186,826

Notes to the Accounts (Continued)

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

This reconciliation shows how the figures in the analysis of portfolio 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.

2009/2010 £'000		**2010/2011 £'000**
186,826	Net expenditure in the portfolio analysis.	**93,367**
111,210	Net expenditure of services and support services not included in the analysis.	**68,860**
(5,746)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis.	**(2,748)**
292,290	**Cost of Service in the Comprehensive Income and Expenditure Analysis**	**159,479**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis or portfolio 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.

Notes to the Accounts (Continued)

2010/2011

	Portfolio Analysis £'000	Amounts not reported to management £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(111,933)	0	0	(111,933)	(14,387)	(126,320)
Interest and investment income	0	0	0	0	(3,546)	(3,546)
Income from council tax	0	0	0	0	(95,954)	(95,954)
Government grants and contributions	(377,630)	(10,802)	0	(388,432)	(239,006)	(627,438)
Total Income	**(489,563)**	**(10,802)**	**0**	**(500,365)**	**(352,893)**	**(853,258)**
Employee expenses	177,758	0	0	177,758	12,250	190,008
Other service expenses	405,172	6,538	0	411,710	14,275	425,985
Support service recharges	0	0	5,807	5,807	0	5,807
Depreciation, amortisation and impairment	0	1,516	63,053	64,569	0	64,569
Interest Payments	0	0	0	0	10,272	10,272
Precepts and Levies	0	0	0	0	18,675	18,675
Payments to Housing Capital reciepts Pool	0	0	0	0	19	19
Gain and Loss on Disosal of Fixed Assets	0	0	0	0	21,299	21,299
Total Expenditure	**582,930**	**8,054**	**68,860**	**659,844**	**76,790**	**736,634**
Surplus or deficit on the provision of services	**93,367**	**(2,748)**	**68,860**	**159,479**	**(276,103)**	**(116,624)**

Notes to the Accounts (Continued)

2009/2010

	Portfolio Analysis £'000	Amounts not reported to management £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(126,821)			(126,821)	(17,380)	(144,201)
Interest and investment income	0			0	(3,760)	(3,760)
Income from council tax	0			0	(94,408)	(94,408)
Government grants and contributions	(363,499)	(7,597)		(371,096)	(228,951)	(600,047)
Total Income	(490,320)	(7,597)	0	(497,917)	(344,499)	(842,416)
Employee expenses	305,544	294		305,838	30,320	336,158
Other service expenses	371,602	19,428		391,030	16,966	407,996
Support service recharges			72,549	72,549	0	72,549
Depreciation, amortisation and impairment		(17,871)	38,661	20,790	(2,976)	17,814
Interest Payments				0	9,805	9,805
Precepts and Levies				0	18,462	18,462
Payments to Housing Capital reciepts Pool				0	25	25
Gain and Loss on Disosal of Fixed Assets				0	166	166
Total Expenditure	677,146	1,851	111,210	790,207	72,768	862,975
Surplus or deficit on the provision of services	186,826	(5,746)	111,210	292,290	(271,731)	20,559

Notes to the Accounts (Continued)

Note 28 – Trading Operations

The Council is required to publish the financial results of services it operates on a trading account basis.

	2010/2011			2009/2010		
	Expenditure £'000	**Income £'000**	**Net Expenditure £'000**	Expenditure £'000	Income £'000	Net Expenditure £'000
City Print Services	**2,036**	**1,855**	**181**	2,129	2,234	(105)
City Stores	**0**		**0**	26	0	26
General Highways	**3,493**	**3,675**	**(182)**	5,952	6,191	(239)
Education and Civic Buildings Maintenance	**8,572**	**8,688**	**(116)**	8,353	8,632	(279)
Networking Services	**174**	**169**	**5**	284	324	(40)
	14,275	**14,387**	**(112)**	16,744	17,381	(637)

Note 29 – Agency Services

These are services that are performed for the Council by other Authorities or Bodies, but where the Council still has responsibility for that service and reimburses the Authority or Body involved for the cost of the work or service carried out on its behalf. The principal areas of agency work are shown below and more detailed information can be made available on request of the Director of Financial Resources, Office of the Chief Executive, Civic Centre, P.O. Box 106, Sunderland, SR2 7DN.

	2010/2011 £m	2009/2010 (Restated) £m
Residential, Nursing and Home Care Provision	**52.5**	57.7
Learning Providers	**11.3**	0.0
Fostering and Adoption Service	**5.5**	5.8
Payments to Voluntary Organisations	**5.9**	1.7
Health Trust	**4.9**	2.1
Supporting People Contracts	**6.0**	6.0
Highways Maintenance	**9.9**	11.0
Waste Disposal	**7.7**	7.5
Council Services provided to Schools Delegated Budgets	**3.7**	3.5
School Meals Contract provided to Schools	**6.2**	6.0
School Placements for Special Education in Other Authorities	**0.5**	1.1
Museums Service - Joint Authority	**0.9**	1.0
Other Payments	**4.4**	3.6
Total Agency Payments	**119.4**	107.0

Notes to the Accounts (Continued)

Note 30 – Pooled Budgets

Section 31 of the Health Act 1999 allows partnership arrangements between National Health Service (NHS) bodies, Local Authorities, and other agencies in order to improve and co-ordinate services. A pooled budget is established to which each partner organisation makes an agreed contribution. The aim of the partnership is to provide a service to a target client group and allow organisations to work in a more unified way. Included within the Council's accounts are three such partnership schemes with Sunderland Teaching Primary Care Trust (STPCT). The notes below summarises the financial performance of each scheme and offers a brief explanation of their purpose:

Community Equipment Service
The aim of this service is to provide all the residents of Sunderland, with an assessed need, appropriate equipment in order to improve their ability to live in their own homes and to encourage independence.

	2010/2011 £'000	2009/2010 £'000
Sunderland City Council	**(1,097)**	(1,038)
Sunderland Teaching Primary Care Trust	**(1,401)**	(1,326)
Total Funding	**(2,498)**	(2,364)
Gross Expenditure	**2,601**	2,229
Net (Funding) / Expenditure	**103**	(135)

Learning Disabilities
The aim of this service is to plan and implement a joint service for people in residential care with learning disabilities identified as difficult to support within existing learning disability establishments.

	2010/2011 £'000	2009/2010 £'000
Sunderland City Council	**(935)**	(901)
Sunderland Teaching Primary Care Trust	**(1,457)**	(1,405)
Learning Disabilities Development Fund	**0**	(522)
Total Funding	**(2,392)**	(2,828)
Gross Expenditure	**2,201**	2,553
Net (Funding) / Expenditure	**(191)**	(275)

Intermediate Care

The aim of this service is the improvement of the intermediate care for older people to facilitate early discharge of people who are medically fit but need extra support through rehabilitation care and preventing unnecessary admission or re-admission to hospital or longer term care, through closer working arrangements with partners.

	2010/2011 £'000	2009/2010 £'000
Sunderland City Council	**(1,244)**	(1,274)
Sunderland Teaching Primary Care Trust	**(992)**	(1,015)
Total Funding	**(2,236)**	(2,289)
Gross Expenditure	**2,198**	2,242
Net (Funding) / Expenditure	**(38)**	(47)

Notes to the Accounts (Continued)

Note 31 – Members' Allowances

The Council paid the following amounts to members of the council during the year.

	2010/2011 £'000	2009/2010 £'000
Allowances	**1,041**	1,036
Expenses	**31**	36
Total	**1,072**	1,072

Note 32 – Officers' Remuneration

The number of employees, whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000:

	2010/2011		2009/2010	
	Non-Teaching Staff	**Teaching Staff**	Non-Teaching Staff	Teaching Staff
£50,000 - £54,999	**48**	**49**	31	61
£55,000 - £59,999	**23**	**20**	15	49
£60,000 - £64,999	**7**	**37**	13	48
£65,000 - £69,999	**7**	**22**	7	19
£70,000 - £74,999	**6**	**5**	5	9
£75,000 - £79,999	**11**	**5**	13	4
£80,000 - £84,999	**7**	**3**	1	5
£85,000 - £89,999	**5**	**3**	8	2
£90,000 - £94,999	**3**	**0**	2	5
£95,000 - £99,999	**2**	**2**	0	0
£100,000 - £104,999	**1**	**0**	0	1
£110,000 - £114,999	**0**	**0**	1	1
£115,000 - £119,999	**2**	**1**	1	0
£120,000 - £124,999	**2**	**0**	1	0
£125,000 - £129,999	**1**	**0**	0	0
£130,000 - £134,999	**1**	**0**	0	0
£135,000 - £139,999	**1**	**0**	1	0
£200,000 - £204,999	**1**	**0**	0	0
£205,000 - £209,999	**0**	**0**	1	0
£215,000 - £219,999	**0**	**0**	1	0

The tables below disclose the specific remuneration information in relation to 'Senior' officers. Officers whose salary is £50,000 or more per year but less than £150,000 are listed individually by way of job title. Officers whose salary is £150,000 or more per year are also identified by name. The disclosure is made for 2010/2011 and 2009/2010 in the following categories:

- salaries, fees and allowances;
- bonuses;
- expenses allowance;
- compensation for loss of employment;
- benefits in kind;
- employees' pension contributions.

Notes to the Accounts (Continued)

Post Holder Information	Salary (Including Fees and Allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of office £	Benefits in Kind £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
2010/2011								
Senior Officer Emoluments exceeding £150,000 per year								
Chief Executive - Dave Smith	193,148	0	0	0	7,905	201,053	28,494	229,547
Senior Officer Emoluments exceeding £50,000 but less than £150,000								
Deputy Chief Executive	120,024	0	0	0	0	120,024	18,043	138,067
Executive Director of Adult Services	115,268	0	0	0	0	115,268	16,684	131,952
Executive Director of Children's Services	109,907	0	0	0	1,002	110,909	15,907	126,816
Executive Director of City Services	122,940	0	0	0	0	122,940	17,826	140,766
Executive Director of Corporate and Commercial Services*	29,454	0	0	0	0	29,454	4,270	33,724
Strategic Director of Transformation	117,664	0	0	0	0	117,664	17,238	134,902
Head of Legal Services*	78,343	0	0	0	0	78,343	11,359	89,702
Director of Financial Resources*	82,226	0	0	0	0	82,226	11,922	94,148
Chief Solicitor*	48,963	0	0	0	0	48,963	7,056	56,019

* Officer not in post for a full year

Notes to the Accounts (Continued)

Post Holder Information	Salary (Including Fees and Allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of office £	Benefits in Kind £	Total Remuneration excluding Pension Contributions £	Employers Pension Contributions £	Total Remuneration including Pension Contributions £
2009/2010								
Senior Officer Emoluments exceeding £150,000 per year								
Chief Executive - Dave Smith	201,801	0	0	0	7,905	209,706	29,261	238,967
Director of Financial Resources - Keith Beardm	110,502	0	0	107,326	0	217,828	16,023	233,851
Senior Officer Emoluments exceeding £50,000 but less than £150,000								
Deputy Chief Executive*	66,097	0	0	0	0	66,097	9,584	75,681
Director of Adult Services	114,403	0	0	0	504	114,907	16,588	131,495
Director of Children's Services	118,890	0	0	0	0	118,890	17,239	136,129
Director of City Services*	64,885	0	0	0	0	64,885	9,408	74,293
Chief Solicitor	90,100	0	0	0	0	90,100	14,109	104,209
Director of Development and Regeneration*	64,609	0	0	0	0	64,609	9,368	73,977
Director of Community and Cultural Services*	34,867	0	0	0	0	34,867	5,056	39,923

* Officer not in post for a full year

Notes to the Accounts (Continued)

Note 33 – External Audit Costs

Sunderland City Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspection and to non-audit services provided by the Authority's external auditors.

	2010/2011 £'000	2009/2010 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year.	**333**	330
Fees payable to the Audit Commission in respect of statutory inspection.	**0**	0
Fees payable to the Audit Commission with regard to additional external audit services carried out by the appointed auditor.	**0**	6
Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	**40**	62
Fees payable in respect of other services by the Audit Commission during the year.	**(33)**	0
Total Costs	**340**	398

Note 34 – Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance (England) Regulations 2008. The School Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/2011 are as follows:

	Central Expenditure £	Individual Schools Budget (ISB) £	Total £
Final DSG for 2010/2011	12,302,611	144,728,426	157,031,037
Plus			
Brought forward from 2009/2010	0	0	0
Less			
Carry forward to 2011/2012 agreed in advance	0	0	0
Agreed budgeted distribution in 2010/2011	12,302,611	144,728,426	157,031,037
Less			
Actual central expenditure	11,867,212	0	11,867,212
Less			
Actual ISB deployed to schools	0	145,163,825	145,163,825
Plus			
Local authority contribution for 2010/2011	0	0	0
Carry forward to 2011/2012	**435,399**	**(435,399)**	**0**

Notes to the Accounts (Continued)

Note 35 – Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2010/2011 £'000	2009/2010 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	**19,966**	29,000
National Non Domestic Rates	**137,496**	125,643
Area Based Grant	**35,938**	28,924
Local Area Business Growth Incentive Scheme Grant	**0**	379
Department for Education - Capital Grants	**11,647**	31,829
Department for Transport - Capital Grants	**5,571**	3,273
Communities and Local Government - Capital Grants	**117**	1,078
Homes and Communities Agency	**21,330**	0
One North East - Capital Grants	**3,937**	2,303
Heritage Lottery Fund - Capital Grants	**1,326**	881
Department for Environment, Food and Rural Affairs - Capital Grants	**486**	398
Commission for Architecture and the Built Environment - Capital Grants	**293**	0
NE Efficiency Partnership - Capital Grants	**0**	197
Other Capital Grants and Contributions	**899**	978
Total	**239,006**	224,883

Notes to the Accounts (Continued)

	2010/2011 £'000	2009/2010 £'000
Credited to Services		
Department for Education - Dedicated Schools Grant	**157,031**	156,649
Department for Education - Standards Fund	**29,268**	31,568
Department for Education - Sure Start	**12,714**	12,777
Department for Education - Children and Young Peoples Grant	**1,664**	0
Department for Education	**1,219**	2,779
Department for Education - Capital Grants	**8,453**	17,475
Children's Workforce Development Council	**200**	236
Young Peoples Learning Agency	**19,236**	0
National Institute of Adult Continuing Education	**0**	402
Training and Development Agency	**205**	201
Learning and Skills Council	**940**	9,992
Skills Funding Agency	**2,719**	827
Department for Works and Pensions - Housing Benefit Grants	**142,656**	137,207
Department for Works and Pensions	**220**	0
Department of Health	**3,071**	2,454
Department of Health - Capital Grants	**1,125**	2,004
Communities and Local Government - Supporting People	**0**	11,339
Communities and Local Government - PFI	**3,733**	3,733
Communities and Local Government	**1,292**	955
Communities and Local Government - Capital Grants	**1,373**	1,006
Communities and Local Government - Single Housing Investment Pot - Capital Grants	**2,142**	1,209
Department for Transport	**293**	0
Department for Transport - Capital Grants	**0**	1,307
Homes and Communities Agency - Capital Grants	**155**	1,315
Home Office	**938**	1,744
Youth Justice Board	**1,240**	1,681
New Deal for Communities	**1,805**	2,383
Teaching Primary Care Trust	**28,527**	25,321
Primary Care Trust - Capital Grants	**550**	1,234
One North East	**1,262**	1,068
One North East - Capital Grants	**47**	380
Sport England	**795**	845
Youth Opportunities Fund	**205**	535
Northern Arts	**157**	194
Other Grants	**1,289**	1,435
Other Capital Grants	**286**	574
Total	**426,810**	432,829

Notes to the Accounts (Continued)

The Authority 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 will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2010/2011 £'000	2009/2010 £'000
Capital Grant Receipts in Advance		
Department for Education - Standards Fund	**9,978**	14,293
Department for Education - Sure Start	**77**	784
Department of Health	**105**	885
Communities and Local Government	**958**	1,427
Communities and Local Government - Single Housing Investment Pot	**757**	1,182
Department for Transport	**634**	354
Department for Environment, Food and Rural Affairs	**54**	257
Homes and Communities Agency	**6,120**	9,365
One North East	**3,942**	1,390
Primary Care Trusts	**516**	1,068
Commission for Architecture and the Built Environment	**708**	500
Private Sector Contributions	**0**	317
Other Grants and Contributions	**90**	107
Total	**23,939**	31,929

Note 36 – Related Parties

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

Central Government
Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the above in Note 27 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 35.

Members
Members of the council have direct control over the council's financial and operating policies. The total members allowances paid in 2010/2011 are shown in Note 31. In respect of 2010/2011 financial year a number of Council Members had a controlling interest in a company, partnership, trust or entity which generated a related party transaction with the Authority. The controlling influence was by way of ownership, or as a director, trustee or partner. These transactions amounted to payments of £4.005m made by the Authority in 2010/2011 (£4.537m in 2009/2010), of which £0.023m (£0.026m for 2009/2010) relates to Cabinet Delegated Schemes approved grants in support of the arts, sports, promotions and tourism, £1.827m (£2.133m for 2009/2010) payments to companies and £2.155m (£2.378m for 2009/2010) to voluntary organisations.

It should be noted that all Council members pecuniary and non financial interests which could conflict with those of the Council are open to the public inspection as required by the Local Authority (Members Interests) Regulation (SI 1992/618) laid under Section 19 of the Local Government and Housing Act 1989. In addition, the award of any contracts by the Authority's Procurement Procedure

Notes to the Accounts (Continued)

Rules approved by the Council. The relevant members must therefore declare an interest (which was minuted) and they do not take part in any discussion or decision relating to the transactions concerned.

Officers

In respect of the 2010/2011 financial year no Chief Officers had a controlling interest in a company, partnership, trust or entity which is considered to have generated a related party transaction with the Authority.

Entities Controlled or Significantly Influenced by the Authority

Tyne and Wear Development Company Ltd

The Tyne and Wear Development Company Ltd (TWEDCo) was established in 1986 by Tyne and Wear County Council and the five District Councils of Tyne and Wear. TWEDCo is a company limited by guarantee and does not have a share capital. Sunderland has three representatives on the Board of Directors as does each of the other four districts of Tyne and Wear.

Members of the Company have a limited guarantee of £1. The financial results of the company for 2010/2011 showed a consolidated trading profit after taxation of £0.428m (2009/2010 £0.034m loss) and had net assets worth £14.719m (2009/2010 £13.823m). The Company's audited accounts for 2010/2011 will be made available once approved by the Board at its AGM in December 2011.

The Council acts as an agent for the Company in managing its property interests in Sunderland, as well as providing legal and financial services, and makes a charge for these services against the company's income. Copies of the accounts can be acquired upon application to the Manager, Tyne and Wear Development Company Limited, Investor House, Colima Avenue, Sunderland Enterprise Park, Sunderland SR5 3XB.

Newcastle Airport

Under the Airport Act 1986, Newcastle International Airport Limited (NIAL) was formed and seven Local Authorities were allocated shares in consideration for all the property, rights and liabilities that were transferred into the new company. In consideration of this transfer the Council received £3.306m worth of shares.

On 4th May 2001, the seven Local Authority (the 'LA7') shareholders of NIAL entered into a strategic partnership with Copenhagen Airports Limited for the latter to purchase a 49% share of Newcastle International Airport. This involved the creation of a new company, NIAL Holdings Limited, which is 51% owned by LA7. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Limited, a company wholly owned by the seven authorities.

The Newcastle Airport Local Authority Holding Company Limited has a called up share capital of 10,000 shares with a nominal value of £1 each. Sunderland City Council has a shareholding of 1845 shares representing a 18.45% interest in the company.

The shares are not held for trading outside of the LA7.

At the time of the acquisition of the new shares, the net worth of NIAL Holdings Limited was £134m and the Council's share of this valuation (18.45% of 51%) was £12.608m. The valuation of NIAL Holdings Limited is reviewed annually. A full independent valuation was carried out in May 2010 which valued the shareholding at £0.795m based upon the discounted cash flow method. There has been no significant change in external factors since the valuation that would materially affect the value of the shareholding.

Notes to the Accounts (Continued)

The Local Authority shareholders received £95m in cash for the 49% shareholding in NIAL Holdings Limited and an additional £100m issued by the Company in the form of short and long-term loan notes. The latter payments are in recognition of the value built up in Newcastle International Airport Limited over previous years. £25m long-term loan notes are being paid in ten annual instalments, starting in 2003/04, of which the Council will receive £4.6m over the 10 years.

Sunderland City Council's 18.45% shareholding in Newcastle Airport Local Authority Holding Company Limited is an effective shareholding of 9.41% in Newcastle International Airport Limited (and the group companies of NIAL Group Limited, NIAL Holdings Limited).

The principal activity of Newcastle International Airport Limited (Registered Number 04184967) is the provision of landing services for both commercial and freight operators. There have been no trading transactions between the Council and NIAL during the year.

No dividends were payable for the years ended 31st December 2010 or 31st December 2009.

There are no outstanding balances owed to or from NIAL at the end of the year. NIAL Group Limited made a loss before tax of £4.823m and a loss after tax of £1.786m for the year ended 31st December 2010.

Sunderland Empire Theatre Trust

The Sunderland Empire Theatre Trust is a company limited by guarantee. The principal activity of the Trust is to operate the Sunderland Theatre. The Council has 12 representatives on the Board of 17 Directors.

The Council has a facilities management arrangement with the Ambassador Theatre Group for a fixed annual amount, the amount paid by the Council totalled £0.366m in 2010/2011, (£0.392m in 2009/2010).

In 2010/2011, the turnover of the Trust was under £30,000 and as such audited accounts are not required. The Trust made a small surplus of £25 in 2010/2011 (surplus of £24 for 2009/2010) in year which will increase its reserves to meet future costs. Its reserves as at 31 March 2011 now stand at £7,069 (£7,044 as at 31 March 2010). In 2010/2011 the Council made a contribution of £29,501 (£26,806 for 2009/2010) to the Trust and the Council also has to meet its own obligations in the form of the upkeep of the building to which the Trust has no liability. A copy of the Trust accounts can be obtained from the Director of Commercial and Corporate Services, Sunderland City Council, Civic Centre, P.O. Box 106, Sunderland, SR2 7DN.

Beamish Museum Joint Committee and related companies

Beamish Museum was established in 1970 and the Council has been a constituent member Authority of Beamish North of England Open Air Museum since its inception. The Council makes an annual contribution towards the running costs of the Joint Committee, this totalled £30,974 in 2010/2011 (£30,974 2009/2010).

The Joint Committee is responsible for the assets of the Museum and makes all decisions on capital schemes and procuring grants for capital development. Beamish Museum Limited (a charitable company limited by guarantee) is responsible for managing and operating the Museum on behalf of the Joint Committee. A subsidiary of Beamish Museum Limited (BML), Beamish Museum Trading Limited (BMTL) manages all of the retailing and catering operations of the Museum.

In 2009/2010 Beamish Museum Joint Committee and related companies produced group accounts. Due to a change in regulation this is not required in 2010/2011, the following is the position for the Joint Committee and the BML / BMTL group.

Notes to the Accounts (Continued)

In 2010/2011 the Joint Committee made an operating profit of £0.009m (2009/2010 £0.023m profit) and had net assets of £20.824m (2009/2010 £19.504m). In 2010/2011 the BML and BMTL group made an operating profit of £0.438m (2009/2010 £0.892m profit) and had net assets of £0.384m

(2009/2010 £1.579m net liability). The Council receives no income or contributions from the above reported arrangements. Copies of the Joint Committees and Group Accounts can be obtained from the Museum Director, Regional Resource Centre, Beamish, County Durham, DH9 0RG.

Other Relevant Information
The Council provides support services (including financial support services) to the following related parties:

Tyne & Wear Fire and Rescue Authority, Beamish Museum Joint Committee, Beamish Museum Limited, Beamish Museum Trading Limited, Empire Theatre Trust Company Limited, Bowes Railway, Hetton Town Council, Tyne and Wear Development Company Limited, Tyne and Wear Economic Development Joint Committee, Back on the Map Limited, Raich Carter Sports Centre, Pooled Budget Arrangements with the local Teaching Primary Care Trust and Tyne and Wear Care Alliance.

The council also provides a range of services to various external organisations, the scale of the charges in respect of this are set out below:

	2010/2011 £'000	2009/2010 £'000
Tyne and Wear Fire and Rescue Service	**596**	600
Beamish Joint Committee	**19**	23
Beamish Museum Limited	**32**	47
Beamish Museum Trading Limited	**11**	12
Tyne and Wear Economic Development Company	**73**	73
Tyne and Wear Economic Development Joint Committee	**14**	13
	745	768

Notes to the Accounts (Continued)

Note 37 – Capital Expenditure and Capital Financing

The total amount of capital expenditure in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2010/2011 **£**	2009/2010 £
Opening Capital Financing Requirement	**241,243**	243,109
Capital Investment		
Property, Plant and Equipment	**67,082**	70,012
Investment Properties	**0**	0
Intangible Assets	**313**	241
Revenue Expenditure Funded from Capital under Statute	**20,042**	31,049
Sources of Finance		
Capital Receipts	**(896)**	(2,486)
Government grants and other contributions	**(59,803)**	(70,382)
Sums set aside from:		
Direct revenue contributions	**(12,634)**	(19,215)
MRP	**(11,350)**	(11,085)
Closing Capital Financing Requirement	**243,997**	241,243
Explanation of movements in year		
Increase in underlying need to borrow (supported by government financial assistance)	**(701)**	(993)
Increase in underlying need to borrow (unsupported by government financial assistance)	**4,779**	(302)
Assets acquired under finance leases	**72**	828
Assets acquired under PFI contracts	**(1,396)**	(1,399)
Increase / (decrease) in Capital Financing Requirement	**2,754**	(1,866)

Note 38 – Leases

Authority as Lessee

Finance Leases

The Council has acquired a number of administrative buildings and vehicles under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2010/2011 **£'000**	2009/2010 (Restated) £'000
Other Land & Buildings	**7,487**	6,916
Vehicles, Plant, Furniture and Equipment	**2,331**	2,547
	9,818	9,463

Notes to the Accounts (Continued)

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2010/2011 £'000	2009/2010 (Restated) £'000
Finance Lease Liabilities (NPV of Future lease payments):		
Current	**568**	568
Non - Current	**8,906**	8,850
Finance costs payable in future years	**1,659**	1,214
Minimum lease payments	**11,133**	10,632

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	2010/2011 £'000	2009/2010 (Restated) £'000	**2010/2011 £'000**	2009/2010 (Restated) £'000
Not later than one year	**1,245**	1,317	**536**	568
Later than one year and not later than five years	**3,302**	2,713	**2,780**	2,248
Later than five years	**6,586**	6,602	**6,586**	6,602
	11,133	10,632	**9,902**	9,418

Operating Leases

The Authority has acquired a number of vehicles by entering into operating leases, with typical lives of seven years.

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

	2010/2011 £'000	2009/2010 (Restated) £'000
Not later than one year	**141**	153
Later than one year but not later than five years	**80**	100
Later than five years	**0**	0
	221	253

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £385,559, (2009/2010 £522,761).

The Authority has acquired a small number of properties by entering into operating leases. The annual payment of £692,000 in 2010/2011 (2009/2010 £672,000) relates to the following periods:

	2010/2011 £'000	2009/2010 (Restated) £'000
Not later than one year	**337**	310
Later than one year but not later than five years	**200**	227
Later than five years	**155**	135
	692	672

Notes to the Accounts (Continued)

Authority as Lessor

Finance Leases

The Authority has leased out the following properties under finance lease arrangements.

- Bungalows lease to three rivers housing – Remaining lease 13 years
- Raich Carter Centre – Remaining lease 15 years
- Marine Activity Centre – Remaining lease 111 years

The Authority has no investment remaining in these leases and receives only a peppercorn rent.

Operating Leases

The Authority leases out under operating leases for the following purposes:

- for the provision of community services
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

	2010/2011 £'000	2009/2010 (Restated) £'000
Not later than one year	**6,598**	6,207
Later than one year but not later than five years	**18,303**	21,246
Later than five years	**8,895**	12,450
	33,796	39,903

Note 39 – Private Finance Initiatives and Similar Contracts

The Council operates two PFI schemes:

- Sandhill View School and Community and Learning Centre, became operational in September 2002 the Council is required to provide details about the contract and the committed revenue resources for future financial years.

- The Council also entered into a PFI contract, on 12 August 2003, with Balfour Beatty Power Networks Ltd. To provide replacement highway signs and street lighting, this includes ongoing maintenance, over a period of 25 years. The contract began on 1 September 2003 and will last until 31 August 2028.

The estimated contract payments for both PFI contracts can be analysed over the term of the respective contracts as follows, with the contract for Sandhill View Community and Learning Centre expiring in September 2027 (2027/2028) and the Highway Signs and Street Lighting contract expiring in August 2008 (2028/2029).

Notes to the Accounts (Continued)

	2011/2012 £'000	2012/2013 - 2015/2016 £'000	2016/2017 - 2020/2021 £'000	2021/2022 - 2025/2026 £'000	2026/2027 - 2028/2029 £'000	Total £'000
Finance Lease Creditor Repayment	1,190	4,928	7,973	12,661	6,956	33,708
Finance Lease Creditor Interest	2,836	10,305	10,373	6,106	805	30,425
Lifecycle Maintenance Costs	315	1,339	1,863	2,097	1,147	6,761
Contingent Rentals	379	1,404	1,799	2,092	309	5,983
Operating Costs	2,977	14,020	20,879	23,431	11,349	72,656
PFI Grant	(3,734)	(14,935)	(18,669)	(18,669)	(7,448)	(63,455)
Total	3,963	17,061	24,218	27,718	13,118	86,078

Note 40 – Impairment Losses

During 2010/2011, the Authority has not recognised any impairment losses.

Note 41 – Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/2011, incurring liabilities of £960,544 (£2,046,563 in 2009/2010). Of this total, £682,621 related to teachers (£1,463,069 in 2009/2010).

Note 42 – Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers Pension Scheme, administered by the Department of Education. The scheme provides teachers with specified benefits upon their retirement; the authority contributes towards the costs by making contributions based on a percentage of member's pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department of Education uses a national fund as the basis for calculating the employer's contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as the defined contribution scheme.

In 2010/2011, the Council paid £12.332m to the Teachers Pensions Scheme in respect of teachers retirement benefits, representing 14.2% of pensionable pay. The figures for 2009/2010 were £12.558m and 14.1%. There were no contributions remaining payable at the year end.

The authority is responsible for any additional benefits awarded upon early retirement outside of the terms of the teachers scheme.

Notes to the Accounts (Continued)

Note 43 – Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by South Tyneside Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there is no investment assets built up to meet these pensions' liabilities, and cash has to be generated to meet actual pension's payments as they eventually fall due.

Transactions Relating to Post-employment Benefits
We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made inn the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Notes to the Accounts (Continued)

Transactions Relating to Post-employment Benefits

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2010/2011 £m	2009/2010 £m	**2010/2011 £m**	2009/2010 £m
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	**29.52**	19.74	**0.00**	0.00
Past service cost	**(131.20)**	1.06	**(3.80)**	0.00
Settlements and curtailments	**0.00**	0.00	**0.00**	0.00
Financing and Investment Income and Expenditure				
Interest cost	**64.83**	60.80	**2.51**	2.95
Expected return on scheme assets	**(55.09)**	(33.43)	**0.00**	0.00
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(91.94)**	48.17	**(1.29)**	2.95
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement				
Actuarial gains and losses	**(7.99)**	126.15	**0.42**	4.05
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(99.93)**	174.32	**(0.87)**	7.00
Movement in Reserves Statement				
or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(125.35)**	15.40	**(4.62)**	3.95
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers contributions payable to the scheme	**33.41**	32.77	**3.33**	(1.00)
Retirement payments payable to pensioners	**(32.80)**	(29.56)	**0.00**	0.00

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £222.68m.

Notes to the Accounts (Continued)

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligations):

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2010/2011 £m	2009/2010 £m	**2010/2011 £m**	2009/2010 £m
Opening balance at 1 April	**1,276.85**	920.91	**50.04**	46.40
Current service cost	**29.52**	19.74	**0.00**	0.00
Interest cost	**64.83**	60.80	**2.51**	2.95
Contributions by scheme participants	**9.34**	9.27	**0.00**	0.00
Actuarial gains and (losses)	**(34.84)**	294.59	**0.42**	4.05
Benefits paid	**(32.80)**	(29.52)	**(3.33)**	(3.36)
Past service cost	**(132.20)**	1.06	**(3.80)**	0.00
Entity combinations	**0.00**	0.00	**0.00**	0.00
Curtailments	**0.00**	0.00	**0.00**	0.00
Settlements	**0.00**	0.00	**0.00**	0.00
Closing balance at 31 March	**1,180.70**	1,276.85	**45.84**	50.04

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2010/2011 £m	2009/2010 £m
Opening balance at 1 April	**752.77**	538.38
Expected rate of return	**55.09**	33.43
Actuarial gains and (losses)	**(26.85)**	168.44
Employer contributions	**33.41**	32.77
Participant contributions	**9.34**	9.27
Benefits paid	**(32.80)**	(29.52)
Entity combinations	**0.00**	0.00
Settlements	**0.00**	0.00
Closing balance at 31 March	**790.96**	752.77

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected return on equity investments reflect long-term real rates of return experienced in the respective markets.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing Sunderland City Council's liabilities in Tyne & Wear Pension Fund by £135.0m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund

Notes to the Accounts (Continued)

The actual return on scheme assets in the year was £28.24m (2009/2010 £201.87m)

	2007/2008 £m	2008/2009 £m	2009/2010 £m	**2010/2011 £m**
Present value of liabilities:				
Local Government Pension Scheme	839.63	920.91	1,276.85	**1,181.70**
Discretionary Benefits	44.96	46.40	50.04	**45.84**
Fair value of assets in the Local Government Pension Scheme	640.77	538.38	752.77	**790.96**
Surplus / (Deficit) in the scheme:				
Local Government Pension Scheme	(198.86)	(382.53)	(524.08)	**(390.74)**
Discretionary Benefits	(44.96)	(46.40)	(50.04)	**(45.84)**
Total	(243.82)	(428.93)	(574.12)	**(436.58)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £1,181.70m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a positive balance sheet worth of £685.8m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £30.6m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £2.43m.

Basis for Estimating Assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years depend on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefit liabilities have been assessed by Aon Hewitt Limited an independent firm of actuaries, estimates for the council fund being based on the latest full valuation of the scheme as at 1 April 2010.

Notes to the Accounts (Continued)

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2010/2011	2009/2010	**2010/2011**	2009/2010
Long-term expected rate of return on assets in the scheme:				
Equity investments	**8.4%**	8.0%	**N/A**	N/A
Property	**7.9%**	8.5%	**N/A**	N/A
Government Bonds	**4.4%**	4.5%	**N/A**	N/A
Corporate Bonds	**5.1%**	5.5%	**N/A**	N/A
Cash	**1.5%**	0.7%	**N/A**	N/A
Other	**8.4%**	8.0%	**N/A**	N/A
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	**23.3 years**	22.2 years	**23.3 years**	22.2 years
Women	**25.6 years**	25.1 years	**25.6 years**	25.1 years
Longevity at 65 for future pensioners				
Men	**21.5 years**	20.0 years	**21.5 years**	20.0 years
Women	**23.7 years**	22.9 years	**23.7 years**	22.9 years
RPI	**3.7%**	3.9%	**3.6%**	3.8%
CPI	**2.8%**	N/A	**2.7%**	N/A
Rate of increase in salaries	**5.2%**	5.4%	**N/A**	N/A
Rate of increase in pensions	**2.8%**	3.9%	**2.7%**	3.8%
Rate for discounting scheme liabilities	**5.4%**	5.5%	**5.5%**	5.5%
Commutation - Pre 1 April 1998	**50.0%**	50.0%	**N/A**	N/A
Commutation - Post 31 March 2008	**75.0%**	75.0%	**N/A**	N/A

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following catagories, by proportion of the total assets held:

	2010/2011 %	2009/2010 %
Equities	**68.0**	67.8
Property	**8.1**	7.4
Government Bonds	**7.0**	9.3
Corporate Bonds	**11.7**	11.4
Cash	**1.2**	1.3
Other	**4.0**	2.8
Total	**100.0**	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/2011 can be analysed into the following catagories, measured as a percentage of assets or liabilities at 31 March 2011.

	2007/2008 %	2008/2009 %	2009/2010 %	**2010/2011 %**
Difference between the expected and actual return on assets	(5.5)	(22.1)	26.8	**3.6**
Experience gains and losses on liabilities	(0.5)	1.3	2.3	**1.0**

Notes to the Accounts (Continued)

Note 44 – Contingent Liabilities

Like most other local authorities there are a number of part-time pension cases which have been pending for some time. A number of test cases have now been decided and the process of applying the principles determined in the test cases to the claims commenced against the Council is now underway. Potential payments are anticipated not to exceed £0.250m.

The City Council, together with the other Tyne and Wear Districts, are guarantors to the Tyne and Wear Pension Fund in respect of employees of the North East Regional Assembly and the Association of North East Councils.

The City Council acts as a guarantor for No Limits Theatre Company to the Tyne and Wear Pension Fund in respect of pensions for transferring employees.

Future possible payments may be required to Gentoo (formerly the Sunderland Housing Group) under the terms of the Transfer Agreement established between the Council and Gentoo for claims relating to non environmental and environmental warranties. This agreement was drawn up as part of the Large Scale Voluntary Transfer which took place on 26th March 2001 which transferred all Council Housing and related assets to Gentoo. The amount included in the Agreement stipulates that the Council's maximum liability to the Group in respect of all claims howsoever made shall not exceed in aggregate the sum of £240.0m and as yet no claims have been made.

The Council also acts as a guarantor for those employees that were employed originally by the Council but transferred to the Sunderland Housing Group, (now Gentoo), on the basis that basic pension only would be funded (no added years). This is a diminishing potential liability, however, as staff turnover occurs and transferred staff retire.

A revised claim was received from Pyeroy of approximately £0.395m, (previously £0.260m), in respect of the Wearmouth Bridge Works which were completed in August 2003. The dispute has already been considered by an Adjudicator who dismissed Pyeroy's claim; however they have referred the dispute to formal arbitration. The Council continues to resist Pyeroy’s claim and has sought advice from Queen’s Counsel on this matter. The Council is reasonably confident that Pyeroy will not succeed but it is still however considered prudent to disclose a contingent liability in the accounts. The claim continues to be resisted by the Council and in light of the position with this dispute the Council considers that any further payment would not exceed £0.200m plus potential costs should the Council lose this action.

The Council has a number of outstanding equal pay claims from staff who are seeking financial redress in respect of periods when unequal pay is alleged to have been applied by the Council. The Council has settled a large number of claims and is currently engaged in proceedings in relation to other claims made but not yet settled and has therefore set up a reserve to meet or assist in meeting these future potential liabilities. The Council continues to strenuously resist the claims made and has taken advice from leading Counsel. However, if the Council were to lose cases there could be a significant financial impact on the Council.

The Council has received notice from the Environment Agency that it is one of a number of named organisations that is a potential contributor to the costs of remediation of contaminated land at Halliwell Banks in Sunderland. The cost of the remediation works have not yet been accurately quantified and it is not possible to determine the level of the Council’s exposure at this current time. The position will however be kept under regular review, but it is considered prudent to treat it as a contingent liability.

Notes to the Accounts (Continued)

Further to the recent judicial review proceedings brought by Prudential Assurance Company Ltd in connection with Peel Retail Park in Washington, the Council has agreed to consider the question of whether or not two planning permissions granted for the sub-division of Units 1 and 2 of the Retail Park should be modified to restrict the retail use of the proposed sub-units to the sale of certain categories of goods only in accordance with a planning agreement entered into 1987 in respect of the site. This matter is to be considered by the Council's Planning & Highways Committee in due course. If the Council determines that it is appropriate to modify the two planning permissions in light of the relevant planning considerations, then the Council would be liable to pay compensation to Peel as the owner of the site. If necessary, the amount of the Council's liability would be determined at the appropriate time.

Note 45 – Contingent Assets

The Council has a number of outstanding VAT claims lodged with Revenue and Customs in relation to overpaid output tax, the value of these claims amount to £4.665m. However as there is no indication of the likelihood of these claims being paid they have been reflected as a contingent asset.

The Council entered into an agreement with Wainhomes (Yorkshire) Ltd and Persimmon Homes Ltd to make phased payment contributions to educational facilities at Easington Lane Primary School; a locally equipped play area; public open space and sports and recreation facilities under Section 106 of the Town and County Planning Act 1990. The monies will be paid to the Council upon phased sale of properties at the development of land at Murton Lane, Hetton-le-Hole, the timing of which is uncertain. The total value of the agreement is £1.261m.

Note 46 - Nature and Extent of Risk Arising from Financial Instruments

The Council's management of treasury risks activity works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principals for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risks.

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies that are on the Council's Approved Lending List. The counterparty criteria and associated investment limits are set out in the table below, taking account of the credit ratings issued by all three credit rating agencies(Fitch, Moody's and Standard & Poor's):

Fitch / S&P's Long Term Rating	Fitch Short Term Rating	S&P's Short Term Rating	Moody's Long Term Rating	Moody's Short Term Rating	Maximum Deposit £m	Maximum Duration
AAA	F1+	A1+	Aaa	P-1	50	2 Years
AA+	F1+	A1+	Aa1	P-1	50	2 Years
AA	F1+	A1+	Aa2	P-1	40	364 Days
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	230	364 Days
A+	F1	A-1	A1	P-1	10	364 Days
A	F1 / F2	A-1 / A-2	A2	P-1 / P-2	10	364 Days
A-	F1 / F2	A-2	A3	P-1 / P-2	5	6 months
Local Authorities					30	364 Days
Money Market Funds					50 (max 10 per fund)	2 Years

Notes to the Accounts (Continued)

In addition to the criteria identified above limits are also placed on the country in which the institution is resident, the sector of the institution and if companies are members of a group of companies then a limit is placed on the group. Full details of these limits can be found in the Councils Treasury Management Policy and Strategy

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. The Council expects full repayment on the due date of deposits placed with its counterparties

	Amount at 31 March 2011 £'000	Historical Experience of default %	Historical Experience adjusted for market conditions as at 31 March 2011 £'000	Estimated maximum exposure to default and uncollectability at 31 March 2011 £'000	Estimated maximum exposure to default and uncollectability at 31 March 2010 £'000
Deposits with Banks and other financial institutions	188,991	0	0	0	0
Bonds and other securities	0	0	0	0	0
Customers	16,655	2.90	0	483	535
Financial Assets	**205,646**		**0**	**483**	**535**

No credit limits were exceeded during the reporting period and the authority does not expect any loss from non performance by any of its counterparties in relation to deposits and bonds.

The authority does not generally allow credit for customers, such that £16.655m of the £69.033m is beyond its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2011 £'000	31 March 2010 £'000
Less than 3 months	**6,370**	6,248
Three to six months	**439**	113
Six months to one year	**85**	172
More than one year	**467**	472
	7,361	7,005

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loan Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact or re-borrowing at a time of unfavourable interest rates. The maturity analysis of financial liabilities is as follows:

Notes to the Accounts (Continued)

Loans Outstanding	**31 March 2011 £'000**	31 March 2010 £'000
Less than 1 year	**32,985**	32,463
Maturing in 1-2 years	**5,052**	58
Maturing in 2-5 years	**15,144**	10,046
Maturing in 5-10 years	**18,248**	14,081
Maturing in 10-20 years	**15,248**	9,110
Maturing in 20-30 years	**30**	40
Maturing in 30-40 years	**15,000**	15,002
Maturing in 40-50 years	**74,500**	64,500
Maturing in more than 50 years	**35,221**	35,227
Total	**211,428**	180,527

All trade and other payables are due to be paid in less than one year.

Market Risk
The Council is exposed to interest rate risk in different ways; the first being the uncertainty of interest paid / received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Statement.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Statement.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the balance sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the balance sheet for those assets held at fair value in the balance sheet, which would also be reflected in the STRGL.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the balance sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk and these are set out in the Council's Annual Treasury Management Policy and Strategy Statement. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid to limit exposure to losses. The risk of loss is ameliorated to a certain extent by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates of the authority's cost of borrowing and therefore provide 'compensation' for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and this is updated and reviewed regularly during the year. This allows for any adverse changes to be considered and addressed where appropriate. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31st March 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Notes to the Accounts (Continued)

	31 March 2011 £'000	31 March 2010 £'000
Increase in interest payable on variable rate borrowings	**411**	509
Increase in interest received on variable rate borrowings	**2,105**	1,869
Net Impact on Income and Expenditure Account	**1,694**	1,360
Decrease in fair value of 'available for sale' investment assets	**0**	0
Impact on MiRS	**0**	0
Decrease in fair value of fixed rate investment assets	**(569)**	(586)
(No impact on Comprehensive I&E Statement or MiRS)		
Decrease in fair value of fixed rate borrowing liabilities	**24,271**	(17,377)
(No impact on Comprehensive I&E Statement or MiRS)		

Price Risk
The Council does not generally invest in equity shares but does have shareholdings to the value of £795,123 (2009/2010 £795,123) in Newcastle Airport which is not listed on the stock exchange. The authority is consequently exposed to loss arising from the movement in the price of these shares which were re-valued in 2009/2010.

The Council holds a small number of various gilts and unit trusts with a value at cost of £19,541(2009/2010 £19,541) which are classified as 'available for sale', meaning that all movements in price, would, if considered material impact on the gains and losses recognised in the MiRS. The market value of these holdings as at 31st March 2011 was £106,601 in total (the value at 31st March 2010 was £81,676).

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

Note 47 – Trust Funds

The Council is responsible for the administration of a number of trust funds on behalf of their specified trustees. These funds do not represent assets of the Council and are therefore not included in the Council's Balance Sheet. At 31st March 2011 the Council was responsible for 42 of these funds (40 relating to Children's Services and 2 relating to Adult Social Services), details of which are shown below.

	Balance at 01/04/2010 £'000	Additions during the year £'000	Income £'000	Expenditure £'000	**Balance at 31/03/2011 £'000**
Childrens Services Trust Funds	194	0	43	67	**170**
Adult Services Trust Funds	71	0	0	0	**71**
	265	0	43	67	**241**

Supplementary Statement

The Collection Fund Account for Year Ended 31 March 2011

	Note	2010/2011		2009/2010	
		£'000	£'000	£'000	£'000
Income					
Council Tax	48		**108,713**		107,474
Government Grants	51		**2**		(1)
Income from Business Rates	49		**74,949**		78,036
			183,664		185,509
Expenditure					
Precepts and Demands:					
City of Sunderland		**95,238**		93,908	
Tyne and Wear Fire and Rescue Authority		**6,720**		5,837	
Northumbria Police		**5,875**	**107,833**	6,546	106,291
Business Rates - Payment to pool	49	**73,079**		76,131	
Business Rates - Cost of collection and other allowances.	49 & 50b	**1,870**	**74,949**	1,905	78,036
Amounts Written Off:					
Council Tax	50a		**470**		430
Provision for uncollectable amounts:					
Council Tax			**(391)**		(723)
			182,861		184,034
Net Income (Deficit) for the Year			**803**		1,475
Add balance b/fwd from previous year			**1,141**		166
Less Amounts transferred to General Fund					
Council Tax Surplus			**(50)**		(500)
Fund Balance Carried Forward at 31 March	52		**1,894**		1,141

Notes to the Collection Fund Account

48 – Income from Council Tax

Council Tax income derives from charges raised according to the value of residential properties. All properties are classified into 8 valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council and dividing this by the Council Tax Base. This basic amount of Council Tax for a Band D property £1,342.80 for 2010/2011, (£1,325.72 for 2009/2010), is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax bills are based on the following proportions:

Band	Proportion
A	0.67
B	0.78
C	0.89
D	1.00
E	1.22
F	1.44
G	1.67
H	2.00

The calculation of the estimated, adjusted Band D is shown below and gives the amount of Council Tax which would be raised over each Band for every £1 of Council Tax charged by the Council. This is more commonly known as the Council Tax Base.

Band	**2010/2011 £ p**	2009/2010 £ p
A	**43,799.55**	43,785.07
B	**11,270.60**	11,095.10
C	**12,487.82**	12,441.86
D	**7,282.63**	7,317.66
E	**3,195.97**	3,223.22
F	**1,311.51**	1,307.26
G	**883.22**	893.03
H	**28.42**	25.48
	80,259.72	80,088.68

The income of £108,713,589 for 2010/2011, (£107,473,578 for 2009/2010), is receivable from the following sources:

	2010/2011 £'000	2009/2010 £'000
Billed to Council Tax Payers	**82,009**	81,286
Council Tax Benefits	**26,704**	26,188
Total	**108,713**	107,474

Notes to the Collection Fund Account (Continued)

49 – Income from (National Non Domestic Rates) Business Rates

Under the revised arrangements for business rates, the Council collects business rates for its area which are based on local rateable value multiplied by a uniform rate. The total amount, less certain reliefs and other deductions is paid to a central pool managed by Central Government. The contribution due from the Council to the National Non Domestic Rates Pool for 2010/2011 can be analysed as follows:

	2010/2011		2009/2010	
	£'000	**£'000**	£'000	£'000
Gross Rates Collectable		**74,949**		78,036
Less:				
Costs of Collection Allowance	**(333)**		(340)	
Other Allowances and Adjustments Reclaimable	**(587)**		(619)	
Amounts Written Off	**(950)**	**(1,870)**	(946)	(1,905)
Amount Payable to Pool		**73,079**		76,131

Central Government, in turn, pays back to authorities their share of the pool based on a standard amount per head of the local adult population. For 2010/2011 the Council received a contribution from the pool of £137,496,111 which is payable directly to the General Fund, (in 2009/2010 this figure was £125,643,033).

The Total Business Rateable value as at 31 March 2011 was £217,453,597 (the value as at 31st March 2010 was £184,383,871). The Business Rates Multiplier (poundage) for 2010/2011 was 41.4 pence compared to the previous year's figure of 48.5 pence. For businesses that qualified for small business relief the Business Rate Multiplier was 40.7 pence in 2010/2011, (compared to the 48.1 pence in 2009/2010).

50 – Amounts Written Off During The Year

a) Council Tax
Once all actions to recover outstanding debt have been exhausted, the Council will write off uncollectable debt in accordance with proper accounting practice. In 2010/2011 £469,687 (£430,004 for 2009/2010) was written off with most of the sums involved relating to bankruptcy, death and where all actions have failed to collect the debt over a period of years. It should be noted that the amounts written off were already included in the accounts as a provision for bad debts, and as such does not impact on the Precepting Authorities resources. To put this figure into context, the amount written off compared to the collectable Council Tax for 2010/2011 represents 0.43% (2009/2010 was 0.40%) of the total sum.

b) Business Rates
In 2010/2011 £950,499 was written off, (2009/2010 £945,650), with most of the sums involved relating to bankruptcy, death and where all actions have failed to collect the debt over a period of years. It should be noted that the amounts written off were already included in the accounts as a provision for bad debts, and as such does not impact on the Authorities resources. To put this figure into context, the amount written off compared to the collectable Business Rates for 2010/2011 represents 1.27% (2009/2010 was 1.21%) of the total sum.

51 – Government Grants

	2010/2011 £'000	2009/2010 £'000
Transitional Relief Grant	**2**	(1)

Notes to the Collection Fund Account (Continued)

52 – Fund Balance

The fund balance can be analysed as follows:

	2010/2011 £'000	2009/2010 £'000
Sunderland City Council	**1,673**	1,008
Northumbria Police Authority	**118**	70
Tyne & Wear Fire and Rescue Authority	**103**	63
Total Collection Fund Balance	**1,894**	1,141

The amounts of the Collection Fund balance relating to the Northumbria Police Authority and the Tyne and Wear Fire and Rescue Authority are shown in the Balance sheet as creditors, as the amounts of £118,054 and £103,213 are effectively owed to these authorities. The amount of the Collection Fund balance relating to the Council of £1,673,178 is shown in Reserves which forms part of the Net Worth of the Council in the Balance Sheet.