Sunderland City Council

Statement of Accounts

2013/2014

Subject to Audit

Contents

Cabinet 2013/2014

Cabinet membership and responsibilities are as below:

Member	Portfolio
P. Watson	Leader of the Council
H. Trueman	Deputy Leader of the Council
M. Speding	Cabinet Secretary
P. Smith	Children’s Services
G. Miller	Health, Housing and Adults
J. Kelly	Public Health, Wellness and Culture
J. Blackburn	City Services
C. Gofton	Responsive Services and Customer Care

Introduction

A published and audited Statement of Accounts is at the heart of ensuring proper accountability for the use of local and national taxpayers' money. We recognise, however, that the Council's Accounts can only tell part of the story. The Council needs to continue to demonstrate that it is aiming to operate to the highest standards of conduct in accordance with the principles of corporate governance and has a robust system of internal control in place.

With regard to corporate governance, the Council considers an annual review of its Local Code of Corporate Governance. The 2013/2014 review was considered by the Audit and Governance Committee in June and will be reported to Cabinet in July followed by full Council. The Code follows the framework recommended by CIPFA / SOLACE. The review assesses the Council's arrangements for compliance with the Code, which identifies the underlying principles of corporate governance - openness and inclusivity; integrity; and accountability – across the various dimensions of the Council's business. The review found that the Council continues to have robust and comprehensive arrangements in place and has identified a small number of areas for improvement and development, which will be acted upon during 2014/2015.

In line with guidance issued by CIPFA, the Council has a well established Audit and Governance Committee which carries out the role of an Audit Committee. The role of this Committee involves not only approving the Statement of Accounts, but also reviewing arrangements for areas such as treasury management, risk management, the wider internal control environment and also consideration of internal and external audit plans, progress reports and annual reports.

Within the Statement of Accounts, an Annual Governance Statement has been included, which confirms that there are sound systems of Internal Control in place. We will however continue to ensure action is taken where necessary to maintain and develop the system of Internal Control in the future.

Councillor Paul Watson Leader of the Council	Dave Smith Chief Executive	Sonia Tognarelli CPFA Head of Financial Resources

Dated: 27th June 2014

Certification of the Statement of Accounts

Statement of Accounts 2013/2014 (Subject to Audit) Certification by the Responsible Finance Officer

As the Council's Responsible Finance Officer, I hereby certify that in accordance with the Accounts and Audit Regulations 2011 Regulation 8 (2) the Statement of Accounts for 2013/2014 (subject to audit) presents a true and fair view of the financial position of Sunderland City Council as at 31st March 2014 and its income and expenditure for the year then ended.

Sonia Tognarelli CPFA
Head of Financial Resources

Dated: 27th June 2014

Audited Statement of Accounts 2013/2014 Certification on behalf of those charged with governance

As Chairman of the Audit and Governance Committee, I hereby acknowledge receipt of the audited Statement of Accounts for 2013/2014 by this Committee, in accordance with the Accounts and Audit Regulations 2011 Regulation 8(3), and confirm that the Statement of Accounts was approved at the Audit and Governance Committee of 26th September 2014 in accordance with sub-paragraph 8 (3) (c) with regard to the aforementioned Regulations.

Mr. G.N. Cook
Chairman of the Audit and Governance Committee

Dated: 26th September 2014

Audited Statement of Accounts 2013/2014 Certification by the Responsible Finance Officer

As the Council's Responsible Finance Officer, I hereby re-certify the audited statement of accounts for 2013/2014 in accordance with Regulation 8 (2) of the Accounts and Audit Regulations 2011.

Sonia Tognarelli CPFA
Head of Financial Resources

Dated: 26th September 2014

Foreword by the Head of Financial Resources

This Statement of Accounts shows, in the following pages, the Council's final accounts for 2013/2014. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013/2014' (based on International Financial Reporting Standards (IFRS)) known more commonly as the Code. The Code constitutes 'proper accounting practice' under the terms of the Local Government Act 2003 and the Accounts and Audit Regulations 2011.

Certain financial statements are required to be prepared under the Code and these are detailed below:

1. Statement of Responsibilities

This discloses the respective responsibilities of the Council and the Chief Finance Officer.

2. Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves.

3. 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 shown in the Movement in Reserves Statement.

4. Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by reserves held by the Council.

5. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period.

6. Notes (including a summary of significant accounting policies and other explanatory information)

The Notes to the financial statements have three significant roles, they:

- Present information about the basis of preparation of the financial statements and the specific accounting policies used.
- Disclose information that is required by the Code that is not presented elsewhere in the financial statements.
- Disclose information that is not presented elsewhere in the financial statements, but is relevant to their understanding.

7. Collection Fund Account

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

8. Group Accounts

The Group Accounts present the financial statements and associated notes for Sunderland City Council together with the following subsidiaries:

- Care and Support Sunderland Ltd;
- Sunderland Care and Support Ltd;
- Sunderland Live Ltd.

Foreword by the Head of Financial Resources

Revenue Expenditure and Income Summary

The estimated net revenue expenditure for 2013/2014 to be met from Government Grants and local taxpayers was approved at £267.468m. This meant that the Band D Council Tax, after allowing for Revenue Support Grant and National Non Domestic Rates and including both the Police and Fire and Rescue Authority precepts, was set at £1,345.73 for 2013/2014. This represented no Council Tax increase from the 2012/2013 Band D Council Tax level as a Council Tax freeze was implemented in setting the 2013/2014 budget. The Council again set the lowest Council Tax level in the whole of the North East region for 2013/2014 for the seventh consecutive year and has continued to set the lowest Council Tax in Tyne and Wear since Council Tax was introduced in 1993/1994.

Comprehensive and detailed budget monitoring is carried out monthly during the year and is supplemented by formal budget monitoring reports which are made quarterly to the Council's Cabinet. These detail the outcome of the review of budgets and spending forecasts for both capital and revenue expenditure and also include a review of certain other key financial items including Treasury Management and Prudential Indicators. Reporting during the financial year continues to reflect strong and robust financial management, continuing the Council's strong track record in this regard.

The table below summarises the financial position for the year 2013/2014 for General Fund Balances, which is made up of the Council's General Reserve and Balances held by Schools under the Local Management Scheme, in accordance with the Code, and also shows the original budget and the revised budget positions for 2013/2014.

Financial position for the year 2013/2014 for General Fund Balances

	2013/2014 Original Estimate £'000	2013/2014 Revised Estimate £'000	2013/2014 Actual £'000	2012/2013 Actual £'000
Expenditure on Services*	246,122	246,122	231,362	244,717
Levies and Precepts	17,821	17,821	17,820	18,101
(Surplus) / Deficit from Trading Operations and Dividends	0	0	(556)	(653)
Transfers to / (from) Capital Reserves ***	0	0	16,778	3,914
Transfers to / (from) other Revenue Reserves ***	3,525	3,525	2,268	(17,181)
Total Net Expenditure	267,468	267,468	267,672	248,898
Financed by:				
Revenue Support Grant and General Grants	115,428	115,428	116,127	5,398
Top Up Grant	34,600	34,600	34,600	0
National Non Domestic rates**	40,886	40,886	39,239	145,368
Council Tax Collection Fund Receipts**	76,054	76,054	76,167	96,356
Council Tax Surplus	500	500	500	500
Total Net Budget Requirement	267,468	267,468	266,633	247,622
Addition / (Use):				
General Reserve (See Note 1)	0	0	0	0
Schools LMS Reserve (See Note 2)	0	0	(1,039)	(1,276)
General Fund Balance brought forward:				
General Reserve	7,570	7,570	7,570	7,570
School LMS Reserve	9,364	9,364	9,364	10,640
General Fund Balance carried forward:				
General Reserve	**7,570**	**7,570**	**7,570**	**7,570**
School LMS Reserve	**9,364**	**9,364**	**8,325**	**9,364**

* This excludes the effect of IAS19 pension fund adjustments.
** This figure includes an adjustment for Council Tax debtors and creditors as required under the Code of Practice on Local Authority Accounting in the United Kingdom 2013/2014.
*** Movements in Capital and Revenue usable reserves are detailed in Note 8 (page 55).

Foreword by the Head of Financial Resources

Note 1 - General Reserve

The table shows the general reserve balance of £7.570m has been maintained as forecast at estimate stage. This is after taking into account a transfer of funds to a Capital Priorities Reserve as reported to Cabinet as part of the outturn report.

The outturn position takes account of the following variations to budget during 2013/2014:

- £4.237m debt charge and interest on investment savings due to slippage in the capital programme and additional investment income, over and above that utilised to fund in-year transitional costs as agreed by Cabinet at third review stage;
- Other net savings of £4.379m in respect of contingencies, additional one off income, other variations in non-delegated expenditure and net of provisions for known future pressures;
- Earmarking of Reserves of £3.615m for specific purposes as reported to Cabinet as part of the outturn report

The net under spend of £5.001m has been transferred to a Capital Priorities Reserve to support priority capital projects in 2014/2015 and future years.

Note 2 - Movement on Locally Managed Schools Reserve

The Education Reform Act 1988 provides for the carry forward of individual school balances. These earmarked reserves are not for Council use and the level of the reserve, in accordance with the Code, forms part of the movement in General Fund Balances in the Movement in Reserves Statement. The movement in school balances during 2013/2014 amounted to a net use of balances of £1.039m (£1.276m net use of balances in 2012/2013), as a result of increased spending by schools and is reflected in the Statement of Accounts within the Comprehensive Income and Expenditure Statement on the Education cost of service line. School balances are fully committed and are required to meet the challenges in respect of reduced funding in 2014/2015 and future years.

As a result, the balance of this reserve as at 31st March 2014 decreased to £8.325m compared to £9.364m as at 31st March 2013. Further details are set out in Note 8 (page 55) to the Accounts.

Foreword by the Head of Financial Resources

Funding Context and Financial Planning

2013/2014 represented the fourth year of the implementation of the Government's plans to eliminate the national deficit. During that period the Government has regularly revised its forecasts. Its current stated intention is to continue with reductions in national funding up until 2019/2020 to enable a small budget surplus.

The government funding reductions and unavoidable cost pressures over the four year period 2010/2011 to 2013/2014 has meant Sunderland City Council has had to achieve savings of £135m.

£37m of these reductions were achieved in 2013/2014 through the implementation of the Council's Improvement and Transformation Programme which aimed to meet need and achieve savings while protecting as far as possible frontline services and maximising non-frontline savings. This continued the aggressive approach to reducing back office support costs and working more smartly by rationalising property. In addition, Directorate improvement plans have reshaped services with the aim of protecting core services and ensuring they continue to be more responsive to local needs, with targeting of resources rather than universal provision. Service reviews have included consideration of alternative methods of service delivery in order to identify the most effective and efficient models for service provision.

In addition to the government's funding reductions the general economic situation has continued to impact on the Council's financial position in 2013/2014:

- The very low interest rates continued to have an impact on the financial return on the Council's deposits, leading to reduced levels of income available to support the Council's Revenue Budget.
- The ability of the Council to generate capital receipts from the sale of surplus assets continues to restrict the resources available for the Council's capital programme. However alternative means of funding priority investment continue to be rigorously pursued with positive results in a number of areas.
- The general economic position continues to affect the level of income which can be generated from fees and charges for Council services.

Looking to 2014/2015, further reductions in Government funding and cost pressures mean that the budget has been set taking account of a further £36m of reductions. The approach to the reductions requirement maximises savings from non-frontline services including releasing corporate resources where previous years plans had reached full fruition. Reflecting the increasingly challenging position the Council faces in achieving the level of reductions required, almost half of the reductions for 2014/2015 will be achieved by implementing Directorate Improvement Plans. These involve re-commissioning services, reprioritising spend, greater collaboration and use of alternative delivery models. This reflects the increasingly challenging position the Council faces in achieving the level of reductions required. (Full detail of the savings plans for 2014/2015 are set out in the Budget Report to Council of 5th March 2014.)

Looking to the medium term, the Government has provided indicative funding levels for 2015/2016 which indicate a further saving requirement of £36m, with the three year savings requirement for 2014/2015 to 2016/2017 likely to be in the region of £113m. The outlook beyond this remains very challenging with the Government's stated intention of continued funding reductions through to 2019/2020.

The Council continues to plan for these further significant reductions and risks. As set out in the Medium Term Financial Strategy, the achievement of savings will continue through implementation of the Council's Improvement programme framework.

The Council's Improvement Agenda

The Council has continued to address the significant Government funding reductions through a programme of improvement activity across the Council.

- The Transformation Programme remains the Council's key method to reduce cost and drive improved outcomes. This seeks to understand and meet most important community needs by:
    - understanding demand and prioritising service provision to protect core services and those most vulnerable;
    - maximising non-frontline savings;
    - ensuring services are responsive to local needs;
    - targeting resources rather than universal service provision;
    - developing alternative ways of providing services not necessarily by the Council;
    - greater collaboration and community involvement;

- continued focus on progressing Regeneration, funding leverage and commercial opportunities.

The programme delivered savings in 2013/2014 via:

- Reviews within Strategic and Shared Services by reengineering support services to reflect the business needs of the Council and reviewing the Council's use of operational buildings as part of the Smarter Working project.
- A range of service review activity through:
  - reviews within responsive local services and further integration of the parks function;
  - a review of libraries service provision resulting in a new service model being introduced;
  - continued review of Transport and Fleet Management through better utilisation of vehicles, and more efficient hire and maintenance arrangements;
  - continued review of Children's Services structures through rationalisation of staffing and management structures.

A range of cross cutting projects are being progressed through the Transformation Programme to support the delivery of future savings requirements into the medium term including:

- working with communities and the voluntary sector to help build resilient and sustainable communities that can also support the delivery of services in the future;
- building customer insight and intelligence to better inform decision making and ensure resources are targeted at those most in need;
- reviewing workforce planning arrangements to ensure timely delivery of savings proposals;
- developing integrated commissioning for People and Place based services to enable a cross cutting approach to Council commissioning arrangements;
- working in partnership with the Clinical Commissioning Group and health and social care sector to develop integrated health and social care services.

- A range of Workforce Planning measures over the last four years has enabled the size of the workforce to be reduced in a planned and managed way. A combination of measures, including restrictions on external recruitment, internal redeployments, early retirements and a voluntary severance scheme, has meant the workforce reduced by another 5% (513 employees) during 2013/2014. The severance scheme has continued to demonstrate strong value for money enabling early release of planned savings for 2014/2015 and significant annual on-going savings to be secured. The costs of the scheme were contained within the 2013/2014 budget.

  In addition the impact of the Transformation Programme has reduced the workforce further as a result of TUPE transfers of employees to Local Authority Trading Companies, resulting in a further reduction of 15% (1,485 employees).

- A central part of the Council's transformation agenda, the Community Leadership Council aims to strengthen the position of Councillors, residents and customers at the centre of decision making in the Council and the City. 2013/2014 has seen:
  - successful operation of Place and People Boards in each Area of the City as a key part of the Council's drive to make frontline services more responsive to the communities that they serve;
  - sustained record levels of Member satisfaction with the advice and support provided by Officers;
  - record levels of trust between employees and managers within the Council;

- The Economic Regeneration Programme focuses on the Council's contribution to the delivery of those programmes and projects identified and prioritised as being important to achieving the aims of the Sunderland Economic Master Plan. The main objective is to improve Sunderland's economic prosperity. The Economic Regeneration Programme is directed by an Economic Leadership Board comprising representatives of the private sector, public sector and social enterprises. Key successes for 2013/2014 include:
  - Reaching agreement with Government on the Council's City Deal proposal which will create a new International Advanced Manufacturing Park; a proposed 100 hectare development to the west of Sunderland city centre that will house new automotive, logistics and offshore manufacturing businesses. This development will support the vision for local economic growth as set out by the North East Local Enterprise Partnership and increasing private sector growth and employment. The deal also includes a range of Government improvements to the A19 plus confirmation of funding towards the new Wear bridge project and its approach roads.
  - Commencing the St Mary's Boulevard realignment scheme which will create a four lane gateway into the city centre for vehicles and a pedestrian-focussed connection between the city centre and

the central business district planned for the former Vaux brewery site. The newly realigned road forms part of the Sunderland Strategic Transport Corridor (SSTC) that connects key city locations; including the North East's Low Carbon Enterprise Zone, major assets including the Port of Sunderland (with its huge growth area as both a gateway to Europe and key to supporting the off-shore wind industry) and the dynamic Nissan car plant.
    - Establishment of a £115m capital programme within the Council's budget to bring forward other major developments during 2014/2015.
    - The Council appointed Carillion (Maple Oak) Limited and Igloo Regeneration Limited as preferred bidder for its Local Asset Backed Vehicle (LABV). Contractual arrangements are anticipated to be completed during early 2014/2015 for the LABV which will operate for a period of twenty years. The Council will transfer the majority of its investment property portfolio and a number of development sites into the LABV which will accelerate and deliver physical and economic regeneration of the city on those sites.

- The development of Alternative Service Delivery models has led to the establishment of two additional Local Authority Trading Companies (LATCs) during 2013/2014: Sunderland Care and Support Ltd and Sunderland Live Ltd. The scale of these operations has led to the requirement to complete group accounts for the first time. Further information on the Companies is contained within the Related Parties Note (note 37) and the detailed Group Accounts and disclosure notes beginning on page 121.

Business Rates and Council Tax

In 2013/2014, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give councils a greater incentive to grow businesses. However it also increases the financial risk due to volatility, non-collection of rates and additional liabilities in respect of appeals. Instead of paying NNDR to a central pool, local authorities retain a proportion of the total collectable rates due, in the case of Sunderland the local share is 49%. The remainder is distributed to preceptors and in the case of Sunderland these are Central Government (50%) and the Tyne and Wear Fire and Rescue Service (1%).

In addition, from April 2013 the Government also abolished the national Council Tax Benefit system and required local authorities to develop local schemes known as the Local Council Tax Scheme.

These changes have resulted in significant risk transfer to the Council from Central Government as any non-collection of income must now be borne, at least in part by the Council. Arrangements ensure this additional risk is closely monitored and reviewed as part of the regular budget monitoring carried out by the Council.

Transfer of Public Health responsibilities to local authorities

The Health and Social Care Act 2012 transferred substantial health improvement responsibilities to local authorities from 1st April 2013. In 2013/2014 the Council received a ring-fenced public health grant of £20.656m in order to improve the health and wellbeing of its residents.

The transfer of responsibilities is reflected by the inclusion of a new Public Health line in the Comprehensive Income and Expenditure Statement as required by the Code, which includes all service costs that meets the public health defined activity. This has meant that in some instances there has been a re-categorisation of existing service costs that deliver the required public health outcomes in accordance with the aims of the new funding.

South Tyne and Wear Waste Management Partnership PFI Scheme

The South Tyne and Wear Waste Management Partnership was established to enable the three partner authorities (Gateshead, Sunderland and South Tyneside Councils) to jointly procure a service for the treatment and disposal of residual municipal waste.

In April 2011, the Partnership, led by Gateshead Council, signed a £727m PFI contract with a consortium led by SITA UK. Sunderland City Council is expected to utilise approximately 32% of the total capacity of the facility each year, resulting in estimated unitary charge payments of £283m over the duration of the contract including indexation.

Foreword by the Head of Financial Resources

The contract is focussed on the development of an energy-from-waste facility on Teesside which will treat approximately 190,000 tonnes of residual waste generated by the three councils each year until the expiry date in March 2039.

Service commencement was achieved on 22nd April 2014 following independent certification of the energy-from-waste facility, meaning that the unitary charge associated with using the asset will become payable from the 2014/2015 financial year based upon the volumes of waste provided by each Authority.

Equal Pay claims

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 majority of claims have been stayed by the Employment Tribunal to allow settlement discussions to take place. A significant number of the claims have been settled, with efforts on-going to settle the remainder of the stayed cases.

Workforce Transformation

The Council is currently undertaking a Workforce Transformation project. The purpose of the project is to devise and implement a new local agreement for employees that will provide a set of modern, streamlined terms and conditions of employment and a modern, flexible pay and grading structure that meets the future needs of the organisation. The project is expected to be implemented from 1st April 2015.

Capital Expenditure and Income and Major Acquisitions, Capital Works and Disposals during 2013/2014

Capital Expenditure for the year totalled £51.015m. Expenditure on non-current assets for 2013/2014 was £43.937m (Note 12, page 60), whilst expenditure on intangible assets was £0.304m (Note 15, page 64). The remainder of £6.774m represents grants, advances to other organisations for capital purposes, de-minimis expenditure transferred to revenue, and expenditure on property not owned by the Council.

The above total capital expenditure was financed by Borrowing of £23.203m, Capital Receipts of £0.666m, Government Grants of £22.390m, Other Grants and Contributions of £0.228m, Revenue Contributions of £2.325m and Use of Reserves of £2.203m.

The Council spent £2.498m on the purchase of land and property during 2013/2014. This included strategic land acquisitions that will be used to regenerate the city centre and surrounding areas, and investment for the Port to benefit economic growth.

The Council is involved in a number of major projects, known as capital works. The main schemes are listed below for information, and show the amounts of expenditure incurred during 2013/2014, the total estimated gross cost of each scheme, and the status of the project at the end of this financial year.

Scheme / Project	Expenditure during 2013/2014 £'000	Total Currently Estimated Gross Cost £'000	Physically Completed / In Progress as at 31 March 2014
Washington Business Centre	6,017	6,040	Complete
St Mary's Boulevard & City Square	5,750	12,581	In Progress
Port Mobile Crane	3,000	3,000	Complete
Demolition of Former Crowtree Leisure Centre	2,560	2,946	In Progress
New Washington Leisure Centre	1,681	11,300	In Progress
Refuse Vehicles Purchase	2,568	2,568	Complete

There was one major asset disposal (over £0.500m) made during the year. This was in respect of the sale of land at Newcastle Road, Sunderland (£0.834m) to a housing developer. In addition seven schools became academies as disclosed in Note 5 (page 50). In these cases, the assets transferred from the Council to the academies without a capital receipt in accordance with government regulations.

Foreword by the Head of Financial Resources

Council's Borrowing and Treasury Management Position

The Capital Programme report incorporating Prudential Indicators and the Treasury Management Policy and Strategy submitted to Council on 6th March 2013 detailed the 2013/2014 borrowing limits for the Council.

The specific borrowing limits set relate to two of the Prudential Indicators, which are required under the Prudential Code, which was introduced on 1st April 2004. The Council is required to set borrowing limits for the following three financial years. The limits for 2013/2014 were as follows:

- Authorised Limit for External Debt for 2013/2014 of £398.602m.
- Operational Boundary for External Debt for 2013/2014 of £355.326m.

As part of the Council's Treasury Management operation, these two Prudential Indicators are monitored on a daily basis. The Authorised Limit and Operational Boundary for the Council were not exceeded during 2013/2014. The highest level of borrowing incurred by the Council in respect of the above limits, during 2013/2014, was £213.106m (this figure excludes other long-term liabilities such as PFI and Finance leases which already include borrowing instruments).

In line with best accounting practice, the Council must follow the Treasury Management Policy and Strategy agreed by full Council each year. The Policy for 2013/2014 is included in detail within the Accounting Policies (Note 1, page 31) for information.

Interest rates in 2013/2014 remained at historic low levels as global and national economic growth remained low and economic pressures continued within the Eurozone. Whilst sovereign debt concerns and volatility of a number of Eurozone countries has eased in 2013/2014 there is still a concern over potential deflation and a lack of public confidence in Eurozone austerity programmes. Subsequently the United Kingdom continued to be viewed as a safer haven for investments and this has kept gilt yields and PWLB rates low.

The Council's economic advisers believe that there is optimism for a sustained economic recovery in the UK with growth taking place in business investment, household spending and real wages. However, the Governor of the Bank of England has said that the economy has only just begun to head back towards normal and there is a danger that growth will remain weak, primarily due to continued difficulties in the Eurozone, the UK's largest trading partner, and elsewhere. Uncertainty is likely to continue into the medium term and it is anticipated that the Bank Base rate will not start to rise until mid-2015. Forecasts are that PWLB interest rate levels will rise in the medium-term as a result of the continued recovery in confidence in equity markets however bond yields remain extremely unpredictable and these forecasts depend on economic stability in the Eurozone and a low level of political risk worldwide. Economic forecasts will be closely monitored to ensure that potential risks to the Council are minimised.

The Council has had to operate its Treasury Management function within these very challenging and uncertain times by carefully managing the Council's cash resources and the Council continues to operate a prudent and cautious approach to Treasury Management. The Council follows professional standards and best practice in this specialist area and continues to develop its Treasury Management expertise and knowledge in order to safeguard the Council's resources and thereby reducing the risks that inevitably exist in this complex area.

The performance of the Council's Treasury Management function continues to contribute significant financial savings that are used to provide funding for future years' capital programmes and to help support the Council's revenue budget. No new PWLB borrowing was taken out in 2013/2014 and the Council instead used internal funds to finance its capital borrowing requirement. This policy has been followed as there is a short-term revenue cost in taking out new borrowing and PWLB rates are anticipated to remain low over the short-term.

The average rate of the Council's borrowing at 3.47% is in the top quartile when benchmarked against other authorities as is the 1.03% rate of return achieved on investments. The high rate of return achieved on investments in 2013/2014 represents a very good achievement, especially when short-term investment rates continue to remain very low, and this helps to show how proactive Treasury Management can have significant positive effects on the Council's resources.

Foreword by the Head of Financial Resources

Pensions

The cost of pensions to the Council continues to increase year on year and remains a major item of expenditure which the Council has to meet each year. Through the Hutton Review, pensions have been reviewed and core scheme arrangements agreed which will support the reduction/stabilisation of the employer's costs of funding pensions for public sector workers and to make them more affordable to the Council Tax payer. These changes were implemented on 1st April 2014.

Although IAS19 is regarded as a complex accounting standard it is based on a simple principle, namely that an organisation should account for retirement benefits when it is committed to giving them, even if the actual payment of those benefits will be many years into the future. Inclusion of the pension fund assets and liabilities in the accounts does not mean that the legal title or obligation has passed from the Pension Fund Administrator to the employer. Instead it represents the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (through reduced contributions) from a surplus in the Pension Fund.

The last full actuarial valuation of the Pension Fund was carried out as at 31st March 2013 and has been updated by independent actuaries to take into account the requirements of IAS19 in order to assess liabilities as at 31st March 2014.

There have been several changes to required accounting treatment for financial years beginning on or after 1st January 2013. In order to comply with these new IAS19 requirements, disclosures in relation to the Council's defined benefit pension scheme have been restated for 2012/2013. Note 51 details these changes and their impact on the Council's core financial statements. Throughout this set of accounts, all disclosures which have been affected are identified as 'restated'. The Council continues to comply fully with this Standard and the Accounting Policy (Note 1, page 31) and the Notes to the Core Financial Statements provide details of the necessary disclosures required.

The net overall impact of IAS19 accounting entries is neutral in the accounts, and, in reality, as the Council is committed to making the necessary pension deficiency payments in order to address any shortfall in the pension fund identified by the Actuary, then the Balance Sheet net worth is in effect reporting future years' deficits, which are being addressed.

The financial health of the Council is consequently being affected by the accounting requirements in respect of IAS19. However, the Pension Fund Reserve Deficit reflected in Note 24 (page 71), as assessed by the Actuary, as at 31st March 2014, is being addressed by the Council in line with government regulations whereby a period of 22 years to correct the deficit position has been agreed. The Council can meet the assessed deficit with planned and agreed future years' contributions based on independent actuarial advice.

Sonia Tognarelli CPFA
Head of Financial Resources
27th June 2014

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

1. To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Financial Resources.

2. To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Head of Financial Resources' Responsibilities

The Head of Financial Resources is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/2014 ("the Code"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2014.

Authorised for Issue Date

The unaudited accounts were issued on 27th June 2014 and the audited accounts will be authorised for issue on 26th September 2014, once the external audit has been completed.

Certificate of the Head of Financial Resources

I certify that in preparing this statement of accounts I have:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code, except where disclosed.

I have also:

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

Sonia Tognarelli CPFA
Head of Financial Resources

27th June 2014

Independent Auditor's Report to the Members of Sunderland City Council

The Auditors Report will be included in the accounts when they are presented to the Audit and Governance Committee in September 2014.

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Annual Governance Statement

1. SCOPE OF RESPONSIBILITY

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We also have a duty to continually review and improve the way in which functions are exercised.

We have put in place a local Code of Corporate Governance and a framework intended to make sure we do the right things, in the right way, for the right people. The Code is on the Council's website [here] or can be obtained from the Head of Financial Resources. This Statement explains how the Council has complied with its Code in 2013/14.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values that direct and control our activities and through which we account to, engage with, and lead the community. The framework enables us to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The governance framework has been in place at the Council for the year ended 31st March 2014 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

3.1 There is a clear vision of our purpose and intended outcomes for citizens and service users that is clearly communicated, both within and outside the organisation. The Sunderland Strategy 2008-2025 provides the framework for members of the Sunderland Partnership, organisations, groups of people and individuals, to work together to improve the quality of life in Sunderland by 2025. It sets out a Vision for the city and its people and how everyone will work together to achieve that Vision:

"Creating a better future for everyone in Sunderland - Sunderland will be a welcoming, internationally recognised city where people have the opportunity to fulfil their aspirations for a healthy, safe and prosperous future."

3.2 The Council has developed a set of guiding principles to help decision making and agree priorities. These are:

- Elected members are community leaders at the core of decision making
- Our communities, residents and businesses are at the centre of everything we do
- We encourage, respect and value innovation and enterprise
- We demand high performance, personal responsibility and personal accountability
- We value people's individual contributions to our collective goals
- We are ambitious for the city and for ourselves; we view all change as an opportunity; we celebrate and build on our past without being confined by it.

3.3 To translate these principles into action, the Council has set out its priorities under the following clear outcomes that are derived from its vision

People – raising aspirations, creating confidence and promoting opportunity
Place – leading the investment in an attractive and inclusive city and its communities
Economy – creating the conditions in which businesses can establish and thrive.

3.4 The Corporate Plan sets out our priorities and the significant actions we will take. These, in turn, shape the activity of our various services and how we will focus our resources. We are clear where we need to get to and what we need to do to get there.

3.5 Arrangements are in place to review our vision and its implications for the authority's governance arrangements. The annual strategic planning process, engagement and participation with residents, needs analysis and demographic information ensure the authority's vision remains relevant and meets the needs of local communities. There are annual reviews of the local Code of Corporate Governance to ensure that it is up to date and effective. The reviews are overseen by the Council's Corporate Assurance Group using assurances and information gathered through the Integrated Assurance Framework (IAF) which was put in place in 2012/13. The IAF brings together assurances from all available internal and external sources.

3.6 Arrangements are in place to measure the quality of our services, to ensure they are delivered in line with our objectives and for ensuring that they provide value for money. There are performance management arrangements in place including a corporate performance review scheme for staff. Services are delivered by suitably qualified / trained / experienced staff and all posts have detailed job profiles / descriptions and person specifications.

3.7 The roles and responsibilities of Council members and employees are clearly documented, with clear delegation arrangements and protocols for effective communication. The Council's Constitution sets out how the Council operates. It incorporates a clear delegation scheme, indicates responsibilities for functions and sets out how decisions are made.

3.8 The Constitution includes Rules of Procedure and a scheme of delegation which clearly define how decisions are taken and we have various Codes and Protocols that set out standards of behaviour for members and staff. Directorates have established delegation schemes, although these require regular updating to reflect on-going organisational changes.

3.9 During the year a system of scrutiny was in place allowing the scrutiny function to:

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the executive and/or any joint or area committee in connection with the discharge of any functions;
- consider any matter affecting the area or its inhabitants;
- exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the executive and/or area committees; and
- consider Local Petitions and Councillor Calls for Action for matters within their terms of reference.

3.10 A range of financial and HR policies and procedures are in place, as well as robust and well embedded risk management processes. Appropriate project management standards and Business Continuity Plans are in place, which are subject to on-going review. There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts. There are clearly defined capital expenditure guidelines in place and procedures are in place to ensure that the Dedicated Schools Grant is properly allocated to and used by schools in line with the terms of grant given by the Secretary of State under section 16 of the Education Act 2002.

3.11 The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Head of Financial Resources is the designated Chief Finance Officer and fulfils this role through the following:

- Attendance at meetings of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest;
- Involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered;
- Alignment of medium term business and financial planning processes;
- Leading the promotion and delivery of good financial management by the whole organisation so that public money is safeguarded and used appropriately, economically, efficiently and effectively;
- Ensuring that the finance function is resourced to be fit for purpose.

3.12 The Council has an Audit and Governance Committee which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:

- consider the effectiveness of the authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;

- be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- receive and consider (but not direct) internal audit's strategy, plan and monitor performance;
- receive and consider the external audit plan;
- review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary;
- receive and consider the annual report of internal audit;
- consider the reports of external audit and inspection agencies, including the Annual Audit Letter;
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- review the external auditor's opinions and reports to members, and monitor management action in response to the issues raised by external audit;
- review the adequacy of and compliance with, the Councils Treasury Management Policy; and
- Make recommendations to Cabinet or Council as appropriate.

3.13 We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Head of Law and Governance is the Council's designated Monitoring Officer and a protocol is in place with all Chief Officers, to safeguard the legality of all Council activities. All Cabinet Reports are considered for legal issues before submission to members.

3.14 The Council's internal audit service has been subject to an independent review of its effectiveness which concluded that the service operates in accordance with professional standards.

3.15 Arrangements for whistle-blowing and for receiving and investigating complaints from the public are well publicised. We are committed to maintaining these arrangements to ensure that, where any individual has concerns regarding the conduct of any aspect of the Council's business, they can easily report their concerns. Monitoring records held by the Head of Law and Governance reveal that the whistle blowing arrangements are being used by both staff and the public, and that the Council is responding appropriately. The whistle blowing arrangements have assisted with the maintenance of a strong regime of internal control.

3.16 We have arrangements to identify the development needs of members and senior officers in relation to their strategic roles. The Community Leadership Programme has continued to support elected Members to fulfil their community leadership role. The Council's HR strategy identifies managing the performance of all of employees is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role, annual appraisal focusing on strengths and highlighting areas of weakness, job related training, and on-going evaluation of the extent to which employees understand and support the values of the Council.

3.17 Clear channels of communication have been established with all sections of the community to promote accountability and encourage open consultation. We are committed to listening to, and acting upon, the views of the local community and carry out consultation in order to make sure that services meet the needs of local people. Community Spirit is Sunderland's residents' panel, currently made up of over 1,000 residents from all parts of the city.

3.18 Governance arrangements with respect to partnerships and other group working incorporate good practice as identified by the Audit Commission's report on the governance of partnerships, and are reflected in the authority's overall governance arrangements. The Council has published a Code of Practice for Partnerships which includes a template for Partnership Agreements and a range of checklists to ensure key risk areas are considered and addressed. The Code is designed to provide a corporate framework for all staff involved in considering new partnership working, and to assist Members and employees to review existing arrangements.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is carried out over the course of the year through the Integrated Assurance Framework. The review is informed by the Corporate Assurance Map which summarises assurances gathered from all available sources and in particular:

- The views of Members through participation in a survey covering governance and Member support issues and through the activity of the Scrutiny and Standards Committees.
- Assurances from Heads of Service who have carried out self-assessments relating to their areas of responsibility.
- Assurances from senior officers responsible for relevant specialist areas.
- Internal audit planning processes which include consultation with all Chief Officers, and audit activity as detailed in the Internal Audit Annual Report. The external auditor has conducted a review of the effectiveness of Internal Audit Services and concluded that there are robust arrangements in place to comply with the Public Sector Internal Audit Standards.
- The external auditors (Mazars) Annual Audit Letter for 2012/13 provides an unqualified opinion on the financial statements. The report confirms that the Council has proper arrangements in place to secure financial resilience, and
  for challenging how it secures economy, efficiency and effectiveness.
- Given the significant levels of transformational change occurring within the Council a number of risks were highlighted in relation to the Council's ICT arrangements. Some actions have already been taken to mitigate these risks and work is on-going. Progress is being monitored by senior management and the Audit and Governance Committee.

The Head of Assurance, Procurement and Projects has directed, co-ordinated and overseen the review and its findings have been reported to the Executive Management Team and Cabinet for their consideration and approval of the Annual Governance Statement.

The outcome of the review of effectiveness provided the necessary assurance and that no significant issues were identified. The findings of the review have been reported to the Audit and Governance Committee and under their Terms of Reference the Committee have satisfied themselves that the Annual Governance Statement properly reflects the risk environment and any actions required to improve it.

Cabinet and the Audit and Governance Committee have advised us of the findings of the review of the effectiveness of the governance framework, and an improvement plan has been agreed.

We propose over the coming year to take steps to implement the improvement plan to further enhance the Council's governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review and we will monitor their implementation and operation as part of the next annual review.

Paul Watson	Dave Smith	Sonia Tognarelli
Leader of the Council	Chief Executive	Head of Financial Resources

Dated: 27th June 2014

Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and ‘unusable reserves’. The (Surplus) or Deficit on the Provision of Service line shows the true economic cost of providing the Council'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 Council. The tables below show the details for both 2012/2013 (restated) and 2013/2014 as required by the Code of Accounting Practice.

Financial Statements

Movement in Reserves Statement for 2013/2014 (including 2012/2013 comparative information)

	Notes	General Fund Balance Restated £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves** Restated **£'000**	Unusable Reserves Restated £'000	**Total Authority Reserves** Restated **£'000**
Balance at 31 March 2012 carried forward		(18,210)	(150,239)	(5,492)	(5,854)	**(179,795)**	(318,277)	**(498,072)**
<u>Movement in reserves during 2012/2013</u>								
Deficit on provision of services		181,410	0	0	0	**181,410**	0	**181,410**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	(24,650)	**(24,650)**
Total Comprehensive Income and Expenditure		**181,410**	**0**	**0**	**0**	**181,410**	**(24,650)**	**156,760**
Adjustments between accounting basis & funding basis under regulations		(162,060)	0	(3,155)	(1,652)	**(166,867)**	166,867	**0**
Net (Increase) / Decrease before transfers to Earmarked Reserves		19,350	0	(3,155)	(1,652)	**14,543**	142,217	**156,760**
Transfers to / (from) Earmarked Reserves		(18,074)	18,074	0	0	**0**	0	**0**
(Increase) / Decrease in 2012/2013		1,276	18,074	(3,155)	(1,652)	**14,543**	142,217	**156,760**
Balance at 31 March 2013		**(16,934)**	**(132,165)**	**(8,647)**	**(7,506)**	**(165,252)**	**(176,060)**	**(341,312)**
<u>Movement in reserves during 2013/2014</u>								
Deficit on provision of services		134,023	0	0	0	**134,023**	0	**134,023**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	(246,242)	**(246,242)**
Total Comprehensive Income and Expenditure		**134,023**	**0**	**0**	**0**	**134,023**	**(246,242)**	**(112,219)**
Adjustments between accounting basis & funding basis under regulations	7	(150,749)	0	(1,584)	303	**(152,030)**	152,030	**0**
Net (Increase) / Decrease before transfers to Earmarked Reserves		(16,726)	0	(1,584)	303	**(18,007)**	(94,212)	**(112,219)**
Transfers to / (from) Earmarked Reserves	8	17,765	(17,765)	0	0	**0**	0	**0**
(Increase) / Decrease in 2013/2014		1,039	(17,765)	(1,584)	303	**(18,007)**	(94,212)	**(112,219)**
Balance at 31 March 2014		**(15,895)**	**(149,930)**	**(10,231)**	**(7,203)**	**(183,259)**	**(270,272)**	**(453,531)**

Financial Statements

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 shown in the Movement in Reserves Statement.

Financial Statements

Comprehensive Income and Expenditure Statement for 2013/2014 (including 2012/2013 comparative information)

2012/2013					2013/2014		
Gross Expenditure Restated £'000	Gross Income £'000	Net Expenditure Restated £'000		Notes	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
35,359	29,759	5,600	Central services to the public		**9,815**	**7,317**	**2,498**
33,097	7,801	25,296	Cultural and related services		**27,520**	**6,877**	**20,643**
29,105	4,964	24,141	Environmental and regulatory services		**29,822**	**8,006**	**21,816**
32,904	9,996	22,908	Planning services		**31,357**	**10,006**	**21,351**
235,482	203,212	32,270	Education services		**197,376**	**166,163**	**31,213**
36,189	4,624	31,565	Children's social care		**40,058**	**4,818**	**35,240**
29,833	10,336	19,497	Highways and transport services		**32,004**	**11,833**	**20,171**
137,008	131,118	5,890	Other housing services		**130,491**	**125,012**	**5,479**
124,586	55,604	68,982	Adult social care		**134,353**	**46,377**	**87,976**
0	0	0	Public Health		**20,208**	**20,776**	**(568)**
19,345	8,617	10,728	Corporate and democratic core		**22,764**	**13,823**	**8,941**
7,632	2,554	5,078	Non distributed costs		**637**	**0**	**637**
10,014	0	10,014	Exceptional item - severance costs		**7,192**	**0**	**7,192**
41,319	0	41,319	Exceptional item - equal pay settlement/provision		**11,065**	**0**	**11,065**
0	0	0	Exceptional item - property revaluation loss		**22,000**	**0**	**22,000**
0	0	0	Exceptional item - IAS19 settlement adjustment	44	**(12,260)**	**0**	**(12,260)**
771,873	468,585	303,288	**Cost of Services**	28	**704,402**	**421,008**	**283,394**
114,553	0	114,553	Other operating expenditure	9	**95,080**	**0**	**95,080**
31,110	5,877	25,233	Financing and investment income and expenditure	10	**45,326**	**4,988**	**40,338**
0	261,664	(261,664)	Taxation and non-specific grant income and expenditure	11	**0**	**284,789**	**(284,789)**
917,536	736,126	181,410	**(Surplus) or Deficit on Provision of Services**	28	**844,808**	**710,785**	**134,023**
			Items that will not be reclassified to (surplus)/deficit on Provision of Services				
		(38,635)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	12/24a			**(33,222)**
		29,590	Re-measurements of the defined benefit liability	44			**(213,020)**
		(9,045)					**(246,242)**
			Items that may be reclassified to (surplus)/deficit on Provision of Services				
		(15,605)	(Surplus) or deficit on revaluation of available for sale financial assets	24h			**0**
		(24,650)	**Other Comprehensive Income and Expenditure**				**(246,242)**
		156,760	**Total Comprehensive Income and Expenditure**				**(112,219)**

Financial Statements

Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that 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'.

31st March 2013 £'000		Notes	**31st March 2014 £'000**
977,297	Property, Plant and Equipment	12	**892,125**
11,357	Heritage Assets	13	**11,342**
68,923	Investment Property	14	**60,607**
2,185	Intangible Assets	15	**2,051**
16,787	Long Term Investments	16	**16,787**
40,889	Long Term Debtors	16	**39,574**
1,117,438	**Long Term Assets**		**1,022,486**
147,135	Short Term Investments	16	**90,619**
1,335	Inventories	17	**807**
30,490	Short Term Debtors	18	**49,810**
975	Assets Held for Sale	20	**1,732**
41,990	Cash and Cash Equivalents (In-hand & bank	16/19	**71,031**
221,925	**Current Assets**		**213,999**
(18,093)	Cash and Cash Equivalents (overdrawn)	19	**(17,776)**
(35,849)	Short Term Borrowing	16	**(40,734)**
(38,949)	Short Term Creditors	21	**(42,748)**
(35,556)	Provisions	22	**(26,950)**
(6,882)	Grant Receipts in Advance - Capital	36	**(5,206)**
(135,329)	**Current Liabilities**		**(133,414)**
(179,744)	Long Term Borrowing	16	**(169,533)**
(677,227)	Other Long Term Liabilities	16/24d	**(475,081)**
(5,751)	Provisions	22	**(4,926)**
(862,722)	**Long Term Liabilities**		**(649,540)**
341,312	**Net Assets**		**453,531**
(165,252)	Usable Reserves	8	**(183,259)**
(176,060)	Unusable Reserves	24	**(270,272)**
(341,312)	**Total Reserves**		**(453,531)**

Financial Statements

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute towards the Council'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 Council.

2012/2013 Restated £'000		Notes	**2013/2014** **£'000**
181,410	Net (surplus) or deficit on the provision of services		**134,023**
(206,399)	Adjust net (surplus) or deficit on the provision of services for non cash movement		**(164,836)**
21,311	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		**24,562**
(3,678)	Net cash flows from operating activities	25	**(6,251)**
4,439	Investing activities	26	**(33,586)**
8,039	Financing activities	27	**10,479**
8,800	**Net (increase) or decrease in cash and cash equivalents**		**(29,358)**
32,697	Cash and cash equivalents at the beginning of the reporting period		**23,897**
23,897	**Cash and cash equivalents at the end of the reporting period**	19	**53,255**

Notes to the Accounts

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Note 1 – Significant Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/2014 financial year and its position at the year end of 31 March 2014. 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 2013/2014 and the Service Reporting Code of Practice 2013/2014, 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. In particular:

- 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.

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 highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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 non-current 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 assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. 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 amortisation 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 wholly 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, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Notes to the Accounts

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 in exchange for those benefits. They are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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 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), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and as a result no liability for future payments of benefits is recognised in the Council's Balance Sheet. The 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 Tyne and Wear 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 based on the indicative rate of return on high quality corporate bonds;
- The assets of the Tyne and Wear 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 pension liability is analysed into the following components:

a) Service cost comprising:

- 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;
- 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;
- net interest on the net defined benefit liability (asset), ie net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

b) Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

c) contributions paid to the Tyne and Wear 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 transfers 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;
- 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 four types:

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.

Notes to the Accounts

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).

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.

Notes to the Accounts

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 and Expenditure (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.

Business Improvement District (BID)

A Business Improvement District (BID) scheme applies to a designated area within the City Centre. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as a principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within 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.

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 re-valued 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 between 5 and 10 years depending on licence conditions.

1.12 Interests in Companies & Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

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. A de-minimis level of £5,000 is applied to inventories.

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. The only investment properties held by the Council are areas of land which are held for capital appreciation and therefore earn no rental income.

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 annually 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.

Revaluation and disposal gains and losses are not permitted by statutory arrangements 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.

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 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 is 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 non-current 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 Service Reporting Code of Practice 2013/2014 (SeRCOP). The charging method varies according to the service provision, with the most appropriate basis being agreed with the customer on an annual basis, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Net Expenditure on Continuing Services.

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.

1.18 Delegated Budgets

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. 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. Capital expenditure that 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 in the year 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 'non current 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 Valuation Manager 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 and Expenditure 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 re-valued sufficiently 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 Valuation Manager. 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 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.

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

- 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)
- 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.

Notes to the Accounts

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

Voluntary Aided Church schools and Foundation schools where the asset is not owned by the Council are not included on the Council's Balance Sheet. Assets for schools that transfer to academy status are transferred on a long lease with peppercorn rental and the asset is in effect owned by the school and its asset value is not therefore included on the Council's balance sheet. Community School assets are included on the Council's Balance Sheet.

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.

Impairment

Assets are assessed at each 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.

Where impairment losses are identified, they are accounted for by:

- 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)
- 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 divided by the future life expectancy. Depreciation is charged in the year following acquisition, with the exception of acquisition and enhancement of buildings that are revalued at 31st March where depreciation is charged in the year the acquisition or enhancement takes place.

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

Asset Category	Years
Buildings	3 - 68
Infrastructure	5 - 40
Vehicles, plant and furniture	5 - 20

Where an item of Property, Plant and Equipment 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. Immediately before the initial classification of an asset as held for sale the carrying amount of the asset is measured in accordance with the relevant section of the code. 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 previous 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 non-current 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 non-current assets needed to provide the services passes to the PFI contractor.

Recognising assets and liabilities

Property used in a PFI and similar contracts shall be recognised as an asset or assets of the local council. 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 council bears an element of the construction risk, which will not be the case where standard PFI contract terms are used. Where the Council 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.

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 non-current asset.

Minimum Revenue Provision (MRP) (England and Wales)

Assets acquired under a PFI and similar contract that are recognised on the Council'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' 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 instance, 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.

Notes to the Accounts

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.

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 reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Notes to the Accounts

1.28 Treasury Management

The Local Government Act 2003 requires the Council to adopt a Treasury Management Policy Statement and to set out its Treasury Management Strategy comprising the Council's strategy for borrowing and the Council's policies for managing its investments, and giving priority to the security and liquidity of those investments. The Department of Communities and Local Government issued revised investment guidance which came into effect from 1st April 2010 and CIPFA updated its Treasury Management in the Public Services Code of Practice in November 2011. The CIPFA Code of Practice has been fully adopted by the Council. A major requirement of the Code relates to the need to have in place a Treasury Management Policy Statement (TMPS), which is approved by full Council in March of each year. The TMPS defines the policies and objectives of its treasury management activities;

a) Treasury Management activities are defined as:
The management of the Council'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, and any financial instruments entered into to manage these risks.

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/cmis5/Meetings/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/7886/Committee/1578/Default.aspx

1.29 Carbon Reduction Commitment (CRC) Energy Efficiency Schemes

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the last year of its introductory phase, which ends on 31st March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions (i.e. carbon dioxide produced as energy is used). As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances.

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the cost of the Council's services and is apportioned to services on the basis of energy consumption.

1.30 Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012 introduced a change to the treatment in accounting for heritage assets held by the Authority. Heritage assets are now required to be carried in the balance sheet at valuation.

Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classifications in the Balance Sheet or were not recognised in the Balance Sheet and it was not possible to obtain cost information on the assets. Community Assets (that are now classed as Heritage Assets) that were donated to the Council are held at valuation as a proxy for historical cost. The Council has not recognised any assets previously held as community assets as heritage assets, this is because the cost of revaluing elements of community assets outweighs the benefit of the disclosure. Capital schemes on community assets are now analysed and any of the expenditure in excess of £10,000 relating to Historic Assets is capitalised as Historic Assets and held at historic cost. Revaluations, impairments or disposals are actioned against this balance sheet valuation. This is a departure from the Code of Practice on Local Authority Accounting in the United Kingdom 2013/2014.

The Council has recognised collections that are maintained on behalf of the Council by Tyne and Wear Museums for artefacts with a value in excess of £10,000 and assets valuations held on the Council's insurance schedule for assets classified as historic assets with a value in excess of £10,000.

In applying the new policy the Council identified an additional £11.357m for the recognition of heritage assets that were not previously recognised in the Balance Sheet. This increase was also recognised in the Revaluation Reserve.

There is no impact on the Comprehensive Income and Expenditure Statement.

1.31 Acquired Operations

The Health and Social Care Act 2012 transferred substantial health improvement responsibilities to local authorities from 1st April 2013. In 2013/2014 the Council received a ring-fenced public health grant of £20.656m in order to improve the health and wellbeing of its residents.

As required by the Code, the transfer of responsibilities is reflected by the inclusion of a new Public Health line in the Comprehensive Income and Expenditure Statement showing all service costs which meet the public health defined activity.

Note 2 – Accounting standards that have been issued but have not yet been adopted

The Code for 2014/2015 has introduced several changes in accounting policies which are required from 1st April 2014.

IAS 32 Financial Instruments: Presentations

IAS 32 outlines the accounting requirements for the presentation of financial instruments, particularly as to the classification of such instruments into financial assets, financial liabilities and equity instruments. Changes to the Code in 2014/2015 specify when a financial asset and liability can be offset and the net amount presented in the Balance Sheet. The Statement of Accounts discloses assets and liabilities separately and no change is anticipated in the 2014/2015 accounts.

Annual Improvements to IFRSs 2009 – 2011 Cycle

The IASB's annual improvements project provides a streamlined process for enhancing the quality of standards, by clarifying guidance and wording and making minor corrections. The main change which could affect the Council is the clarification of the disclosure requirements in respect of comparative information. The Statement of Accounts fully discloses comparative information for the preceding period therefore no impact is anticipated in the 2014/2015 accounts.

A number of the Code changes address the accounting for consolidation, involvements in joint arrangements and disclosure of involvement in other entities. These include:

IFRS 10 Consolidated Financial Statements

IFRS 10 outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls.

IFRS 11 Joint Arrangements

IFRS 11 outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control are classified as either a joint venture or a joint operation.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

IAS 27 Separate Financial Statements

IAS 27 outlines the accounting and disclosure requirements for 'separate financial statements'.

IAS 28 Investments in Associates and Joint Ventures

IAS 28 outlines the accounting for investments in associates. An associate is an entity over which an investor has significant influence.

As the Council has produced Group Accounts for 2013/2014, there are no further changes anticipated to the 2014/2015 accounts as a consequence of the five standards detailed above.

Note 3 – Critical Judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council 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 Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Retirement benefit obligations – the Council recognises and discloses 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 44.
- Provisions – provisions are measured at the Head of Financial Resources’ 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 in the accounting policies. 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 open market value of shares at 16th November 2012.

Notes to the Accounts

Note 4 – Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council 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 Council's Balance Sheet at 31st March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 Council 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 and their components would increase by £2.411m for every year that useful lives had to be reduced.*
Provisions	The Council has provisions of £31.876m, £4.325m 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 £0.433m to the provision needed.*
Arrears	At 31 March 2014, the Council had a balance of debtors of £49.810m. A review of significant balances suggested that an impairment of doubtful debts of 17.13% (£8.530m) was appropriate. However, significant changes to the current economic climate could affect 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 £8.530m to be set aside as an allowance.*
Pension 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 Council with expert advice about the assumptions to be applied.	The effects on the net pension liability for funded LGPS benefits of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumptions would result in a decrease in the pension liability of £24.09m. However, the assumptions interact in complex ways. During 2013/2014, the Council's actuaries advised that the net pension liability for funded LGPS benefits had decreased by £1.54m as a result of estimates being corrected as a result of experience and increased by £87.24m attributable to updating of the assumptions.

* 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.

Notes to the Accounts

Note 5 – Material items of income and expenditure

The loss on disposal of non-current assets of £75.952m 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.

The following assets have been transferred at a loss during 2013/2014;

	Loss on Disposal £m	Date of Transfer
Schools:		
Biddick School Sports College	**25.848**	1st July 2013
Monkwearmouth Academy	**24.329**	1st December 2013
Farringdon Community Sports College	**12.800**	1st July 2013
Newbottle Primary School	**5.250**	1st February 2014
New Penshaw Academy	**3.037**	1st April 2013
Plains Farm Academy	**2.792**	1st April 2013
Diamond Hall Infant School	**2.759**	1st July 2013
Non Schools:		
Other Net (Gains) and Losses	**(0.863)**	
Total	**75.952**	

Note 6 – Events after the Balance Sheet date

Non-adjusting Events after the Balance Sheet date

There are a number of events that have taken place since the accounts were certified on 27th June which are judged to be non-adjusting post balance sheet events, which need to be included in the financial statements for information.

Schools transferred to Academy Status

The following schools that were part of the Council's asset base at 31st March 2014 have since transferred to Academy status and the value of the assets that will be written out of the accounts are as follows.

- Barnwell Primary School - £5.185m
- Oxclose Village Primary School - £5.081m

Church aided schools that have become academies have no impact on the value of the Council's asset base, as these were not included in the Council's asset register in accordance with the Code.

Combined Authority

This Council along with the councils of Durham, Northumberland, Gateshead, Newcastle, North Tyneside and South Tyneside (LA7) formed a Combined Authority that was approved by the government on 14th April 2014. It is a separate legal entity and will have responsibility for a number of key strategic areas across the whole of the LA7 region. These will include transport, (all of the former Tyne and Wear Integrated Transport Authority services along with those operated by Durham and Northumberland councils), Economy and Inward Investment, Skills, Communications and will also be accountable for the North East LEP. It will be funded in accordance with the Combined Authority Agreement as agreed by each of its constituent members which was approved by the government.

Notes to the Accounts

Note 7 – Adjustments between accounting basis and funding basis under regulations

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

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which is can be applied and/or the financial year in which this can take place.

Notes to the Accounts

Note 7 - Adjustments between accounting basis and funding basis under regulations

2012/2013					2013/2014			
Usable					**Usable**			
General Fund Balance Restated	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves Restated		**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
£'000	£'000	£'000	£'000		**£'000**	**£'000**	**£'000**	**£'000**
				Adjustments primarily involving the Capital Adjustment Account:				
				Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
(46,236)	0	0	46,236	Charges for depreciation and impairment of non current assets	**(48,671)**	**0**	**0**	**48,671**
(13,235)	0	0	13,235	Revaluation losses on Property Plant and Equipment	**(33,424)**	**0**	**0**	**33,424**
5,372	0	0	(5,372)	Movements in the fair value of Investment Properties	**(8,316)**	**0**	**0**	**8,316**
(414)	0	0	414	Amortisation of intangible assets	**(438)**	**0**	**0**	**438**
5,074	0	0	(5,074)	Capital grants and contributions applied	**11,020**	**0**	**0**	**(11,020)**
(26,960)	0	0	26,960	Revenue expenditure funded from capital under statute	**(6,774)**	**0**	**0**	**6,774**
(99,151)	0	0	99,151	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	**(79,495)**	**0**	**0**	**79,495**
				Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
10,941	0	0	(10,941)	Statutory provision for the financing of capital investment	**12,074**	**0**	**0**	**(12,074)**
6,234	0	0	(6,234)	Capital expenditure charged against General Fund balances	**4,528**	**0**	**0**	**(4,528)**
				Adjustments primarily involving the Capital Grants Unapplied Account:				
13,528	0	(13,528)	0	Capital grants and contributions unapplied credited to the CIES	**11,296**	**0**	**(11,296)**	**0**
0	0	11,876	(11,876)	Application of grants to capital financing transferred to the Capital Adjustment Account	**0**	**0**	**11,599**	**(11,599)**

Notes to the Accounts

Note 7 - Adjustments between accounting basis and funding basis under regulations

2012/2013					2013/2014			
Usable					Usable			
General Fund Balance Restated	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves Restated		General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				Adjustments primarily involving the Capital Receipts Reserve:				
2,709	(2,709)	0	0	Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the CIES	**2,246**	**(2,246)**	**0**	**0**
0	13	0	(13)	Use of the Capital Receipts Reserve to finance new capital expenditure	**0**	**666**	**0**	**(666)**
				Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposal				
(10)	10	0	0	Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	**(11)**	**11**	**0**	**0**
				Adjustments primarily involving the Deferred Capital Receipts Reserve:				
(37)	0	0	37	Transfer of deferred sale proceeds credited as part of the gain/(loss) on disposal to the CIES	**(39)**	**0**	**0**	**39**
0	(469)	0	469	Transfer to the Capital Receipts Reserve upon receipt of	**0**	**(15)**	**0**	**15**
				Adjustments primarily involving the Financial Instruments Adjustment Account:				
(127)	0	0	127	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	**(125)**	**0**	**0**	**125**

Notes to the Accounts

Note 7 - Adjustments between accounting basis and funding basis under regulations

2012/2013					2013/2014			
Usable					Usable			
General Fund Balance Restated	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves Restated		**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable**
£'000	£'000	£'000	£'000		**£'000**	**£'000**	**£'000**	**£'000**
				Adjustments primarily involving the Pensions Reserve:				
(61,370)	0	0	61,370	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	**(47,180)**	**0**	**0**	**47,180**
39,200	0	0	(39,200)	Employer's pensions contributions and direct payments to pensioners payable in the year	**35,060**	**0**	**0**	**(35,060)**
				Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:				
0	0	0	0	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	**0**	**0**	**0**	**0**
				Adjustments primarily involving the Collection Fund Adjustment Account:				
285	0	0	(285)	Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	**(1,534)**	**0**	**0**	**1,534**
				Adjustments primarily involving the Accumulated Absences Account:				
2,137	0	0	(2,137)	Amount by 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	**(966)**	**0**	**0**	**966**
(162,060)	(3,155)	(1,652)	166,867	**Total Adjustments**	**(150,749)**	**(1,584)**	**303**	**152,030**

Notes to the Accounts

Note 8 – Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/2014.

	Balance at 31 March 2012 £'000	Transfers Out 2012/2013 £'000	Transfers In 2012/2013 £'000	Balance at 31 March 2013 £'000	Transfers Out 2013/2014 £'000	Transfers In 2013/2014 £'000	**Balance at 31 March 2014 £'000**
General Fund Balance	7,570	(76,148)	76,148	7,570	(376,273)	376,273	**7,570**
Delegated Budget Reserves:							
Balances held by schools under a scheme of delegation	10,640	(10,609)	9,333	9,364	(9,326)	8,287	**8,325**
Delegated budgets reserve - general	5,410	(5,672)	4,703	4,441	(3,572)	3,612	**4,481**
Total Delegated Reserves	16,050	(16,281)	14,036	13,805	(12,898)	11,899	**12,806**
Capital Reserves:							
Unutilised RCCO Reserve	3,175	(1,095)	929	3,009	(904)	531	**2,636**
Strategic Investment Plan Reserve	8,049	(760)	94	7,383	(239)	9	**7,153**
Capital Priorities Reserve	0	0	0	0	0	5,001	**5,001**
Children's Social Care Capital Reserve	192	0	0	192	0	0	**192**
Riverside Transfer	0	0	0	0	0	9,953	**9,953**
HCA Stadium Transfer	0	0	0	0	0	1,158	**1,158**
Other General Capital Reserves	3,375	(61)	0	3,314	(12)	0	**3,302**
Usable Capital Receipts	5,492	(23)	3,178	8,647	(1,279)	2,863	**10,231**
Capital Grants Unapplied	5,854	(11,876)	13,528	7,506	(11,599)	11,296	**7,203**
Total Capital Reserves	26,137	(13,815)	17,729	30,051	(14,033)	30,811	**46,829**
Earmarked Revenue Reserves:							
Insurance Reserve	3,685	(2,371)	2,617	3,931	(132)	1,343	**5,142**
Strategic Investment Reserve	68,579	(25,894)	9,838	52,523	(3,240)	428	**49,711**
Service Pressures Reserve	1,066	0	0	1,066	0	0	**1,066**

Note 8 – Movements in usable reserves

	Balance at 31 March 2012 £'000	Transfers Out 2012/2013 £'000	Transfers In 2012/2013 £'000	Balance at 31 March 2013 £'000	Transfers Out 2013/2014 £'000	Transfers In 2013/2014 £'000	**Balance at 31 March 2014 £'000**
Sandhill Centre PFI Smoothing Reserve	2,686	(20)	0	2,666	(76)	0	**2,590**
School Community Reserve	1,598	(1,452)	1,097	1,243	(1,018)	936	**1,161**
Education Redundancies Reserves	1,098	(218)	899	1,779	0	754	**2,533**
Street Lighting and Highways Signs PFI Smoothing Reserve	6,684	(426)	0	6,258	(248)	0	**6,010**
Adult Services Modernisation and Service Pressures Reserve	1,783	(1,625)	1,059	1,217	(970)	1,697	**1,944**
Play Areas Reserve	981	(158)	483	1,306	(388)	301	**1,219**
WNF-Software City	1,817	(280)	0	1,537	(327)	0	**1,210**
WNF Visible Workshop and other projects	3,550	(2)	0	3,548	(329)	85	**3,304**
Modernisation Improvements	2,481	(1,017)	0	1,464	(464)	0	**1,000**
Utilities Reserve	1,043	0	0	1,043	0	0	**1,043**
Commercial and Economic Development Activity	1,500	0	0	1,500	0	0	**1,500**
Transition Enablement	3,967	(2,930)	0	1,037	0	0	**1,037**
Riverside Transfer	11,980	(130)	26	11,876	(10,058)	34	**1,852**
Weekly Collection Reserve	0	0	1,010	1,010	(617)	2,232	**2,625**
External Placements Reserve	361	(534)	1,530	1,357	0	1,530	**2,887**
Public Health Reserve	0	0	900	900	(308)	965	**1,557**
New Homes Bonus Reserve	577	(133)	1,152	1,596	(21)	20	**1,595**
Business Rates Safety Net Reserve	0	0	0	0	0	6,097	**6,097**
HCA Stadium Transfer	0	0	0	0	(1,158)	2,954	**1,796**
Troublesome Families Reserve	0	0	0	0	0	1,206	**1,206**
Other Earmarked Reserves	14,602	(6,452)	6,819	14,969	(4,381)	5,381	**15,969**
Total Revenue Reserves	130,038	(43,642)	27,430	113,826	(23,735)	25,963	**116,054**
Total Reserves	**179,795**	**(149,886)**	**135,343**	**165,252**	**(426,939)**	**444,946**	**183,259**

Notes to the Accounts

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.
Capital Priorities Reserve	A reserve established to address some of the Council's key capital developments and strategic priorities.
Children's Social Care Capital Reserve	This reserve has been established to fund future capital developments of Social Care establishments.
Riverside Transfer	Reserve established to fund capital works associated with the Homes and Communities Agency land transferred to the Council.
HCA Stadium Transfer	Reserve established to fund capital works associated with the Homes and Communities Agency land transferred to the Council.
Other General Capital Reserve	Usable capital receipts set aside to fund future capital projects previously approved.
Revenue Reserves:	**Purpose of the Reserve**
Insurance Reserve	This reserve has been established to provide for potential future claims or claim increases.
Strategic Investment Reserve	A reserve established to address some of the Council's key developments and strategic priorities.
Service Pressures Reserve	To mitigate the potential budgetary impact of the economic downturn.
Sandhill Centre PFI Smoothing Reserve	The reserve was established to smooth the financial impact of the contract across the 25 years of the contract life.
School Community Reserve	The reserve holds the surpluses on community schemes at schools. Reserve to be held until all schemes are closed.
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 Council'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.
WNF - Software City	Reserve established to help fund the development and running of Software City.
WNF Visible Workshop	Reserve established to help fund the development and running of visible workshop.
Modernisation Improvements	Reserve established to assist with the financial implications of the Council's Modernisation plans including invest to save initiatives.
Utilities Reserve	Reserve established to protect the council against the future volatility of utility costs.

Notes to the Accounts

	Purpose of the Reserve
Commercial and Economic Development Activity	Reserve established to take advantage of commercial and economic development opportunities that will meet priorities of the Council.
Transition Reserve	Reserve established to meet the cost of future organisational changes.
Riverside Transfer	Reserve established to fund on-going maintenance of Homes and Communities Agency land transferred to the Council.
Weekly Collection Reserve	Reserve held to smooth funding over the five year weekly collection scheme.
External Placements Reserve	Reserve held to meet future costs of external placements in respect of Children's Social Care.
Public Health Reserve	Reserve to be used to fund expenditure on Public Health initiatives during 2014/2015.
New Homes Bonus Reserve	Reserve established to fund initiatives that will stimulate house building or bring empty homes back into use.
Business Rates Safety Net Reserve	Reserve established to address any potential impact arising from the increased risk and uncertainty within the new Business Rates Retention Scheme
HCA Stadium Transfer	Reserve established to fund on-going maintenance of Homes and Communities Agency land transferred to the Council.
Troublesome Families Reserve	Reserve to be utilised to transform the lives of troubled families in Sunderland.
Other Earmarked Reserves	Numerous small revenue reserves set up for specific purposes.

Notes to the Accounts

Note 9 – Other operating expenditure

2012/2013 £'000		**2013/2014 £'000**
54	Parish Council Precept	**54**
18,047	Levies	**17,766**
10	Payments to the Government Housing Capital Receipts Pool	**11**
81,725	(Gain) / losses on the disposal of non current assets	**75,952**
14,717	(Gain) / losses on the derecognition of non current assets	**1,297**
114,553	**Total**	**95,080**

Note 10 – Financing and investment income and expenditure

2012/2013 restated £'000		**2013/2014 £'000**
9,792	Interest payable and similar charges	**9,888**
26,690	Net interest on the net defined benefit liability (asset)	**27,100**
(5,224)	Interest receivable and similar income	**(4,410)**
(653)	Surplus on Trading Undertakings	**(578)**
0	Deficit on Trading Undertakings	**22**
(5,372)	Income and expenditure in relation to investment properties and changes in their fair value	**8,316**
25,233	**Total**	**40,338**

Note 11 – Taxation and non-specific grant income and expenditure

2012/2013 £'000		**2013/2014 £'000**
(97,142)	Council tax income	**(76,667)**
(145,368)	Non-domestic rates income and expenditure	**(39,239)**
(5,398)	Non-ringfenced government grants	**(150,727)**
(13,756)	Capital grants and contributions	**(18,156)**
(261,664)	**Total**	**(284,789)**

Note 12 – Property, Plant and Equipment
Movement on Balances 2012/2013

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000	PFI Assets included in Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2012	851,829	84,016	296,141	28,954	0	1,260,940	54,973
Additions	11,646	2,620	4,534	7,815	0	26,615	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	11,070	0	0	0	0	11,070	0
Revaluation increases / (decreases) recognised in the Provision of Services	(13,396)	(4,727)	0	0	0	(18,123)	0
Impairment charged to the Provision of Services	(3,325)	0	(960)	0	0	(4,285)	0
Derecognition recognised in the Provision of Services	(16,414)	0	0	0	0	(16,414)	0
Derecognition of assets held as embedded lease	0	(3,991)	0	0	0	(3,991)	
Disposals	(91,445)	0	0	0	0	(91,445)	0
Other movements in Cost or Valuation	11,969	101	693	(16,105)	2,367	(975)	0
At 31 March 2013	**761,934**	**78,019**	**300,408**	**20,664**	**2,367**	**1,163,392**	**54,973**
Accumulated Depreciation and Impairment							
At 1 April 2012	67,257	42,700	76,988	0	0	186,945	11,111
Depreciation Charge	26,292	7,666	7,992	0	1	41,951	1,760
Depreciation written out to Revaluation Reserve	(27,565)	0	0	0	0	(27,565)	0
Depreciation recognised in the Provision of Services	(977)	(3,910)	0	0	0	(4,887)	0
Derecognition recognised in the Provision of Services	(1,697)	0	0	0	0	(1,697)	0
Derecognition of assets held as embedded lease	0	(1,641)	0	0	0	(1,641)	
Disposals	(7,011)	0	0	0	0	(7,011)	0
At 31 March 2013	**56,299**	**44,815**	**84,980**	**0**	**1**	**186,095**	**12,871**
Net Book Value							
At 31 March 2012	784,572	41,316	219,153	28,954	0	1,073,995	43,862
At 31 March 2013	**705,635**	**33,204**	**215,428**	**20,664**	**2,366**	**977,297**	**42,102**

Notes to the Accounts

Movement on Balances 2013/2014

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000	PFI Assets included in Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2013	761,934	78,019	300,408	20,664	2,367	1,163,392	54,973
Additions	16,574	7,288	6,710	13,365	0	43,937	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	19,736	0	0	0	4	19,740	0
Revaluation increases / (decreases) recognised in the Provision of Services	(34,255)	(7,216)	0	0	0	(41,471)	0
Impairment charged to the Provision of Services	(6,560)	0	(732)	0	0	(7,292)	0
Derecognition recognised in the Provision of Services	(1,377)	0	0	0	6	(1,371)	0
Disposals	(84,601)	0	0	0	0	(84,601)	0
Other movements in Cost or Valuation	(1,471)	180	1,896	(4,936)	2,850	(1,481)	0
At 31 March 2014	**669,980**	**78,271**	**308,282**	**29,093**	**5,227**	**1,090,853**	**54,973**
Accumulated Depreciation and Impairment							
At 1 April 2013	56,299	44,815	84,980	0	1	186,095	12,871
Depreciation Charge	25,945	7,121	8,228	0	85	41,379	1,786
Depreciation written out to Revaluation Reserve	(13,497)	0	0	0	0	(13,497)	0
Depreciation recognised in the Provision of Services	(1,601)	(6,446)	0	0	0	(8,047)	0
Derecognition recognised in the Provision of Services	(73)	0	0	0	(1)	(74)	0
Disposals	(7,128)	0	0	0	0	(7,128)	0
At 31 March 2014	**59,945**	**45,490**	**93,208**	**0**	**85**	**198,728**	**14,657**
Net Book Value							
At 31 March 2013	705,635	33,204	215,428	20,664	2,366	977,297	42,102
At 31 March 2014	**610,035**	**32,781**	**215,074**	**29,093**	**5,142**	**892,125**	**40,316**

Notes to the Accounts

Depreciation

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

- Land and Buildings – 3 to 68 years
- Vehicles, Plant and Equipment – 5 to 20 years
- Infrastructure - 5 to 40 years

Capital Commitments

As at 31 March 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/2015 and future years budgeted to cost £21.553m (as at 31 March 2013 £12.455m). The major commitments are:

- Washington Leisure Centre - £8.577
- Waste Transfer Station - £5.650m
- St Mary's Boulevard and City Square - £4.978m
- Various other smaller schemes - £2.348m

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 with sufficient regularity to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. 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 Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on fair value using depreciated historical cost as a proxy for non-property assets that have short useful lives.

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.

A property revaluation loss of £22.000m is included as an exceptional item in the Comprehensive Income and Expenditure Statement. This is in respect of city centre land with the revaluation reflecting that the build costs and the cost of infrastructure required to meet the Councils regeneration aspirations in the area are greater than the current fair value of the land.

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-structure Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total £'000
Carried at historic cost	0	78,271	308,282	29,093	0	415,646
Valued at fair value as at:						
31 March 2014	185,093	0	0	0	2,895	187,988
31 March 2013	182,261	0	0	0	2,332	184,593
31 March 2012	59,130	0	0	0	0	59,130
31 March 2011	115,917	0	0	0	0	115,917
31 March 2010	127,579	0	0	0	0	127,579
Total Cost or Valuation	**669,980**	**78,271**	**308,282**	**29,093**	**5,227**	**1,090,853**

Note 13 – Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Council

	Collections Maintained by Tyne & Wear Museums £'000	Statues, Monuments and Public Art £'000	Other Historic Assets £'000	Total Assets £'000
Cost or Valuation				
1st April 2012	9,140	556	1,661	11,357
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Impairment Losses / (Reversals) recognised in the Revaluation Reserve	0	0	0	0
Impairment Losses / (Reversals) recognised in the Surplus or Deficit on the Provision of Services	0	0	0	0
Depreciation	0	0	0	0
31st March 2013	9,140	556	1,661	11,357
Cost or Valuation				
1st April 2013	9,140	556	1,661	11,357
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluation Losses recognised in the Revaluation Reserve	(15)	0	0	(15)
Impairment Losses / (Reversals) recognised in the Revaluation Reserve	0	0	0	0
Impairment Losses / (Reversals) recognised in the Surplus or Deficit on the Provision of Services	0	0	0	0
Depreciation	0	0	0	0
31st March 2014	**9,125**	**556**	**1,661**	**11,342**

Further details of the Council's Heritage Asset holdings can be found in Note 48.

Notes to the Accounts

Note 14 – Investment Properties / Land

The Council holds no properties classified as Investment properties. Where property generates rental income these are recognised as property Plant and Equipment as they fulfil the economic development aims of the Council. The only investment properties held by the Council are areas of land which are held for capital appreciation and therefore earn no rental income. Movement in the fair value of investment property has been accounted for within the Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

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

The following table summarises the movement in the fair value of investment properties over the year as reported on the balance sheet:

2012/2013 £'000		**2013/2014 £'000**
63,551	Balance at the start of the year	**68,923**
(460)	Disposals	**(1,316)**
5,832	Net gain / (losses) from fair value adjustments	**(7,000)**
	Transfers:	
0	To / (From) Property, Plant and Equipment	**0**
68,923	Balance at the end of the year	**60,607**

Losses in 2013/2014 from fair value adjustments reflect market conditions and changes to planning status for some land and building assets (gains in 2012/2013 from fair value adjustments reflect changes to planning status for some land and building assets).

Note 15 – Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life for software is deemed to be between 5 and 10 years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.438m charged to revenue in 2013/2014 was charged to administration cost centres and absorbed where appropriate as an overhead across service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

Notes to the Accounts

2012/2013 £'000		**2013/2014 £'000**
	Balance at start of year:	
3,304	Gross carrying amounts	**3,535**
(936)	Accumulated Amortisation	**(1,350)**
2,368	Net carrying amount at the start of the year	**2,185**
	Additions	
231	Purchases	**304**
(414)	Amortisation for the period	**(438)**
2,185	Net carrying amount at the year end	**2,051**
	Comprising	
3,535	Gross carrying amounts	**3,839**
(1,350)	Accumulated amortisation	**(1,788)**
2,185		**2,051**

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

Note 16 – Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

Long Term 31 March 2013 £'000	Current 31 March 2013 £'000		**Long Term 31 March 2014 £'000**	**Current 31 March 2014 £'000**
		Investments		
0	147,135	Loans and receivables	**0**	**90,619**
16,787	0	Available-for-sale financial assets	**16,787**	**0**
0	0	Unquoted equity investment at cost	**0**	**0**
0	0	Financial assets at fair value through profit and loss	**0**	**0**
16,787	147,135	**Total Investments**	**16,787**	**90,619**
		Debtors		
40,889	41,990	Loans and receivables	**39,574**	**71,031**
0	30,490	Financial assets carried at contract amount	**0**	**49,810**
40,889	72,480	**Total included in Debtors**	**39,574**	**120,841**
		Borrowings		
(179,744)	(53,942)	Financial liabilities at amortised cost	**(169,533)**	**(58,510)**
0	0	Financial liabilities at fair value through profit and loss	**0**	**0**
(179,744)	(53,942)	**Total included in Borrowings**	**(169,533)**	**(58,510)**
		Other Long Term Liabilities		
(36,707)	0	PFI and finance lease liabilities	**(35,461)**	**0**
(36,707)	0	**Total other long term liabilities**	**(35,461)**	**0**
		Creditors		
0	(1,250)	PFI and finance lease liabilities	**0**	**(1,247)**
0	0	Financial liabilities at amortised cost	**0**	**0**
0	(44,581)	Financial liabilities carried at contract amount	**0**	**(46,708)**
0	(45,831)	**Total creditors**	**0**	**(47,955)**

Notes to the Accounts

Income, Expense, Gains and Losses
The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2012/2013					**2013/2014**			
Financial Liabilities	Financial Assets		Total		**Financial Liabilities**	**Financial Assets**		**Total**
Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available for sale assets £'000	£'000		**Liabilities measured at amortised cost £'000**	**Loans and receivables £'000**	**Available for sale assets £'000**	**£'000**
(6,772)	0	0	(6,772)	Interest Expense	(6,894)	0	0	**(6,894)**
(6,772)	**0**	**0**	(6,772)	**Total expenses in Surplus or Deficit on the Provision of Services**	**(6,894)**	**0**	**0**	(6,894)
0	5,131	0	5,131	Interest Income	0	4,410	0	**4,410**
0	**5,131**	**0**	5,131	**Total expenses in Surplus or Deficit on the Provision of Services**	**0**	**4,410**	**0**	4,410
(6,772)	5,131	0	(1,641)	**Net Gain / (loss) for the year**	**(6,894)**	**4,410**	**0**	**(2,484)**

Notes to the Accounts

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 126/14.
- 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.
- Interpolation techniques have been used between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.

Fair values for all instruments in the portfolio have been calculated. The fair values calculated are as follows:

31 March 2013		Liabilities	**31 March 2014**	
Carrying Amount £'000	Fair Value £'000		**Carrying Amount £'000**	**Fair Value £'000**
137,883	164,535	PWLB	**127,850**	**145,037**
40,208	42,697	LOBOs	**40,201**	**40,388**
98	83	Stock	**94**	**74**
1,555	1,607	Other	**1,388**	**1,398**
18,093	18,093	Bank Overdraft	**17,776**	**17,776**
35,849	35,884	Short Term Borrowing	**40,734**	**40,739**
233,686	262,899	**Financial Liabilities**	**228,043**	**245,412**

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.

31 March 2013		Assets	**31 March 2014**	
Carrying Amount £'000	Fair Value £'000		**Carrying Amount £'000**	**Fair Value £'000**
188,379	188,988	Deposits with Banks & Building Societies	**160,966**	**161,096**
188,379	188,988	**Financial Assets**	**160,966**	**161,096**

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.

At 31st March 2014 the Council holds £25.857m of funds in relation to the North Eastern Local Enterprise Partnership (£23.888m at 31st March 2013) and £1.794m of funds in relation to the Associated of North East Councils (£nil at 31st March 2013). These funds do not belong to the Council and are therefore not reflected in the Statement of Accounts.

Notes to the Accounts

Note 17 – Inventories

2012/2013

	Consumable Stores £'000	Maintenance Materials £'000	Client Services Work In Progress £'000	Total £'000
Balance Outstanding at start of year	1,140	132	104	1,376
Purchases	5,706	143	245	6,094
Recognised as an expense in the year	(5,856)	(156)	(104)	(6,116)
Written off balances	(19)	0	0	(19)
Balance outstanding at the year-end	971	119	245	1,335

2013/2014

	Consumable Stores £'000	Maintenance Materials £'000	Client Services Work In Progress £'000	Total £'000
Balance Outstanding at start of year	**971**	**119**	**245**	**1,335**
Purchases	**2,184**	**182**	**92**	**2,458**
Recognised as an expense in the year	**(1,972)**	**(187)**	**(245)**	**(2,404)**
Written off balances	**(579)**	**(3)**	**0**	**(582)**
Balance outstanding at the year-end	**604**	**111**	**92**	**807**

Note 18 – Short Term Debtors

2012/2013 £'000		2013/2014 £'000
5,911	Central government bodies	**16,007**
747	Other local authorities	**240**
952	NHS bodies	**1,333**
22,880	Other entities and individuals	**32,230**
30,490	**Total**	**49,810**

Note 19 – Cash and cash equivalents

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

2012/2013 £'000		2013/2014 £'000
(17,347)	Cash held by the Council	**(17,092)**
41,244	Bank current accounts and Money Market Funds	**70,347**
0	Short-term deposits with banks and building societies	**0**
23,897	**Total Cash and Cash Equivalents**	**53,255**

This is presented on the Balance Sheet as follows:

2012/2013 £'000		2013/2014 £'000
41,990	Cash and Cash Equivalents (in hand & bank)	**71,031**
(18,093)	Cash and Cash Equivalents (overdrawn)	**(17,776)**
23,897	**Total Cash and Cash Equivalents**	**53,255**

Notes to the Accounts

Note 20 – Assets Held for Sale

A number of Council assets have been transferred from Property, Plant and Equipment and have been categorised as held for sale where the asset is available for immediate sale, there is a commitment to sell the asset, the asset has been actively marketed and a sale is expected within one year.

The carrying value of these assets is measured at fair value less costs to sell.

2012/2013 £'000		**2013/2014 £'000**
0	Balance outstanding at start of year	**975**
0	Assets Sold	**(725)**
975	Transfer from non-current assets to current assets at year end	**1,482**
975	**Balance outstanding at year-end**	**1,732**

Note 21 – Short-Term Creditors

2012/2013 £'000		**2013/2014 £'000**
(6,988)	Central government bodies	**(6,905)**
(4,442)	Other local authorities	**(3,754)**
(2,392)	NHS bodies	**(2,478)**
(25,127)	Other entities and individuals	**(29,611)**
(38,949)	**Total**	**(42,748)**

Note 22 – Provisions

	Insurance Provision £'000	Other Provision £'000	Total £'000
Balance at 31 March 2012	3,988	7,891	11,879
Additional provisions made 2012/2013	2,004	35,964	37,968
Amounts used 2012/2013	(1,064)	(7,476)	(8,540)
Balance at 31 March 2013	4,928	36,379	41,307
Additional provisions made 2013/2014	**390**	**17,956**	**18346**
Amounts used 2013/2014	**(993)**	**(26,784)**	**(27,777)**
Balance at 31 March 2014	**4,325**	**27,551**	**31,876**
Long Term provisions at 31st March 2014	4,229	697	4,926
Short Term Provisions at 31st March 2014	96	26,854	26,950

Notes to the Accounts

The nature of the individual provisions held at 31st March 2014 is detailed in the table below:

Nature of provision	2012/2013	2013/2014		
		Short Term	Long Term	**Total**
	£'000	£'000	£'000	**£'000**
Insurance provision	4928	96	4,229	**4,325**
Back on the Map temporary funding - Council-led selective licensing project	351	124	110	**234**
Funding for known early retirements	250	1,934	0	**1,934**
Carbon Reduction Commitments 2014/2015	529	520	0	**520**
Unequal back pay provision	34,777	20,028	0	**20,028**
Guarantee bonds held relating to rents and highways works	178	388	134	**522**
City Centre Property costs - ground rent	81	57	0	**57**
Investment Grants - grants committed to businesses	213	215	80	**295**
New provisions established 2013/2014:				**0**
Provision for potential costs of successful NNDR appeals	0	3,432	373	**3,805**
Potential grant repayment		156		**156**
	41,307	26,950	4,926	**31,876**

Note 23 – Usable Reserves

The total Usable Reserves held by the Council are £183.259m at 31st March 2014 (£165.252m at 31st March 2013) and these are detailed in the Movement in Reserves Statement. Movements in the Council's Usable Reserves are also detailed in Note 8 –Transfers to/from Earmarked Reserves.

Note 24 – Unusable Reserves

2012/2013 £'000		Note	**2013/2014 £'000**
216,565	Revaluation Reserve	24a	**217,658**
584,700	Capital Adjustment Account	24b	**479,598**
(879)	Financial Instrument Adjustment Account	24c	**(1,004)**
(640,520)	Pensions Reserve	24d	**(439,620)**
624	Deferred Capital Receipts Reserve	24e	**570**
2,339	Collection Fund Adjustment Account	24f	**805**
(3,169)	Accumulated Absence Account	24g	**(4,135)**
16,400	Available for Sale Financial Instrument Reserve	24h	**16,400**
0	Unequal Backpay Account	24i	**0**
176,060	**Total Unusable Reserve**		**270,272**

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

24a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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

2012/2013 £'000		**2013/2014 £'000**
209,535	**Balance at 1 April**	**216,565**
58,937	Upward revaluation of assets	**41,928**
(20,302)	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	**(8,706)**
248,170	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**249,787**
0	Revaluation gain transfers offsetting revaluation losses	**0**
7,001	Difference between fair value depreciation and historical cost	**7,345**
24,604	Accumulated gains on assets sold or scrapped	**24,784**
31,605	Amount written off to the Capital Adjustment Account	**32,129**
216,565	**Balance at 31 March**	**217,658**

24b) 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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs 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 Council as finance for the costs of acquisition, construction and subsequent costs.

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

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.

Notes to the Accounts

Note **7** provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/2013 £'000		**2013/2014 £'000**
702,662	**Balance at 1 April**	**584,700**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(46,236)	Charges for depreciation and impairment of non-current assets	**(48,671)**
(13,235)	Revaluation losses on Property, Plant and Equipment	**(33,424)**
(414)	Amortisation of intangible assets	**(438)**
(26,960)	Revenue expenditure funded from capital under statute	**(6,774)**
(14,717)	Gain / (Loss) on derecognition of non current assets to the Comprehensive Income and Expenditure Account	**(1,297)**
(84,434)	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	**(78,198)**
(185,996)		**(168,802)**
(3,081)	Adjusting amounts written out of the Unequal Backpay Account	
31,605	Adjusting amounts written out of the Revaluation Reserve	**32,129**
(157,472)	Net written out amount of the cost of non current assets consumed in the year	**(136,673)**
	Capital financing applied in the year:	
13	Use of Capital Receipts to finance new capital expenditure	**666**
5,074	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**11,020**
11,876	Application of grants to capital financing from the Capital Grants Unapplied Account	**11,599**
10,941	Statutory provision for the financing of capital investment charged against the General Fund balance	**12,074**
6,234	Capital expenditure charged against the General Fund balance	**4,528**
34,138		**39,887**
5,372	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	**(8,316)**
584,700	**Balance at 31 March**	**479,598**

24c) 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 Council 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 Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2012/2013 £'000		2013/2014 £'000
(752)	**Balance at 1 April**	**(879)**
99	Premiums incurred in the year charged to the Comprehensive Income and Expenditure Account	**99**
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	**0**
(226)	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	**(224)**
(879)	**Balance at 31 March**	**(1,004)**

24d) 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 Council 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 Council makes employer's contributions to pension funds or eventually pays 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 Council 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.

2012/2013 £'000		2013/2014 £'000
(588,760)	**Balance at 1 April**	**(640,520)**
(48,700)	Remeasurement of the net defined benefit liability/(asset)	**213,020**
(42,260)	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	**(47,180)**
39,200	Employer's pensions contributions and direct payments to pensioners payable in the year	**35,060**
(640,520)	**Balance at 31 March**	**(439,620)**

24e) 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 Council 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.

2012/2013 £'000		2013/2014 £'000
1,130	**Balance at 1 April**	**624**
(37)	Transfer of deferred sale proceeds credited as part of the gain / (loss) on disposal to the Comprehensive Income and Expenditure Statement	**(39)**
(469)	Transfer to the Capital Receipts Reserve upon receipt of cash	**(15)**
624	**Balance at 31 March**	**570**

24f) Collection Fund Adjustment Account

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

2012/2013 £'000		**2013/2014 £'000**
2,054	**Balance at 1 April**	**2,339**
285	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	**(1,534)**
2,339	**Balance at 31 March**	**805**

24g) 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.

2012/2013 £'000		**2013/2014 £'000**
(5,306)	**Balance at 1 April**	**(3,169)**
5,306	Settlement or cancellation of accrual made at the end of the preceding year	**3,169**
(3,169)	Amounts accrued at the end of the current year	**(4,135)**
(3,169)	**Balance at 31 March**	**(4,135)**

24h) Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instrument Reserve contains the gains made by the Council arising from the increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable prices. The balance is reduced when the investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Disposed of and the gains are realised.

2012/2013 £'000		**2013/2014 £'000**
795	**Balance at 1 April**	**16,400**
15,605	Upward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	**0**
16,400	**Balance at 31 March**	**16,400**

24i) Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the difference between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provision to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

Notes to the Accounts

2012/2013 £'000		2013/2014 £'000	2013/2014 £'000
(3,081)	**Balance at 1 April**		**0**
0	Increase in provision for back pay in relation to Equal Pay cases	**0**	
0	Cash settlement paid in year	**0**	**0**
3,081	Amount transferred to Capital Adjustment Account for use of Capitalisation Direction in accordance with statutory requirements	**0**	
0	Amount by which amounts charged for Equal Pay Claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	**0**	**0**
0	**Balance at 31 March**		**0**

Note 25 – Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2012/2013 £'000		2013/2014 £'000
5,224	Interest received	**4,410**
(9,792)	Interest paid	**(9,888)**
0	Dividends received	**433**

Note 26 – Cash Flow Statement – Investing Activities

2012/2013 £'000		2013/2014 £'000
26,526	Purchase of property, plant and equipment, investment property and intangible assets	**40,632**
145,365	Purchase of short-term and long-term investments	**90,000**
14,585	Other payments for investing activities	**0**
(2,709)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(2,246)**
(165,000)	Proceeds from short-term and long-term investments	**(145,000)**
(14,328)	Other receipts from investing activities	**(16,972)**
4,439	**Net cash flows from investing activities**	**(33,586)**

Note 27 – Cash Flow Statement – Financing Activities

2012/2013 £'000		2013/2014 £'000
(455)	Capital receipts of short and long-term borrowing	**0**
(1,369)	Other receipts from financing activities	**(1,149)**
1,210	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	**1,234**
5,840	Repayments of short and long term borrowing	**6,440**
2,813	Other payments for financing activities	**3,954**
8,039	**Net cash flows from financing activities**	**10,479**

Notes to the Accounts

Note 28 – 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 Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across portfolios. 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 portfolios.

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

Notes to the Accounts

Note 28 – Amounts Reported for Resource Allocation Decisions (continued)

Portfolio Income and Expenditure 2012/2013

	Leader £'000	Deputy Leader £'000	Cabinet Secretary £'000	Children's Services £'000	Health Housing and Adult Services £'000	Public Health Wellness and Culture £'000	City Services £'000	Responsive Services and Customer Care £'000	Total £'000
Fees, charges and other service income	(787)	(2,239)	(16,268)	(8,601)	(15,208)	(4,969)	(7,041)	(478)	(55,591)
Government grants	(1,402)	(153,612)	(499)	(183,128)	(19,786)	(52)	(3,111)	(1,617)	(363,207)
Other Grants, reimbursements and contributions	(982)	(1,198)	(2,367)	(14,520)	(25,990)	(1,979)	(1,015)	(403)	(48,454)
Total Income	(3,171)	(157,049)	(19,134)	(206,249)	(60,984)	(7,000)	(11,167)	(2,498)	(467,252)
Employee expenses	7,514	41,337	17,233	154,968	34,179	9,300	25,568	3,747	293,846
Other service expenditure	9,959	154,619	51,849	79,697	87,204	9,521	20,232	3,846	416,927
Depreciation, amortisation and impairment	7,030	2,416	7,034	24,346	1,661	5,056	10,486	1,856	59,885
Total Expenditure	24,503	198,372	76,116	259,011	123,044	23,877	56,286	9,449	770,658
Net Expenditure	21,332	41,323	56,982	52,762	62,060	16,877	45,119	6,951	303,406

Notes to the Accounts

Portfolio Income and Expenditure 2013/2014

	Leader £'000	Deputy Leader £'000	Cabinet Secretary £'000	Children's Services £'000	Health Housing and Adult Services £'000	Public Health Wellness and Culture £'000	City Services £'000	Responsive Services and Customer Care £'000	Total £'000
Fees, charges and other service income	(814)	(2,481)	(14,954)	(7,009)	(17,518)	(4,668)	(7,636)	(317)	(55,397)
Government grants	(722)	(126,808)	(1,651)	(149,026)	(2,919)	(20,656)	(5,997)	(2,011)	(309,790)
Other Grants, reimbursements and contributions	(1,449)	(3,699)	(4,280)	(12,483)	(27,733)	(1,470)	(2,650)	(857)	(54,621)
Total Income	(2,985)	(132,988)	(20,885)	(168,518)	(48,170)	(26,794)	(16,283)	(3,185)	(419,808)
Employee expenses	5,929	28,778	17,578	129,763	29,916	9,900	25,122	4,453	251,439
Other service expenditure	8,162	130,437	8,458	77,483	96,521	23,172	22,764	4,261	371,258
Depreciation, amortisation and impairment	4,101	2,649	11,730	17,687	6,961	4,301	11,318	923	59,670
Total Expenditure	18,192	161,864	37,766	224,933	133,398	37,373	59,204	9,637	682,367
Net Expenditure	15,207	28,876	16,881	56,415	85,228	10,579	42,921	6,452	262,559

Notes to the Accounts

Note 28 – Amounts Reported for Resource Allocation Decisions (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 the amounts included in the Comprehensive Income and Expenditure Statement.

2012/2013 Restated £'000		**2013/2014 £'000**
303,406	Net expenditure in the portfolio analysis	**262,559**
(118)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	**20,835**
303,288	**Cost of Service in the Comprehensive Income and Expenditure Statement**	**283,394**

Note 28 – Amounts Reported for Resource Allocation Decisions (continued)

Reconciliation to Subjective Analysis

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.

Reconciliation to Subjective Analysis 2012/2013

	Portfolio Analysis £'000	Amounts not reported to management for decision making Restated £'000	Cost of Services Restated £'000	Corporate Amounts Restated £'000	Total Restated £'000
Fees, charges and other service income	(104,045)	(1,333)	(105,378)	(653)	(106,031)
Interest and investment income	0	0	0	(5,224)	(5,224)
Income from council tax	0	0	0	(97,142)	(97,142)
Government grants and contributions	(363,310)	0	(363,310)	(164,522)	(527,832)
Total Income	(467,355)	(1,333)	(468,688)	(267,541)	(736,229)
Employee expenses	293,846	1,215	295,061	0	295,061
Other service expenses	416,927	0	416,927	0	416,927
Depreciation, amortisation and impairment	59,988	0	59,988	(5,372)	54,616
Interest Payments	0	0	0	36,482	36,482
Precepts and Levies	0	0	0	18,101	18,101
Payments to Housing Capital Receipts Pool	0	0	0	10	10
Gain or Loss on Disposal of Non-current Assets	0	0	0	96,442	96,442
Total Expenditure	770,761	1,215	771,976	145,663	917,639
Surplus or deficit on the provision of services	303,406	(118)	303,288	(121,878)	181,410

Notes to the Accounts

Note 28 – Amounts Reported for Resource Allocation Decisions (continued)

Reconciliation to Subjective Analysis 2013/2014

	Portfolio Analysis £'000	Amounts not reported to management for decision making £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(110,018)	(1,200)	(111,218)	(578)	(111,796)
Interest and investment income	0	0	0	(4,410)	(4,410)
Income from council tax	0	0	0	(76,667)	(76,667)
Income from non-domestic rates	0	0	0	(39,239)	(39,239)
Government grants and contributions	(309,790)	0	(309,790)	(168,883)	(478,673)
Total Income	(419,808)	(1,200)	(421,008)	(289,777)	(710,785)
Employee expenses	251,439	35	251,474	0	251,474
Other service expenses	371,258	0	371,258	22	371,280
Depreciation, amortisation and impairment	59,670	22,000	81,670	8,316	89,986
Interest Payments	0	0	0	36,988	36,988
Precepts and Levies	0	0	0	17,820	17,820
Payments to Housing Capital Receipts Pool	0	0	0	11	11
Gain or Loss on Disposal of Non-current Assets	0	0	0	77,249	77,249
Total Expenditure	682,367	22,035	704,402	140,406	844,808
Surplus or deficit on the provision of services	262,559	20,835	283,394	(149,371)	134,023

Notes to the Accounts

Note 29 – Trading Operations

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

2012/2013				2013/2014		
Expenditure £'000	Turnover £'000	(Surplus) / Deficit £'000		**Expenditure £'000**	**Turnover £'000**	**(Surplus) / Deficit £'000**
4,138	4,676	(538)	General Highways	**5,152**	**5,730**	**(578)**
9,412	9,483	(71)	Education and Civic Buildings Maintenance	**7,575**	**7,553**	**22**
136	180	(44)	Networking Services*	**0**	**0**	**0**
13,686	14,339	(653)		**12,727**	**13,283**	**(556)**

* Networking Services included within Education and Civic Buildings Maintenance from 2013/2014

Note 30 – Agency Services

As detailed within Related Party Transactions (Note 37), the Council provides support services to various other Authorities or Bodies.

A limited range of agency services are also provided to third parties on behalf of these organisations, however, the level of income generated from this activity is relatively low in value and has therefore not been detailed in the accounts.

Note 31 – Pooled Budgets

Section 75 of the NHS Act 2006 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.

As part of the changes to the NHS brought about by the Health and Social Care Act 2012, Primary Care Trusts (PCTs) ceased to exist on 31st March 2013. Their responsibilities, including all pooled budget arrangements with local authorities, have been taken over by Clinical Commissioning Groups (CCGs).

Included within the Council's accounts are four such partnership schemes with Sunderland Clinical Commissioning Group (Sunderland CCG). The notes below summarise 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.

2012/2013 £'000		**2013/2014 £'000**
(1,038)	Sunderland City Council	**(802)**
(1,325)	Sunderland Clinical Commissioning Group	**(1,562)**
(2,363)	**Total Funding**	**(2,364)**
2,708	Gross Expenditure	**2,720**
345	**Net (Funding) / Expenditure**	**356**

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.

2012/2013 £'000		**2013/2014 £'000**
(918)	Sunderland City Council	**(1,208)**
(1,430)	Sunderland Clinical Commissioning Group	**(1,378)**
(2,348)	**Total Funding**	**(2,586)**
2,452	Gross Expenditure	**2,553**
104	**Net (Funding) / Expenditure**	**(33)**

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.

2012/2013 £'000		**2013/2014 £'000**
(1,234)	Sunderland City Council	**(1,295)**
(984)	Sunderland Clinical Commissioning Group	**(1,033)**
(2,218)	**Total Funding**	**(2,328)**
2,079	Gross Expenditure	**2,111**
(139)	**Net (Funding) / Expenditure**	**(217)**

Mental Capacity Act / Deprivation of Liberties

The overall aim of this pooled budget is to facilitate the provision of Mental Capacity Act coordinators, by effective coordination of resources of the parties through the pooled budget, and enabling the parties to work closely together to provide the necessary resources to ensure so far as practicable, compliance with the Mental Capacity Act 2005 (as amended) insofar as it relates to the provision of Assessments.

2012/2013 £'000		**2013/2014 £'000**
(38)	Sunderland City Council	**(37)**
(50)	Sunderland Clinical Commissioning Group	**(50)**
(88)	**Total Funding**	**(87)**
65	Gross Expenditure	**39**
(23)	**Net (Funding) / Expenditure**	**(48)**

Note 32 – Members’ Allowances

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

2012/2013 £'000		**2013/2014 £'000**
1,148	Allowances	**1,164**
30	Expenses	**34**
1,178	**Total**	**1,198**

Notes to the Accounts

Note 33 – Officers' Remuneration

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 2013/2014 and 2012/2013 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

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 £
2012/2013								
Senior Officer Emoluments exceeding £150,000 per year								
Chief Executive - Dave Smith	**199,627**	**0**	**0**	**0**	**5,336**	**204,963**	**26,694**	**231,657**
Senior Officer Emoluments exceeding £50,000 but less than £150,000								
Deputy Chief Executive	**129,369**	**0**	**0**	**0**	**0**	**129,369**	**18,441**	**147,810**
Executive Director of Adult Services	**125,546**	**0**	**0**	**0**	**0**	**125,546**	**17,703**	**143,249**
Executive Director of Children's Services	**117,816**	**0**	**0**	**0**	**0**	**117,816**	**16,966**	**134,782**
Executive Director of City Services *	**51,908**	**0**	**0**	**0**	**0**	**51,908**	**7,475**	**59,383**
Executive Director of Commercial and Corporate Services	**124,246**	**0**	**0**	**0**	**0**	**124,246**	**17,703**	**141,949**
Head of Legal Services	**84,773**	**0**	**0**	**0**	**0**	**84,773**	**12,235**	**97,008**

* Officer not in post for a full year

Notes to the Accounts

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 £
2013/2014								
Senior Officer Emoluments exceeding £150,000 per year								
Chief Executive - Dave Smith	**198,726**	**0**	**0**	**0**	**0**	**198,726**	**25,356**	**224,082**
Senior Officer Emoluments exceeding £50,000 but less than £150,000								
Deputy Chief Executive	**127,489**	**0**	**0**	**0**	**0**	**127,489**	**18,441**	**145,930**
Executive Director of Adult Services	**122,366**	**0**	**0**	**0**	**0**	**122,366**	**17,703**	**140,069**
Executive Director of People's Services *	**40,980**	**0**	**0**	**82,521**	**0**	**123,501**	**5,901**	**129,402**
Executive Director of Commercial and Corporate Services **	**81,577**	**0**	**0**	**0**	**0**	**81,577**	**11,802**	**93,379**
Head of Financial Resources **	**31,813**	**0**	**0**	**0**	**0**	**31,813**	**4,609**	**36,422**
Head of Legal Services	**84,393**	**0**	**0**	**0**	**0**	**84,393**	**12,235**	**96,628**
Director of Public Health	**103,437**	**0**	**0**	**0**	**0**	**103,437**	**14,482**	**117,919**

* Officers not in post for a full year

** Section 151 Officer transferred from Executive Director of Commercial and Corporate Services to Head of Financial Resources part way part way through year

Notes to the Accounts

The number of other employees, whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 is shown below:

2012/2013		Remuneration	**2013/2014**	
Non-Teaching Staff	Teaching Staff		**Non-Teaching Staff**	**Teaching Staff**
29	43	£50,000 - £54,999	24	28
14	24	£55,000 - £59,999	15	21
8	24	£60,000 - £64,999	4	20
4	19	£65,000 - £69,999	3	20
4	8	£70,000 - £74,999	3	7
10	3	£75,000 - £79,999	9	1
1	4	£80,000 - £84,999	1	3
5	1	£85,000 - £89,999	6	0
3	1	£90,000 - £94,999	0	1
3	0	£95,000 - £99,999	3	0
0	0	£100,000 - £104,999	1	0
0	2	£105,000 - £109,999	0	0
0	0	£110,000 - £114,999	0	1
1	0	£135,000 - £139,999	1	0
0	1	£140,000 - £144,999	0	1

Please note that the reduction in both teaching and non-teaching staff whose remuneration exceeds £50,000 reflects significant organisational change within the Council during 2012/2013, including a number of schools transferring to Academy status and also the impact of the Council's severance scheme.

Notes to the Accounts

Note 34 – 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 inspections and to non-audit services provided by the Council's external auditors.

2012/2013 £'000		**2013/2014 £'000**
180	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	**183**
0	Fees payable to external auditors in respect of statutory inspections	**0**
0	Fees payable to external auditors with regard to additional external audit services carried out by the appointed auditor	**0**
16	Fees payable to external auditors for the certification of grant claims and returns for the year	**7**
8	Fees payable in respect of other services provided by external auditors during the year	**18**
(19)	Rebate received relating to audit services in prior years	**(25)**
185	Total Costs	**183**

Note 35 – Dedicated Schools' Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. 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 2011. The Schools Budget includes elements for a range of educational services provided on a council-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 2013/2014 are as follows:

	Schools Budget Funded by DSG		
	Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total £'000
Final DSG for 2013/2014 before Academy recoupment			192,455
Academy figure recouped for 2013/2014			62,260
Total DSG after Academy recoupment for 2013/2014			130,195
Plus			
Brought forward from 2012/2013			321
Less			
Carry forward to 2014/2015 agreed in advance			0
Agreed initial budgeted distribution in 2013/2014	10,649	119,867	130,516
In Year Adjustments	(314)	314	0
Final budgeted distribution in 2013/2014	10,335	120,181	130,516
Less			
Actual central expenditure	9,291		9,291
Less			
Actual ISB deployed to schools		120,181	120,181
Plus			
Local authority contribution for 2013/2014	0	0	0
Carry forward to 2014/2015	**1,044**	**0**	**1,044**

Notes to the Accounts

Note 36 – Grant Income

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the provider. The balances at the year-end are as follows:

2012/2013 £'000		**2013/2014 £'000**
	Capital Grant Receipts in Advance	
1,699	Department for Education	**1,308**
308	Department of Health	**0**
725	Communities and Local Government	**121**
272	Communities and Local Government - Single Housing Investment Pot	**0**
148	Department for Environment, Food and Rural Affairs	**187**
3,694	Homes and Communities Agency	**3,455**
0	Heritage Lottery Fund	**135**
36	Other Grants and Contributions	**0**
6,882	**Total**	**5,206**

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

2012/2013 £'000		**2013/2014 £'000**
	Credited to Taxation and Non Specific Grant Income and Expenditure	
	Revenue Grants:	
2,818	Revenue Support Grant	**112,757**
145,368	National Non Domestic Rates	**0**
0	Top Up Grant	**34,600**
0	New Homes Bonus	**2,340**
2,408	Council Tax Freeze Grant	**979**
172	Local Services Support Grant	**51**
150,766		**150,727**
	Capital Grants:	
7,021	Department for Education	**3,052**
5,517	Department for Transport	**6,153**
104	Department of Health	**403**
77	Homes and Communities Agency	**1,287**
882	Communities and Local Government (including European)	**6,386**
3	Heritage Lottery Fund	**237**
0	Football Foundation	**180**
87	Environment Agency	**153**
0	Tyne and Wear Integrated Transport Authority	**150**
0	Sports Council	**135**
65	Other Capital Grants and Contributions	**20**
13,756		**18,156**
164,522	**Total**	**168,883**

Notes to the Accounts

2012/2013 £'000		**2013/2014 £'000**
	Credited to Services	
	Revenue Grants:	
3,734	Communities and Local Government - PFI	**5,012**
1,010	Communities and Local Government - Weekly Collection Grant	**2,231**
120	Communities and Local Government - Strengthening Families Grant	**1,766**
0	Communities and Local Government - Welfare Reform Social Fund	**1,202**
519	Communities and Local Government - European Grants	**588**
0	Communities and Local Government - S31 return of Capitalisation Grant	**567**
0	Communities and Local Government - New Burdens	**216**
191	Communities and Local Government - Extended Rights to Free Travel	**163**
1,152	Communities and Local Government - New Homes Bonus Grant	**0**
0	Communities and Local Government - other grants	**111**
153,797	Department for Work and Pensions - Housing & Council Tax Benefit	**125,075**
0	Department for Work and Pensions - S31 NNDR	**1,021**
0	Department for Work and Pensions - Social Fund	**254**
0	Department for Work and Pensions - other grants	**73**
0	Department of Health - Public Health	**20,656**
0	Department of Health - Local Reform and Community	**275**
14,409	Department of Health - Learning Disabilities and Health Reform Grant	**0**
0	Department of Health - other grants	**62**
152,576	Department for Education - Dedicated Schools Grant	**130,195**
6,317	Department for Education - Pupil Premium	**7,878**
0	Department for Education - Education Services Grant	**3,632**
0	Department for Education - 16-19 Bursary Grant	**2,663**
0	Department for Education - Adoption Reform Grant	**898**
0	Department for Education - PE and Sport Grant	**394**
16,278	Department for Education - Early Intervention Grant	**0**
417	Department for Education - other grants	**366**
3,552	Skills Funding Agency	**3,433**
5,209	Young People's Learning Agency	**0**
1,014	Youth Justice Board	**813**
411	Home Office	**299**
0	ITA Grant	**499**
49	Sport England	**44**
167	Northern Arts	**183**
355	Arts Council	**310**
665	Other Grants	**103**
361,942		**310,982**
	Capital Grants:	
629	Department for Education	**1,289**
779	Department of Health	**748**
2,145	Communities and Local Government	**1,422**
89	Communities and Local Government - Single Housing Investment Pot	**0**
486	Department of Energy and Climate Change	**4**
0	Department for Transport	**276**
370	Homes and Communities Agency	**183**
349	Other Capital Grants	**239**
4,847		**4,161**
366,789	Total	**315,143**

Notes to the Accounts

Note 37 – Related Parties

The Council 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 assess 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 Council.

Central Government
Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resource allocation decisions and further detailed in Note 36.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/2014 is shown in Note 32. In respect of the 2013/2014 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 Council. The controlling influence was by way of ownership, or as a director, trustee or partner. These transactions amounted to payments of £1.683m made by the Council in 2013/2014 (£1.210m in 2012/2013), of which £1.067m (£0.745m for 2012/2013) relates to payments to companies and £0.616m (£0.465m for 2012/2013) to voluntary organisations.

The figures stated above do not include transactions with Care and Support Sunderland Ltd, Sunderland Care and Support Ltd or Sunderland Live Ltd as transactions between these companies and the Council have been separately identified as part of the production of Group Accounts for 2013/2014.

It should be noted that all Council members' pecuniary and non-financial interests which could conflict with those of the Council are open to 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. 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 2013/2014 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 Council.

Entities Controlled or Significantly Influenced by the Council

Care and Support Sunderland Ltd

Care and Support Sunderland Ltd was formed on the 7th October 2011 following Choices Care Ltd going into administration. The services provided covered sixteen small residential and supported living schemes for people with Learning Disabilities, Autism and Challenging Behaviour. Sunderland City Council formed Care and Support Sunderland Ltd as a Local Authority Controlled Company (LATC), for the specific purpose of providing these services.

Care and Support Sunderland (Holding Company) was formed on 1st April 2013 and is owned 100% by Sunderland City Council with Care and Support Sunderland Ltd being fully owned by the Holding Company.

On the 1st April 2013, one small residential Home for people with a Learning disability and four supported living schemes were transferred from the council's in-house service into Care and Support Sunderland Ltd. The company currently provide twenty two small residential and supported living schemes managed by the company, with a contract valued at around £7.7m per annum. In the 12 months to 31st March 2014, the company's income amounted to £7.656m with expenditure of £7.956m generating a trading loss of £0.300m.

Sunderland City Council contracts with Care and Support Sunderland (Holding Company) Ltd for the provision of services. The holding company then subcontracts to Sunderland Care and Support Ltd to deliver the services

Both companies have a common board of directors appointed by the Council (as the shareholder of the holding company).

The company has no assets.

Sunderland Care & Support (Holding Company) Ltd

Sunderland Care and Support (Holding Company) Ltd with its subsidiary Sunderland Care and Support Ltd was formed on the 1st December 2013 for the provision of Adult Social Care Services for Sunderland City Council and was set up as a Local Authority Trading Company (LATC).

Sunderland Care and Support (Holding Company) Ltd is 100% owned by Sunderland City Council, with Sunderland Care and Support Ltd being owned fully by the Holding Company. Sunderland City Council contracts with Sunderland Care and Support (Holding Company) Ltd for the provision of Adult Social Care Services, the holding company then subcontracts to Sunderland Care and Support Ltd who deliver the following Adult Social Care Services:

- Reablement at home
- Farnborough Court Intermediate Care Centre
- Sunderland Telecare
- Community Equipment Service and Handyperson Service
- Day services
- Supported living schemes
- Registered residential services
- Short break services
- Independence at home (outreach) services
- Sunderland Shared Lives
- See and Solve Solutions
- Sunderland Home Improvement Agency

The value of the contract for the period is £8.850m. The profit for the period amounted to £0.182m.

Both companies have a common board of directors appointed by the Sunderland City Council (as the shareholder of the holding company).

Sunderland Live Ltd

Sunderland Live Ltd was formed in April 2013. It organises and delivers a range of events of all sizes, from the Christmas Lights Switch On in November to the flagship event of the Sunderland International Airshow held in July. In the 12 months to 31st March 2014, the company's income amounted to £1.987m with expenditure of £1.978m generating an operating surplus of £0.009m.

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 one representative on the Board of Directors as does each of the other four district councils of Tyne and Wear and reflects the reduction in membership in line with the voluntary liquidation process which is ongoing. Members of the Company have a limited guarantee of £1.

The Council, which is the lead authority, is managing the Company's Voluntary Liquidation process with the appointed Liquidator on behalf of the Company's local authority shareholders.

During 2012/13, the board of directors made the decision to review the role of TWEDCo and its related group of companies on the basis that both the economic development landscape had changed with the creation of the North Eastern Local Enterprise Partnership and that the local authorities were now providing a similar role to that of the company. A detailed due diligence process was carried out culminating in the Board approving the cessation of the company's trading activities from 30th April 2013, with a formal recommendation to voluntary liquidate the group of Companies as soon as practicable.

The Voluntary Liquidation was formally approved by the Board and enacted on 7th July 2013 and a detailed heads of terms agreement was agreed between the shareholders that observed the Company's winding up clauses in its Articles of Association. As a result, the Company's asset portfolio was transferred to each of its shareholders according to its location, and Sunderland received assets to the value of £3.598m. The cash balances in the Company however still remain to be distributed as these funds can not be distributed until all financial issues have been resolved.

The Company received very late in the liquidation process notification of some accumulated interest on some surplus funds held in an escrow account that came to light as part of the VL process. The accounts and taxation position at that stage had already been cleared by HMRC which has meant that a separate tax liability needs to be separately resolved with HMRC in connection with the interest received. This process has taken a long time to resolve but is almost completed and will result in a small liability that the Company will need to settle. Because of this technicality the Company is prevented from distributing its surplus funds on the agreed population basis until this matter is fully resolved and settled.

Indicative cash allocations have been provided to each Shareholder Authority and will be a minimum of £0.118m for Sunderland, although final allocations will only be known once the position with HMRC has been agreed, but this is expected to be finalised in the financial year 2014/15. The formal process to wind up the Company can only be completed once all funds of the Company have been expended to the satisfaction of the Liquidator.

Any further information in respect of the liquidation once finalised can be acquired upon application to: Head of Financial Resources, at Sunderland City Council.

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. On 4th May 2001, the seven local authority shareholders of NIAL (the "LA7") entered into a strategic partnership with Copenhagen Airports A/S 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. The Council originally held a shareholding of 1,845 shares representing an 18.45% interest in this company. These shares are not held for trading outside of the LA7.

On 16th November 2012, Copenhagen Airports A/S sold its 49% holding to AMP Capital Investors Ltd. As a result, the valuation of the LA7 holding is now based on the open market value achieved in this sale. At the same time an internal sale of shares also took place within the LA7 group. The Council as a result acquired an additional 42 shares and now holds an 18.87% interest in Newcastle Airport Local Authority Holding Company Limited, valued at £16.400m using the open market value of the shares.

The valuation of the holding is reviewed each year however to consider whether any events have occurred which would materially change the valuation but no such events have occurred during 2013/2014 with the result that the valuation has remained unchanged.

Notes to the Accounts

Through its shares in Newcastle Airport Local Authority Holding Company Limited the Council now has a revised effective shareholding of 9.62% in Newcastle International Airport Limited (and the group companies of NIAL Group Limited and NIAL Holdings Limited). The principal activity of Newcastle International Airport Limited (Registered Number 2077766) is the provision of landing services for both commercial and freight operators. A dividend of £0.433m was received for the year ended 31st December 2013 (nil for the year ended 31st December 2012).

Members of the LA7 entered into a loan agreement with NIAL Group Limited in 2012/13, issuing £67.665m shareholder loan notes. The loan notes will be repayable in 2032 with interest being received up to that date on a 6 monthly basis. Otherwise 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 £11.134m and a loss after tax of £3.615m for the year ended 31st December 2013. In the previous year, the Group made a loss before tax of £3.296m (as restated) and a profit after tax of £0.782m (as restated).

Port of Sunderland

The Port of Sunderland is owned and operated by Sunderland City Council therefore transactions relating to City's Port activities are included within the financial statements.

In its position as a Statutory Harbour Authority, however, it is also necessary for the Port of Sunderland to separately provide an audited set of accounts reflecting its annual performance to the Department for Transport.

From these accounts the Port turnover has improved from 2012/2013 by £0.130m to £4.921m for the 2013/2014 financial year. Although turnover has increased its net operating profit in 2013/2014 has reduced, which is mainly due to an increase in the cost of dredging requirements and also that in 2012/2013 the Port benefited from an incident following a timber ship getting into difficulties off the Sunderland coast which resulted in additional one-off income from handling its cargo. The overall net surplus for the 2013/2014 financial year totalled £0.141m, (2012/2013 surplus £0.248m).

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 twelve representatives on the Board of seventeen 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 £0.411m in 2013/2014, (£0.399m in 2012/2013).

In 2013/2014, the turnover of the Trust was under £25,000 and as such audited accounts are not required. The Trust made a small surplus of £20 in 2013/2014 (surplus of £20 for 2012/2013) which will increase its reserves to meet future costs. Its reserves as at 31 March 2014 now stand at £7,134 (£7,114 as at 31 March 2013). In 2013/2014 the Council made a contribution of £11,510 (£11,627 for 2012/2013) 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 Head of Financial Resources, Sunderland City Council, Civic Centre, P.O. Box 106, Sunderland, SR2 7DN.

Beamish Museum - Joint Committee and 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 £15,903 in 2013/2014 (£15,903 in 2012/2013).

The Joint Committee was responsible for the assets of the Museum and makes all decisions on capital schemes and procuring grants for capital development. Beamish Museum (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 (BM), Beamish Museum Trading Limited (BMTL) manages all of the retailing and catering operations of the Museum.

In 2013/2014, the Joint Committee made an operating loss of £0.365m (2012/2013 £0.326m loss) and had net assets of £23.156m (2012/2013 £22.719m), however the Museum has agreed and had approved a full restructure of both its corporate and governance arrangements. The impact of this sees a revised Company Board structure being put in place, although both companies remain but the Joint Committee was agreed to be dissolved from 1st April 2014, with all of its assets and liabilities transferring to Beamish Museum in accordance with the agreed recommendations made by the Joint Committee at its final meeting held on 28th March 2014.

In 2013/2014 the BM and BMTL group made an operating profit of £0.549m (2012/2013 £0.460m loss) and had net liabilities of £0.721m (2012/2013 £1.282m). The Council receives no income or contributions from the above reported arrangements. Copies of the Joint Committee's and BM Group Accounts can be obtained from the Museum Director, Regional Resource Centre, Beamish, County Durham, DH9 0RG.

North East Local Enterprise Partnership (NELEP)

The North East Local Enterprise Partnership (NELEP) is a strategic partnership committed to promoting and developing economic growth in the North East. NELEP covers the 7 Local Authority areas of Sunderland, Durham, Gateshead, Newcastle, North Tyneside, Northumberland and South Tyneside. The NELEP Board comprises, nine private sector representatives including the Chair, seven local authority representatives, one higher education representative and one representative of further education colleges.

The Council is the Designated Accountable Body for the NELEP however NELEP is a separate organisation and, as such, all transactions relating to NELEP have been excluded from the Council's accounts. At 31st March 2014 the Council held £25.857m of funds in relation to NELEP (£23.888m at 31st March 2013). As these funds do not belong to the Council they are not reflected in the Statement of Accounts and there are no assets or liabilities belonging to NELEP reflected on the Council's Balance Sheet.

Key Cities

The key cities group comprises 23 mid-sized English cities representing almost seven million people. Sunderland was one of the five founder cities and inaugural chair. The central aim of the group is to allow these cities to boost the country's prosperity through economic development and growth.

The Council is the Designated Accountable Body for the Key Cities group, however key Cities is a separate organisation and, as such, all transactions relating to it have been excluded from the Council's accounts. At 31st March 2014 the Council held £0.159m of funds in relation to Key Cities. As these funds do not belong to the Council they are not reflected in the Statement of Accounts and there are no assets or liabilities belonging to key Cities reflected on the Council's Balance Sheet.

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, Care and Support Sunderland Limited, Sunderland Care and Support Ltd, Sunderland Live Ltd, Raich Carter Sports Centre, Pooled Budget Arrangements with the local Teaching Primary Care Trust, Tyne and Wear Care Alliance, Academies and Voluntary Aided Schools.

Notes to the Accounts

Note 38 – Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2012/2013 £		**2013/2014 £**
239,073	Opening Capital Financing Requirement	**259,473**
(2,349)	Derecognition of Embedded Lease Assets	**0**
3,081	Capitalisation Direction transfer from Unequal Backpay Account	**0**
	Capital Investment	
26,615	Property, Plant and Equipment	**43,937**
0	Investment Properties	**0**
231	Intangible Assets	**304**
26,960	Revenue Expenditure Funded from Capital under Statute	**6,774**
	Sources of Finance	
(13)	Capital Receipts	**(666)**
(16,950)	Government grants and other contributions	**(22,618)**
	Sums set aside from:	
(6,234)	Direct revenue contributions	**(4,528)**
(10,941)	MRP	**(12,074)**
259,473	Closing Capital Financing Requirement	**270,602**
	Explanation of movements in year	
(2,448)	(Decrease) in underlying need to borrow (supported by government financial assistance)	**(7,420)**
26,765	Increase in underlying need to borrow (unsupported by government financial assistance)	**20,113**
(2,384)	(Decrease) in underlying need to borrow of assets acquired under finance leases	**0**
(1,533)	(Decrease) in underlying need to borrow of assets acquired under PFI contracts	**(1,564)**
20,400	Increase / (decrease) in Capital Financing Requirement	**11,129**

Notes to the Accounts

Note 39 – Leases

a) Council 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:

2012/2013 £'000		**2013/2014 £'000**
11,175	Other Land & Buildings	**10,973**
0	Vehicles, Plant, Furniture and Equipment	**0**
11,175		**10,973**

The council 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 Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2012/2013 £'000		**2013/2014 £'000**
	Finance Lease Liabilities (net present value of minimum lease payments)	
16	Current	**16**
6,634	Non-current	**6,618**
0	Finance costs payable in future years	**0**
6,650	Minimum lease payments	**6,634**

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

Minimum Lease Payments 2012/2013 £'000	Finance Lease Liabilities 2012/2013 £'000		**Minimum Lease Payments 2013/2014 £'000**	**Finance Lease Liabilities 2013/2014 £'000**
16	16	Not later than one year	**16**	**16**
63	63	Later than one year and not later than five years	**63**	**63**
6,571	6,571	Later than five years	**6,555**	**6,555**
6,650	6,650		**6,634**	**6,634**

Operating Leases

The council 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:

2012/2013 £'000		**2013/2014 £'000**
51	Not later than one year	**12**
20	Later than one year but not later than five years	**10**
0	Later than five years	**0**
71		**22**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £151,562 (2012/2013 £144,273).

The council has use of a small number of properties by entering into operating leases. The annual payment of £417,695 in 2013/2014 (2012/2013 £588,971) relates to the following periods:

2012/2013 £'000		**2013/2014 £'000**
276	Not later than one year	**60**
18	Later than one year but not later than five years	**18**
295	Later than five years	**340**
589		**418**

b) Council as Lessor

Finance Leases

The Council has leased out the following properties under finance lease arrangements:

- Bungalows lease to Three Rivers Housing – remaining lease 10 years
- Raich Carter Centre – remaining lease 12 years
- Marine Activity Centre – remaining lease 108 years

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

Operating Leases

The Council 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:

2012/2013 £'000		**2013/2014 £'000**
2,127	Not later than one year	**2,222**
1,383	Later than one year but not later than five years	**1,971**
3,463	Later than five years	**3,585**
6,973		**7,778**

Note 40 – Private Finance Initiatives and Similar Contracts

The Council currently operates two PFI schemes:

- Sandhill View School and Community and Learning Centre became operational in September 2002. This development also included some facilities previously provided separately including Grindon Library.

- The Council also entered into a PFI contract, on 12 August 2003, 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.

Property, Plant and Equipment
The assets used to provide services under the two existing PFI schemes are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment in Note 12.

Payments
The council makes agreed payments each year which are increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2014 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2014/2015	3,621	1,231	3,207	8,059
Payable within 2 to 5 years	16,502	5,320	11,693	33,515
Payable within 6 to 10 years	22,035	10,757	12,157	44,949
Payable within 11 to 15 years	20,963	12,765	5,835	39,563
Payable within 16 to 20 years	0	0	0	0
Payable within 21 to 25 years	0	0	0	0
Payable within 26 to 30 years	0	0	0	0
Total	63,121	30,073	32,892	126,086

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2012/2013 £'000		**2013/2014 £'000**
32,518	Balance outstanding at the start of the year	**31,308**
(1,210)	Payments during the year	**(1,234)**
0	Capital expenditure incurred in year	**0**
31,308	Balance outstanding at the year end	**30,074**

Note 41 – Impairment Losses

During 2013/2014, the Council recognised impairment losses totalling £7.292m (£4.285m in 2012/2013). These impairment losses related to work undertaken on Council assets that had not led to a corresponding increase in value. The main areas of impairment are demolition and improvement works at regeneration sites within the city (£2.561m) works to various Council offices and other assets that will generate long term savings (£1.771m) and works to various schools (£0.673m).

Note 42 – Termination Benefits

Over recent years the Council has implemented a range of workforce planning measures in order to address financial pressures. All related costs are reflected within the Cost of Service on the Comprehensive Income and Expenditure Statement, however, it should be noted that this also includes technical accounting adjustments required by Accounting Standards with regard to past service pension costs.

The Council terminated the contracts of a number of employees in 2013/2014, incurring liabilities of £12.427m (£18.933m in 2012/2013). This included a limited number of compulsory redundancies (£0.225m relating to 23 employees). The number of all exit packages with total cost per band and total cost of these packages are set out in the tables below:

2012/2013

Exit package cost band £'000	Number of agreed departures (Non-Schools)	Cost of Exit Packages in each band (Non-Schools)			Number of agreed departures (Schools)	Cost of Exit Packages in each band (Schools)			Total Cost of Exit Packages in each band		
		Employee Costs £'000	Pension Costs £'000	Total Cost £'000		Employee Costs £'000	Pension Costs £'000	Total Cost £'000	Employee Costs £'000	Pension Costs £'000	Total Cost £'000
£0 - £20	448	4,038	467	4,505	44	387	7	394	4,425	474	4,899
£20 - £40	227	4,540	1,602	6,142	6	147	0	147	4,687	1,602	6,289
£40 - £60	62	1,286	1,761	3,047	3	144	0	144	1,430	1,761	3,191
£60 - £80	29	643	1,314	1,957	1	73	0	73	716	1,314	2,030
£80 - £100	10	268	637	905	0	0	0	0	268	637	905
£100 - £150	8	235	690	925	0	0	0	0	235	690	925
£150 - £200	4	83	611	694	0	0	0	0	83	611	694
Total	788	11,093	7,082	18,175	54	751	7	758	11,844	7,089	18,933

2013/2014

Exit package cost band £'000	Number of agreed departures (Non-Schools)	Cost of Exit Packages in each band (Non-Schools)			Number of agreed departures (Schools)	Cost of Exit Packages in each band (Schools)			Total Cost of Exit Packages in each band		
		Employee Costs £'000	Pension Costs £'000	Total Cost £'000		Employee Costs £'000	Pension Costs £'000	Total Cost £'000	Employee Costs £'000	Pension Costs £'000	Total Cost £'000
£0 - £20	440	3,983	326	4,309	55	365	74	439	4,348	400	4,748
£20 - £40	106	1,909	1,087	2,996	21	490	59	549	2,399	1,146	3,545
£40 - £60	33	610	988	1,598	1	43	0	43	653	988	1,641
£60 - £80	13	314	573	887	1	65	0	65	379	573	952
£80 - £100	5	116	305	421	1	83	0	83	199	305	504
£100 - £150	7	220	617	837	0	0	0	0	220	617	837
£150 - £200	1	83	117	200	0	0	0	0	83	117	200
Total	605	7,235	4,013	11,248	79	1,046	133	1,179	8,281	4,146	12,427

Notes to the Accounts

Note 43 – Pension Scheme Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of the 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 a defined contribution scheme. As a proportion of the total contribution into the Teacher's Pension Scheme during the year ending 31 March 2014, the Council's own contributions equate to approximately 61.0%.

In 2013/2014, the Council paid £7.523m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/2013 were £9.665m and 14.1%. There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £6.679m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 44.

The Council is not liable to the scheme for any other entities obligations under the plan.

NHS Staff Pension Scheme

During 2013/2014, NHS staff transferred to the Council. These staff maintained their membership in the NHS Pension Scheme. The scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the 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 a defined contribution scheme. As a proportion of the total contribution into the NHS Pension Scheme during the year ending 31 March 2014, the Council's own contributions equate to approximately 56.2%.

In 2013/2014, the Council paid £0.102m to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 13.8% of pensionable pay. There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £0.108m.

Note 44 – Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.
The Council 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 Council and employees pay contributions into a 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 are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The Tyne and Wear pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of South Tyneside Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary Post-Retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

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.

Following the TUPE of staff to Sunderland Care and Support Ltd, Care and Support Sunderland Ltd and Sunderland Live Ltd during 2013/2014, the Council has effectively entered into transactions which eliminate all further legal or constructive obligations for those staff. This has resulted in a one-off gain on settlement of 12.26m. This is presented in the disclosures below as well as on the Comprehensive Income and Expenditure Statement as an exceptional item.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Notes to the Accounts

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2012/2013 £m	**2013/2014 £m**	2012/2013 £m	**2013/2014 £m**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising				
Current service cost	28.02	**27.97**	0.00	**0.00**
Past service costs	6.66	**4.37**	0.00	**0.00**
(Gain)/loss from settlements	0.00	**(12.26)**	0.00	**0.00**
Financing and Investment Income and Expenditure				
Net interest expense	24.54	**25.10**	2.15	**2.00**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	59.22	**45.18**	2.15	**2.00**
Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	59.14	**(22.57)**	0.00	**0.00**
Actuarial gains and losses arising on changes in demographic assumptions	0.00	**13.40**	0.00	**(1.57)**
Actuarial gains and losses arising on changes in financial assumptions	(87.24)	**92.39**	(3.12)	**2.36**
Actuarial gains and losses arising from liability experience	1.54	**129.02**	0.09	**(0.01)**
Comprehensive Income and Expenditure Statement	32.66	**257.42**	(0.88)	**2.78**
Movement in Reserves Statement				
Deficit on the Provision of Services for post employment benefits in accordance with the Code	23.50	**13.42**	(1.33)	**(1.30)**
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers contributions payable to the scheme	35.72	**31.76**	3.48	**3.30**
Retirement payments payable to pensioners	46.43	**43.61**	0.00	**0.00**

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2012/2013	**2013/2014**	2012/2013	**2013/2014**
	£m	**£m**	£m	**£m**
Present value of the defined benefit obligation	1,492.63	**1,274.29**	50.20	**48.12**
Fair value of plan assets	902.31	**882.79**	0.00	**0.00**
Sub-total	(590.32)	**(391.50)**	(50.20)	**(48.12)**
Other movements in the liability (asset)	0.00	**0.00**	0.00	**0.00**
Net liability arising from defined benefit obligation	(590.32)	**(391.50)**	(50.20)	**(48.12)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2012/2013	**2013/2014**	2012/2013	**2013/2014**
	£m	**£m**	£m	**£m**
Opening fair value of scheme assets	808.48	**902.31**	0.00	**0.00**
Interest income	37.92	**39.12**	0.00	**0.00**
Remeasurement gain/(loss):				
The return on plan assets, excluding the amount included in the net interest expense	59.14	**(22.57)**	0.00	**0.00**
The effect of changes in foreign exchange rates	0.00	**0.00**	0.00	**0.00**
Contributions from employer	35.72	**31.76**	3.48	**3.30**
Contributions from employees into the scheme	7.80	**6.76**	0.00	**0.00**
Benefits paid	(46.75)	**(43.93)**	(3.48)	**(3.30)**
Settlements	0.00	**(30.66)**	0.00	**0.00**
Closing balance at 31 March	902.31	**882.79**	0.00	**0.00**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2012/2013 £m	**2013/2014 £m**	2012/2013 £m	**2013/2014 £m**
Opening balance at 1 April	1,348.74	**1,492.63**	48.50	**50.20**
Current service cost	28.02	**27.97**	0.00	**0.00**
Interest cost	62.46	**64.22**	2.15	**2.00**
Contributions by scheme participants	7.80	**6.76**	0.00	**0.00**
Remeasurement (gains) and losses:				
Actuarial gains/losses arising from changes in demographic assumptions	0.00	**(13.40)**	0.00	**1.57**
Actuarial gains/losses arising from changes in financial assumptions	87.24	**(92.39)**	3.12	**(2.36)**
Actuarial gains/losses arising from liability experience	(1.54)	**(129.02)**	(0.09)	**0.01**
Past service cost	6.66	**4.37**	0.00	**0.00**
Losses/(gains) on curtailment	0.00	**0.00**	0.00	**0.00**
Liabilities assumed on entity combinations	0.00	**0.00**	0.00	**0.00**
Benefits paid	(46.75)	**(43.93)**	(3.48)	**(3.30)**
Liabilities extinguished on settlements	0.00	**(42.92)**	0.00	**0.00**
Closing balance at 31 March	1,492.63	**1,274.29**	50.20	**48.12**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets			
	2012/2013	**2013/2014**		
		Quoted	Unquoted	**Total**
	%	%	%	**%**
Equities	68.0	58.1	8.7	**66.8**
Property	9.0	0	8.5	**8.5**
Government Bonds	7.0	3.5	0.0	**3.5**
Corporate Bonds	11.0	11.5	0.0	**11.5**
Cash	1.6	2.9	0.0	**2.9**
Other	3.4	5	1.8	**6.8**
Total assets	100.0	81.0	19.0	**100.0**

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 dependent 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 2013.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2012/2013	**2013/2014**	2012/2013	**2013/2014**
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	21.7 years	**23.0 years**	21.7 years	**23.0 years**
Women	23.9 years	**24.6 years**	23.9 years	**24.6 years**
Longevity at 65 for future pensioners				
Men	23.5 years	**25.0 years**	23.5 years	**25.0 years**
Women	25.8 years	**26.9 years**	25.8 years	**26.9 years**
RPI	3.6%	**3.4%**	3.5%	**3.2%**
CPI	2.7%	**2.4%**	2.6%	**2.2%**
Rate of increase in salaries	4.6%	**3.9%**	N/A	**N/A**
Rate of increase in pensions	2.7%	**2.4%**	2.6%	**2.2%**
Rate for discounting scheme liabilities	4.4%	**4.3%**	4.1%	**4.2%**
Long-term expected rate of return on assets in the scheme	4.4%	**4.3%**	4.1%	**4.2%**

Under IAS19 the long-term expected rate of return on assets is assumed to be the same as the discount rate.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £m	Decrease in Assumption £m
Longevity (increase or decrease in 1 year)	22.86	**24.35**
Rate of increase in salaries (increase or decrease by 0.1%)	23.61	**23.61**
Rate of increase in pensions (increase or decrease by 0.1%)	24.38	**22.85**
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	22.87	**24.36**

The Council anticipates making £29.01m expected contributions to the scheme in 2014/2015.

The weighted average duration of the defined benefit obligation for scheme members is 18.6 years, 2013/2014 (17.9 years 2012/2013).

Note 45 – Contingent Liabilities

The City Council, together with the other Tyne and Wear district councils, 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. Also in addition 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 agreed with the Pension Fund administrators that if any of the above bodies should cease operating then any pension 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.

The City Council acts as a guarantor for the No Limits Theatre Company to the Tyne and Wear Pension Fund in respect of pensions for transferring employees. The Council also acts as a guarantor for those employees that were employed originally by the Council but transferred to 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.

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.

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.

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 majority of claims have been stayed by the Employment Tribunal to allow settlement discussions to take place. A significant number of the claims have been settled, with efforts ongoing to settle the remainder of the stayed cases.

The Environment Agency has confirmed that the Council 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 cannot yet be accurately quantified and it is not possible to determine the level of the Council's exposure at this current time. The first stage of the remediation process is for the organisations concerned to jointly instruct an independent third party to undertake a detailed investigation of the site, in order to obtain a clearer understanding of the condition of the land. This is in hand and it is anticipated that the appointment of an appropriate contractor to undertake this work will be made within the next few months.

The Council has been made aware of its share (0.4022%) of the potential pensions fund liabilities in respect of Port of Sunderland staff that belong to the Pilots' National Pension Fund. The liability becomes effective from1st April 2015 and the amounts involved will be dependent upon the actuary's advice at that time. An indicative liability totalling approximately £0.800 million has recently been provided, with redress to be spread annually over a projected 14 year period, until 2028. A further revaluation is expected in this coming Autumn to assess the most up to date costs involved for each Authority.

Notes to the Accounts

Note 46 – Contingent Assets

The Council has a number of outstanding VAT claims lodged with HM Revenue and Customs (HMRC) in relation to overpaid output tax, the value of these claims amounts to £4.9m. However HMRC has been successful in refuting these claims and there is now doubt about the probability of a successful conclusion for recovery of these claims. There is continuing litigation against HMRC and as the position has not yet been fully resolved, the Council has reflected its claims as a contingent asset pending a final decision by the courts.

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 £1.253m.

The Council entered into an agreement with St Modwen Developments Ltd to make phased payment contributions to educational facilities. The monies will be paid to the Council upon phased sale of properties at the development of land at Lisburn Terrace / Pallion New Road, the timing of which is uncertain. The total value of the agreement is £0.345m and the Council received its first stage payment of £0.122m in May 2013 which effectively reduces the estimated amount outstanding to £0.223m.

The Council also has a number of other smaller Section 106 Agreements in place that may generate contributions from the various developers involved, once certain trigger points in the phased developments occur. These developments are actively monitored by the Council during each financial year in order to safeguard the amounts due.

Note 47 - 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 principles 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, building societies and money market funds 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	**110**	2 Years
AA+	F1+	A1+	Aa1	P-1	**90**	2 Years
AA	F1+	A1+	Aa2	P-1	40	364 days
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	20	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 (limit for each local authority)					30	2 years
UK Government (including debt management office, gilts and treasury bills)					90	2 years
Money Market Funds Maximum amount to be invested in Money Market Funds is £80m with a maximum of £40m in any one fund.					80	Liquid Deposits
Local Authority controlled companies (# duration limited to 20 years in accordance with Capital Regulations)					20	# 20 years

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 Council's 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 2014 £'000	Historical Experience of default %	Historical Experience adjusted for market conditions as at 31 March 2014 £'000	Estimated maximum exposure to default and uncollectability at 31 March 2014 £'000	Estimated maximum exposure to default and uncollectability at 31 March 2013 £'000
Deposits with Banks and other financial institutions	160,966	0	0	0	0
Bonds and other securities	0	0	0	0	0
Customers	19,048	4.18	0	795	515
Financial Assets	**180,014**		**0**	**795**	**515**

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

The Council does not generally allow credit for customers, such that £19.048m of the £180.014m is beyond its due date for payment. The past due amount can be analysed by age as follows:

31 March 2013 £'000		31 March 2013 £'000
13,453	Less than 3 months	**18,112**
435	Three to six months	**334**
347	Six months to one year	**337**
238	More than one year	**265**
14,473		**19,048**

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the Council has ready access to a facility to borrow from the Public Works Loan Board and from money markets. 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 of re-borrowing at a time of unfavourable interest rates. The maturity analysis of financial liabilities is as follows:

2013 £'000	Loans Oustanding	31 March 2014 £'000
35,849	Less than 1 year	**40,734**
10,095	Maturing in 1-2 years	**1,306**
5,515	Maturing in 2-5 years	**9,150**
24,250	Maturing in 5-10 years	**19,251**
5,154	Maturing in 10-20 years	**5,107**
22	Maturing in 20-30 years	**5,018**
26,000	Maturing in 30-40 years	**27,000**
73,500	Maturing in 40-50 years	**67,500**
35,208	Maturing in more than 50 years	**35,201**
215,593	**Total**	**210,267**

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 effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Council 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 MiRS.
- 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 Council'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 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2013 £'000		**31 March 2014 £'000**
(390)	Increase in interest payable on variable rate borrowings	**(471)**
2,415	Increase in interest received on variable rate borrowings	**2,007**
2,025	**Net Impact on Income and Expenditure Account**	1,536
0	Decrease in fair value of 'available for sale' investment assets	**0**
0	**Impact on MiRS**	0
(586)	Decrease in fair value of fixed rate investment assets (No impact on Comprehensive I&E Statement or MiRS)	**(288)**
30,284	Decrease in fair value of fixed rate borrowing liabilities (No impact on Comprehensive I&E Statement or MiRS)	**25,617**

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £16,400,181 (2012/2013 £16,400,181) in Newcastle Airport which is not listed on the stock exchange. The Council is consequently exposed to any variation arising from the movement in the price of these shares which were re-valued in 2012/2013 as a result of a change in strategic partner for the Airport during the re-financing process, which provided a ‘market’ price on which to base the valuation of the shares held by the council.

The Council holds a small number of various gilts and unit trusts with a value at cost of £19,541 (2012/2013 £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 2014 was £147,618 in total (the value at 31st March 2013 was £134,976).

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.

Notes to the Accounts

Note 48 – Heritage Assets: Five-Year Summary of Transactions

	2009/2010 £'000	2010/2011 £'000	2011/2012 £'000	2012/2013 £'000	**2013/2014 £'000**
Cost of Acquisitions of Heritage Assets					
Collections held by Tyne & Wear Museums	0	7	0	0	**0**
Statues, Monuments and Public Art	0	0	0	0	**0**
Other Historic Assets	0	0	0	0	**0**
Total Cost of Purchases	0	7	0	0	**0**
Value of Assets Aquired by Donation					
Collections held by Tyne & Wear Museums	0	0	0	0	**0**
Statues, Monuments and Public Art	0	0	0	0	**0**
Other Historic Assets	0	0	0	0	**0**
Total Donations	0	0	0	0	**0**
Proceeds from Disposal					
Collections held by Tyne & Wear Museums	0	0	0	0	**0**
Statues, Monuments and Public Art	0	0	0	0	**0**
Other Historic Assets	0	0	0	0	**0**
Total Proceeds	0	0	0	0	**0**
Carrying Value	0	10	0	0	**(15)**
Proceeds	0	0	0	0	**0**

Note 49 – Heritage Assets: Further Information on the Council's Holdings

Collections maintained by Tyne & Wear Museums
Sunderland City Council own a number of artefacts that are managed by Tyne & Wear Museums with a value in excess of £10,000.

Statues, Monuments and Public Art
The values of statues, monuments and public art where the value can be separately identified have been classified as heritage assets. In the future all capital expenditure in excess of £10,000 on such items will be classified as heritage assets.

Other Historic Assets
Other objects held by the Council with a value in excess of £10,000 that can be classified as historic assets. Items include, the book of remembrance, copy of the Lindisfarne gospels, miners' banners, etc.

Note 50 – 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 2014 the Council was responsible for 42 of these funds, relating to People's Services, details of which are shown below.

	Balance at 01/04/2013 £'000	Additions during the year £'000	Income £'000	Expenditure £'000	**Balance at 31/03/2014 £'000**
People's Services Trust Funds	129	0	1	0	**130**

Notes to the Accounts

Note 51 – Prior Period Adjustments

Pension Accounting Arrangements

Prior period adjustments have been made to the Council's 2012/2013 published financial statements in relation to changes to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to the accounting treatment for financial years beginning on or after 1st January 2013. The main changes are as follows:

Expected Return on Assets

This is in relation to the return on Pension Scheme assets held by South Tyneside Pension Fund. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using expected return on asset assumptions).

Disclosure Presentation

In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Council's defined benefit pension scheme have changed from those published in 2012/2013. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand.

Impact on 2012/2013 Financial Statements

Throughout the Statement of Accounts, where disclosures have been restated in line with the accounting changes, the 2012/2013 figures have been identified as 'restated'. The impact of these changes on the Council's 2012/2013 core statements is shown overleaf:

Notes to the Accounts

Prior Period Adjustments - Comprehensive Income and Expenditure Statement

	2012/2013		
	Net Expenditure		
	Original	Restatement	Restated
	£'000	£'000	£'000
Central services to the public	5,550	50	5,600
Cultural and related services	25,216	80	25,296
Environmental and regulatory services	24,047	94	24,141
Planning services	22,871	37	22,908
Education services	31,848	422	32,270
Children's social care	31,421	144	31,565
Highways and transport services	19,431	66	19,497
Other housing services	5,873	17	5,890
Adult social care	68,728	254	68,982
Corporate and democratic core	10,712	16	10,728
Non distributed costs	5,078	0	5,078
Exceptional item - severance costs	10,014	0	10,014
Exceptional item - equal pay settlement/provision	41,319	0	41,319
Cost of Services	**302,108**	**1,180**	**303,288**
Other operating expenditure	114,553	0	114,553
Financing and investment income and expenditure	7,303	17,930	25,233
Taxation and non-specific grant income and expenditure	(261,664)	0	(261,664)
(Surplus) or Deficit on Provision of Services	**162,300**	**19,110**	**181,410**
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	(38,635)	0	(38,635)
Actuarial (gain) / loss on pension assets / liabilities	48,700	(48,700)	0
Re-measurements of the defined benefit liability	0	29,590	29,590
(Surplus) or deficit on revaluation of available for sale financial assets	(15,605)	0	(15,605)
Other Comprehensive Income and Expenditure	**(5,540)**	**(19,110)**	**(24,650)**
Total Comprehensive Income and Expenditure	**156,760**	**0**	**156,760**

Notes to the Accounts

Prior Period Adjustments - Movement in Reserves Statement

	General Fund Balance Restated £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves Restated £'000	Unusable Reserves Restated £'000	**Total Authority Reserves Restated £'000**
Original balance at 31 March 2013	(16,934)	(132,165)	(8,647)	(7,506)	(165,252)	(176,060)	**(341,312)**
Restatements to movements in Reserves during 12/13:							
Deficit on provision of services	19,110	0	0	0	19,110	0	**19,110**
Other CIES	0	0	0	0	0	(19,110)	**(19,110)**
Adjustments between accounting basis & funding basis under regulations	(19,110)	0	0	0	(19,110)	19,110	**0**
Net adjustments	**0**	**0**	**0**	**0**	0	**0**	**0**
Restated balance at 31 March 2013	**(16,934)**	**(132,165)**	**(8,647)**	**(7,506)**	**(165,252)**	**(176,060)**	**(341,312)**

Prior Period Adjustments - Cash Flow Statement

	2012/2013		
	Original £'000	Restatement £'000	Restated £'000
Net (surplus) or deficit on the provision of services	162,300	19,110	181,410
Adjust net (surplus) or deficit on the provision of services for non cash movement	(187,289)	(19,110)	(206,399)
Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	21,311	0	21,311
Net cash flows from operating activities	(3,678)	0	(3,678)
Investing activities	4,439	0	4,439
Financing activities	8,039	0	8,039
Net (increase) or decrease in cash and cash equivalents	8,800	0	8,800
Cash and cash equivalents at the beginning of the reporting period	32,697	0	32,697
Cash and cash equivalents at the end of the reporting period	23,897	0	23,897

Notes to the Collection Fund Account

Collection Fund Account for Year Ended 31 March 2014

2012/13 Total £'000		Note	2013/2014 Council Tax £'000	2013/2014 NNDR £'000	2013/2014 Total £'000
	Income				
84,058	Council Tax Payers	1	88,134	0	88,134
26,351	Council Tax Benefits	1	0	0	0
83,325	Income from Business Ratepayers	2	0	90,697	90,697
193,734			88,134	90,697	178,831
	Expenditure				
	Apportionment of Previous Years Surplus				
500	Sunderland City Council		500	0	500
31	Tyne and Wear Fire and Rescue Authority		31	0	31
35	Police and Crime Commissioner for Northumbria		35	0	35
566			566	0	566
	Precepts, Demands and Shares:				
96,356	Sunderland City Council		76,054	40,886	116,940
5,941	Tyne and Wear Fire and Rescue Authority		4,689	834	5,523
6,795	Police and Crime Commissioner for Northumbria		5,551	0	5,551
80,616	Central Government - Payment to the National Pool		0	0	0
0	Central Government - Transitional Protection Payable		0	45	45
0	Central Government - Share		0	41,682	41,682
189,708			86,294	83,447	169,741
	Charges to Collection Fund				
0	Disregarded Amounts - Enterprize Zones		0	720	720
334	Cost of Collection - Business Rates		0	333	333
1,182	Write Offs	3	611	979	1,590
1,621	Provision for Bad Debts	3	529	815	1,344
0	Provision for Business Rate Appeals	4	0	7,765	7,765
3,137			1,140	10,612	11,752
323	**(Deficit) / Surplus for the Year**		**134**	**(3,362)**	**(3,228)**
2,325	Balance brought forward as at 1 April		2,648	0	2,648
2,648	**Fund Balance Carried Forward as at 31 March**		**2,782**	**(3,362)**	**(580)**
	Fund allocated to				
2,339	Sunderland City Council		2,452	(1,647)	805
144	Tyne and Wear Fire and Rescue Authority		151	(34)	117
165	Police and Crime Commissioner for Northumbria		179	0	179
0	Central Government		0	(1,681)	(1,681)
2,648			**2,782**	**(3,362)**	**(580)**

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Collection fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Sunderland, the Council Tax precepting bodies are the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority.

In 2013/2014, the local government finance regime was revised with the introduction of the retained business rates scheme. Whilst the main aim of the scheme is to give Councils a greater incentive to grow businesses, it also increases the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the NNDR received. The Sunderland share is 49% with the remainder paid to precepting bodies. For Sunderland the NNDR precepting bodies are Central Government (50% share) and Tyne and Wear Fire and Rescue Authority (1% share).

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

Note 1 – Income from Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 9 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.

The basic amount of Council Tax for a Band D property, £1,345.73 for 2013/2014 (£1,342.80 for 2012/2013), is multiplied by the proportion specified for the particular band to give an individual amount due.

The Council Tax Base for 2013/2014 was 64,094 (81,202 in 2012/2013). This reduction between financial years is as a result of the Governments Council Tax Localisation changes which revised the way Central Government pay Council Tax benefit compensation to the Council, with Council Tax Benefit no longer received by the Council. This has been replaced by a Council Tax Reduction Scheme which is administered by each Local Authority.

The Tax Base for 2013/2014 was approved by Cabinet meeting 16 January 2013 and was calculated as follows:

Band	Chargeable Dwellings	Proportion of Band D Tax	Equivalent Band D Dwellings
(A)	174	5/9	97
A	77,660	6/9	51,773
B	16,867	7/9	13,119
C	15,788	8/9	14,034
D	7,999	9/9	7,999
E	2,902	11/9	3,547
F	1,015	13/9	1,465
G	602	15/9	1,003
H	18	18/9	36
Net effect of premiums and discounts			(27,671)
			65,402
Anticipated Collection Rate			98%
Tax Base for the Calculation of Council Tax			64,094

Notes to the Collection Fund Account

Note 2 – Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/2014, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to a central pool, local authorities retain a proportion of the total collectable rates due, in the case of Sunderland the local share is 49%. The remainder is distributed to preceptors and in the case of Sunderland these are Central Government (50%) and the Tyne and Wear Fire and Rescue Service (1%).

The business rates share payable for 2013/2014 was estimated before the start of the financial year as £41.682m to Central Government, £0.834m to Tyne and Wear Fire and Rescue Authority and £40.886m to Sunderland Council. These sums have been paid in 2013/2014 and charged to the Collection Fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Sunderland received a top up grant to the General Fund in 2013/2014 to the value of £34.600m.

The total income from business rates payers collected in 2013/2014 was £90.697m (£83.325m in 2012/2013). This sum includes £0.045m of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme. This sum has to be repaid to Central Government and therefore increases payments to Central Government to £41.727m.

In addition to the top up, a ‘safety net’ figure is calculated at 92.5% of the baseline amount which ensures that authorities are protected to this level of Business rates income. The Council does not qualify for a safety net payment for 2013/2014.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the VOA. As such, authorities are required to make a provision for amounts which will relate to the 2013/2014 financial year and any previous financial years (since this is the first year of this provision). The total provision charged to the collection fund for 2013/2014 has been calculated at £7.765m.

For 2013/2014, the total non-domestic rateable value at the year-end is £224.301m (£216.080m in 2012/2013). The national multipliers for 2013/2014 were 46.2p (45.0p for 2012/2013) for qualifying small businesses, and the standard multiplier being 47.1p (45.8p for 2012/2013) for all other businesses.

Note 3 – Council Tax/NNDR Bad Debt Provision

The Collection Fund provides for bad debts on arrears on the basis of prior years’ experience, and a formulaic approach to outstanding debt levels.

Once all actions to recover outstanding debt have been exhausted, the Council will write off uncollectable debt in accordance with proper accounting practice. Most of these sums relate to

Notes to the Collection Fund Account

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 have already been accounted for in a previous period.

The level of bad debt provision and the relevant preceptors share is as follows:

2012/2013				2013/2014		
Council Tax £'000	NNDR £'000	Total £'000		Council Tax £'000	NNDR £'000	Total £'000
4,865	2,023	6,888	Balance as at 1 April	4,865	4,826	9,691
(428)	(754)	(1,182)	Write Offs	(611)	(979)	(1,590)
428	3,557	3,985	Contribution to provision	1,140	1,794	2,934
4,865	4,826	9,691	Balance as at 31 March	5,394	5,641	11,035
			Balance allocated to:			
4,297	0	4,297	Sunderland City Council	4,754	2,764	7,518
0	4,826	4,826	Central Government	0	2,821	2,821
265	0	265	Tyne and Wear Fire and Rescue Authority	293	56	349
303	0	303	Police and Crime Commissioner for Northumbria	347	0	347
4,865	4,826	9,691		5,394	5,641	11,035

Note 4 – Business Rate Provision for Valuation Appeals

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) for amounts relating to the 2013/2014 financial year and any previous financial years. This is the first year of this provision.

The level of appeals provision and the relevant preceptors share is as follows:

NNDR £'000		NNDR £'000
0	Balance as at 1 April	0
0	Contribution to provision	7,765
0	Balance as at 31 March	7,765
	Balance allocated to	
0	Sunderland City Council	3,805
0	Central Government	3,882
0	Tyne and Wear Fire and Rescue Authority	78
0		7,765

Group Accounts Foreword

This Statement of Accounts shows, in the following pages, the Council's group accounts for 2013/2014. These group accounts consolidate the results and balances of the Council with those of its wholly owned subsidiaries:

- Sunderland Care and Support (Holding Company) Ltd
- Care and Support Sunderland (Holding Company) Ltd
- Sunderland Live Ltd

Sunderland Care and Support (Holding Company) Ltd

Sunderland Care and Support (Holding Company) Ltd with its subsidiary Sunderland Care and Support Ltd was formed on the 1st December 2013 for the provision of Adult Social Care Services for Sunderland City Council and was set up as a Local Authority Trading Company (LATC).
Sunderland Care and Support (Holding Company) Ltd is 100% owned by Sunderland City Council, with Sunderland Care and Support Ltd being owned fully by the Holding Company. Sunderland City Council contracts with Sunderland Care and Support (Holding Company) Ltd for the provision of Adult Social Care Services, the holding company then subcontracts to Sunderland Care and Support Ltd who deliver the following Adult Social Care Services:

- Reablement at home
- Farnborough Court Intermediate Care Centre
- Sunderland Telecare
- Community Equipment Service and Handyperson Service
- Day services
- Supported living schemes
- Registered residential services
- Short break services
- Independence at home (outreach) services
- Sunderland Shared Lives
- See and Solve Solutions
- Sunderland Home Improvement Agency

The value of the contract for the period was £8.850m
Sunderland Care and Support Ltd buy backs its support functions from Sunderland City Council through Service Level Agreements.
Both companies have a common board of directors appointed by the Sunderland City Council (as the shareholder of the holding company).

Care and Support Sunderland (Holding Company) Ltd

Care and Support Sunderland Ltd was formed on the 7th October 2011 following Choices Care Ltd going into administration. The services provided covered sixteen small residential and supported living schemes for people with Learning Disabilities, Autism and Challenging Behaviour. Sunderland City Council formed Care and Support Sunderland Ltd as a Local Authority Controlled Company (LATC), for the specific purpose of providing these services.
Care and Support Sunderland (Holding Company) was formed on 1st April 2013 and is owned 100% by Sunderland City Council with Care and Support Sunderland Ltd being fully owned by the Holding Company.
On the 1st April 2013, one small residential Home for people with a Learning disability and four supported living schemes were transferred from the council's in-house service into Care and Support Sunderland Ltd. This brought a total of twenty one small residential and supported living schemes managed by the company.

Sunderland City Council contracts with Care and Support Sunderland (Holding Company) Ltd for the provision of services. The holding company then subcontracts to Sunderland Care and Support Ltd to deliver the services
The value of the contract for the period was £7.656m
Both companies have a common board of directors appointed by the Council (as the shareholder of the holding company).

Group Accounts Foreword

Sunderland Live Ltd

In April 2013 Sunderland Live Ltd was formed from an already well-established Sunderland City Council events team to deliver a vibrant events programme that supports the local economy and increases Sunderland's profile. Sunderland Live Ltd provides a new approach to how events are delivered in Sunderland; it ensures the continued development of the events programme to create vibrancy and things to see, do and take part in for residents, but also reduces the cost to the City Council of the running and delivery of events.
The primary objectives of Sunderland Live Ltd are to:

- maintain consistently high public satisfaction for the existing events programme; and
- increase the provision of events within Sunderland in line with PLACE marketing objectives;

In addition the Company will be expected to:

- maintain the existing events programme whilst reducing the on-going cost to the council;

The Company looks to reduce this on-going cost through deriving increased income from sponsorship, hospitality and other potential income streams whilst realising efficiencies in the way that the programme is delivered. Where appropriate the Company looks to exploit opportunities to trade with third parties. These opportunities will allow the business to exploit the knowledge and skills of the Events Team to generate increased revenues for the entity and further reduce costs.
The value of the contract for the period was £1.448m

Preparation of Group Accounts

The group accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013/2014' (based on International Financial Reporting Standards (IFRS)) known more commonly as the Code. The Code constitutes 'proper accounting practice' under the terms of the Local Government Act 2003 and the Accounts and Audit Regulations 2011.
In preparing the group accounts all statutory man group statements have been incorporated, along with specific notes where balances are materially different from those within the Council's accounts.

As preparation of Group Accounts was not a requirement for 2012/2013, comparative information relating to 2012/2013 presented throughout the Group Accounts relates to the Council position only.

The financial statements required under the Code are detailed below:

1. Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves.

2. Comprehensive Income and Expenditure Statement

This reports the net cost for the year of all group functions and demonstrates how that cost has been met from general government grants and income from local taxpayers.

3. Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by reserves held by the group.

4. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the group during the reporting period.

5. Notes to the Accounts

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The (Surplus) or Deficit on the Provision of Service line shows the true economic cost of providing the group'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 group. The tables below show the details for both 2012/2013 and 2013/2014 as required by the Code of Accounting Practice.

Group Movement in Reserves Statement

	Adjusted Council Position *						Subsidiaries		Group
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Council's share of usable reserves of subsidiaries**	**Council's share of unusable reserves of subsidiaries**	**Total Group Reserves**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2012 carried forward	(18,210)	(150,239)	(5,492)	(5,854)	**(179,795)**	**(318,277)**	**0**	**0**	**(498,072)**
Movement in reserves during 2012/2013									
Deficit on provision of services	162,300	0	0	0	**162,300**	**0**	**0**	**0**	**162,300**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	**(5,540)**	**0**	**0**	**(5,540)**
Total Comprehensive Income and Expenditu	**162,300**	**0**	**0**	**0**	**162,300**	**(5,540)**	**0**	**0**	**156,760**
Adjustments between accounting basis & funding basis under regulations	(142,950)	0	(3,155)	(1,652)	**(147,757)**	**147,757**	**0**	**0**	**0**
Net (Increase) / Decrease before transfers to Earmarked Reserves	19,350	0	(3,155)	(1,652)	**14,543**	**142,217**	**0**	**0**	**156,760**
Transfers to / (from) Earmarked Reserves	(18,074)	18,074	0	0	**0**	**0**	**0**	**0**	**0**
(Increase) / Decrease in 2012/2013	1,276	18,074	(3,155)	(1,652)	**14,543**	**142,217**	**0**	**0**	**156,760**
Balance at 31 March 2013	**(16,934)**	**(132,165)**	**(8,647)**	**(7,506)**	**(165,252)**	**(176,060)**	**716**	**184**	**(340,412)**
Movement in reserves during 2013/2014									
Deficit on provision of services	118,025	0	0	0	**118,025**	**0**	**15,630**	**0**	**133,655**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	**(246,242)**	**0**	**5,458**	**(240,784)**
Total Comprehensive Income and Expenditu	**118,025**	**0**	**0**	**0**	**118,025**	**(246,242)**	**15,630**	**5,458**	**(107,129)**
Adjustments between accounting basis & funding basis under regulations	(150,749)	0	(1,584)	303	**(152,030)**	**152,030**	**(816)**	**816**	**0**
Net (Increase) / Decrease before transfers to Earmarked Reserves	(32,724)	0	(1,584)	303	**(34,005)**	**(94,212)**	**14,814**	**6,274**	**(107,129)**
Transfers to / (from) Earmarked Reserves	17,765	(17,765)	0	0	**0**	**0**	**0**	**0**	**0**
(Increase) / Decrease in 2013/2014	(14,959)	(17,765)	(1,584)	303	**(34,005)**	**(94,212)**	**14,814**	**6,274**	**(107,129)**
Balance at 31 March 2014	**(31,893)**	**(149,930)**	**(10,231)**	**(7,203)**	**(199,257)**	**(270,272)**	**15,530**	**6,458**	**(447,541)**

* The transactions presented above relate to the Council's adjusted position. The Council's single entity Movement in Reserves Statement is presented on page 22.

Group Comprehensive Income and Expenditure Account

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 shown in the Movement in Reserves Statement.

Group Comprehensive Income and Expenditure Account

2012/2013					2013/2014					
Council Only					Council Only			Group		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
35,359	29,759	5,600	Central services to the public		9,815	7,317	2,498	9,815	7,317	2,498
33,097	7,801	25,296	Cultural and related services		27,520	6,877	20,643	27,678	7,077	20,601
29,105	4,964	24,141	Environmental and regulatory services		29,822	8,006	21,816	29,822	8,006	21,816
32,904	9,996	22,908	Planning services		31,357	10,006	21,351	31,357	10,006	21,351
235,482	203,212	32,270	Education services		197,376	166,163	31,213	197,376	166,163	31,213
36,189	4,624	31,565	Children's social care		40,058	4,818	35,240	40,058	4,818	35,240
29,833	10,336	19,497	Highways and transport services		32,004	11,833	20,171	32,004	11,833	20,171
137,008	131,118	5,890	Other housing services		130,491	125,012	5,479	130,491	125,012	5,479
124,586	55,604	68,982	Adult social care		134,353	46,377	87,976	132,387	45,208	87,179
0	0	0	Public Health		20,208	20,776	(568)	20,208	20,776	(568)
19,345	8,617	10,728	Corporate and democratic core		22,764	13,823	8,941	22,764	13,823	8,941
7,632	2,554	5,078	Non distributed costs		637	0	637	637	0	637
10,014	0	10,014	Exceptional item - severance costs		7,192	0	7,192	7,192	0	7,192
41,319	0	41,319	Exceptional item - equal pay settlement/provision		11,065	0	11,065	11,065	0	11,065
0	0	0	Exceptional item - property revaluation loss		22,000	0	22,000	22,000	0	22,000
0	0	0	Exceptional item - IAS19 settlement adjustment		(12,260)	0	(12,260)	(12,260)	0	(12,260)
771,873	468,585	303,288	**Cost of Services**		704,402	421,008	283,394	702,594	420,039	282,555
114,553	0	114,553	Other operating expenditure		95,080	0	95,080	95,080	0	95,080
31,110	5,877	25,233	Financing and investment income and expenditure	13	45,326	4,988	40,338	45,960	5,171	40,789
0	261,664	(261,664)	Taxation and non-specific grant income and	14	0	284,789	(284,789)	20	284,789	(284,769)
917,536	736,126	181,410	**(Surplus) or Deficit on Provision of Services**		844,808	710,785	134,023	843,654	709,999	133,655
			Items that will not be reclassified to (surplus)/deficit on Provision of Services							
		(38,635)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(33,222)			(33,222)
		29,590	Re-measurements of the defined benefit liability	8			(213,020)			(207,562)
		(9,045)					(246,242)			(240,784)
			Items that may be reclassified to (surplus)/deficit on Provision of Services							
		(15,605)	(Surplus) or deficit on revaluation of available for sale financial assets				0			0
		(24,650)	**Other Comprehensive Income and Expenditure**				(246,242)			(240,784)
		156,760	**Total Comprehensive Income and Expenditure**				(112,219)			(107,129)

Group Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by reserves held by the group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the group 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the group is not able to use to provide services. This category of reserves includes reserves that 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'.

31st March 2013		Notes	31st March 2014	
Council Only			Council Only	Group
£'000			£'000	£'000
977,297	Property, Plant and Equipment		892,125	892,125
11,357	Heritage Assets		11,342	11,342
68,923	Investment Property		60,607	60,607
2,185	Intangible Assets		2,051	2,051
16,787	Long Term Investments		16,787	16,787
40,889	Long Term Debtors		39,574	39,574
1,117,438	**Long Term Assets**		1,022,486	1,022,486
147,135	Short Term Investments		90,619	90,619
1,335	Inventories		807	807
30,490	Short Term Debtors	6	49,810	48,809
975	Assets Held for Sale		1,732	1,732
0	Taxation		0	0
41,990	Cash and Cash Equivalents (In-hand & bank	2	71,031	71,397
221,925	**Current Assets**		213,999	213,364
(18,093)	Cash and Cash Equivalents (overdrawn)	2	(17,776)	(11,853)
(35,849)	Short Term Borrowing		(40,734)	(40,734)
(38,949)	Short Term Creditors	7	(42,748)	(47,552)
(35,556)	Provisions		(26,950)	(26,854)
(6,882)	Grant Receipts in Advance - Capital		(5,206)	(5,206)
0	Corporation Tax Liability		0	(16)
(135,329)	**Current Liabilities**		(133,414)	(132,215)
(179,744)	Long Term Borrowing		(169,533)	(169,533)
(677,227)	Other Long Term Liabilities		(475,081)	(481,539)
(5,751)	Provisions		(4,926)	(5,022)
(862,722)	**Long Term Liabilities**		(649,540)	(656,094)
341,312	**Net Assets**		453,531	447,541
(165,252)	Usable Reserves		(183,259)	(183,727)
(176,060)	Unusable Reserves	8	(270,272)	(263,814)
(341,312)	**Total Reserves**		(453,531)	(447,541)

Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the group during the reporting period. The statement shows how the group 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 group are funded by way of taxation and grant income or from the recipients of services provided by the group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute towards the group'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 group.

2012/2013		Notes	2013/2014	2013/2014
Council Only			Council Only	Group
£'000			£'000	£'000
162,300	Net (surplus) or deficit on the provision of services		134,023	133,655
(187,289)	Adjust net (surplus) or deficit on the provision of services for non cash movement		(164,836)	(170,757)
21,311	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		24,562	24,562
(3,678)	Net cash flows from operating activities		(6,251)	(12,540)
4,439	Investing activities	4	(33,586)	(33,586)
8,039	Financing activities	5	10,479	10,479
8,800	**Net (increase) or decrease in cash and cash equivalents**		(29,358)	(35,647)
32,697	Cash and cash equivalents at the beginning of the reporting period		23,897	23,897
23,897	**Cash and cash equivalents at the end of the reporting period**	2	53,255	59,544

Notes to the Group Financial Statements

Note 1 – Accounting Policies

The group accounting policies are specified within the Council only statement. There are some slight divergences from these policies within the group as stated below:

- LGPS Pension reported under FRS17
- Statement of Accounts prepared under UKGAAP
- Deminimus level for capital expenditure £5,000

Note 2 – Group Cash and Cash Equivalents

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

2012/2013		2013/2014	
Council Only		Council Only	Group
£'000		£'000	£'000
41,990	Cash and Cash Equivalents (in hand & bank)	71,031	71,397
(18,093)	Cash and Cash Equivalents (overdrawn)	(17,776)	(11,853)
23,897	**Total Cash and Cash Equivalents**	53,255	59,544

Note 3 – Group Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2012/2013		2013/2014	
Council Only		Council Only	Group
£'000		£'000	£'000
5,224	Interest received	4,410	4,593
(9,792)	Interest paid	(9,888)	(9,888)
0	Dividends received	433	433

Note 4 – Group Cash Flow Statement – Investing Activities

2012/2013		2013/2014	
Council Only		Council Only	Group
£'000		£'000	£'000
26,526	Purchase of property, plant and equipment, investment property and intangible assets	40,632	40,632
145,365	Purchase of short-term and long-term investments	90,000	90,000
14,585	Other payments for investing activities	0	0
(2,709)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,246)	(2,246)
(165,000)	Proceeds from short-term and long-term investments	(145,000)	(145,000)
(14,328)	Other receipts from investing activities	(16,972)	(16,972)
4,439	**Net cash flows from investing activities**	(33,586)	(33,586)

Notes to the Group Financial Statements

Note 5 – Group Cash Flow Statement – Financing Activities

2012/2013		2013/2014	
Council Only		Council Only	Group
£'000		£'000	£'000
(455)	Capital receipts of short and long-term borrowing	0	0
(1,369)	Other receipts from financing activities	(1,149)	(1,149)
1,210	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,234	1,234
5,840	Repayments of short and long term borrowing	6,440	6,440
2,813	Other payments for financing activities	3,954	3,954
8,039	**Net cash flows from financing activities**	10,479	10,479

Note 6 – Group Short Term Debtors

2012/2013		2013/2014	
Council Only		Council Only	Group
£'000		£'000	£'000
5,911	Central government bodies	16,007	16,007
747	Other local authorities	240	240
952	NHS bodies	1,333	1,515
22,880	Other entities and individuals	32,230	31,047
30,490	**Total**	49,810	48,809

Note 7 – Group Short Term Creditors

2012/2013		2013/2014	
Council Only		Council Only	Group
£'000		£'000	£'000
(6,988)	Central government bodies	(6,905)	(9,091)
(4,442)	Other local authorities	(3,754)	(3,760)
(2,392)	NHS bodies	(2,478)	(2,486)
(25,127)	Other entities and individuals	(29,611)	(32,215)
(38,949)	**Total**	(42,748)	(47,552)

Note 8 – Group Unusable Reserves

2012/2013		2013/2014	
Council Only		Council Only	Group
£'000		£'000	£'000
216,565	Revaluation Reserve	217,658	217,658
584,700	Capital Adjustment Account	479,598	479,598
(879)	Financial Instrument Adjustment Account	(1,004)	(1,004)
(640,520)	Pensions Reserve	(439,620)	(446,078)
624	Deferred Capital Receipts Reserve	570	570
2,339	Collection Fund Adjustment Account	805	805
(3,169)	Accumulated Absence Account	(4,135)	(4,135)
16,400	Available for Sale Financial Instrument Reserve	16,400	16,400
0	Unequal Backpay Account	0	0
176,060	**Total Unusable Reserve**	270,272	263,814

Unusable group reserves reflect the balances included within the parent company of Sunderland City Council with the exception of the Pensions Reserve and the introduction of the called up Share Capital Reserve:

Notes to the Group Financial Statements

Pensions Reserve

The accounts have been prepared incorporating the requirements of IAS19, Retirement Benefits, for the treatment of pension costs. IAS19 requires that pension costs are recorded in the year in which the benefit entitlements are earned by the employees rather than the year in which the pensions and the employer's contributions are actually paid. The Pension Reserve represents the net liability for future pension costs.

It should be noted that the Financial Statements for Care and Support Sunderland Ltd, Sunderland Care and Support Sunderland Ltd and Sunderland Live Ltd have been prepared in accordance with FRS17, Accounting for Retirement Benefits however the financial position for these companies would not be significantly different under IAS19.

2012/2013		2013/2014	
Council Only		Council Only	Group
£'000		£'000	£'000
(588,760)	**Balance at 1 April**	(640,520)	(640,704)
(48,700)	Remeasurement of the net defined benefit liability/(asset)	213,020	207,562
(42,260)	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	(47,180)	(49,215)
39,200	Employer's pensions contributions and direct payments to pensioners payable in the year	35,060	36,279
(640,520)	**Balance at 31 March**	(439,620)	(446,078)

Share Capital Reserve

One ordinary share of £1 has been allotted and fully paid for in each of the companies in the group. All companies in the group are ultimately owned 100% by the Council.

Note 9 – Group Nature and Extent of Risks Arising from Financial Instruments

The risks arising from financial instruments across the group are not materially different from those within the Council only statements.

Note 10 – Group Deferred Taxation

The movement in deferred taxation provision during the year was:

2012/2013		2013/2014	
Council Only		Council Only	Group
£'000		£'000	£'000
0	**Provision brought forward**	0	0
0	Adjustment in respect of previous year	0	0
0	Profit and Loss account movement arising during the year	0	1,334
0	**Provision to carry forward**	0	1,334

The provision for deferred taxation consists of the tax effect of a combination of timing differences and pension liabilities:

2012/2013		2013/2014	
Council Only		Council Only	Group
£'000		£'000	£'000
0	**Excess of taxation allowances over depreciation on fixed assets**	0	1,334

Note 12 – Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.
The Council 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 Council and employees pay contributions into a 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 are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Employees of Care and Support Sunderland Ltd, Sunderland Care and Support Ltd and Sunderland Live Ltd are members of the Local Government Pension Scheme and relevant disclosures are therefore presented below.

The Tyne and Wear pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of South Tyneside Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary Post-Retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

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 in the Group Comprehensive Income and Expenditure Statement and the General Fund Balance via the Group Movement in Reserves Statement during the year:

Notes to the Group Financial Statements

2012/2013		2013/2014				
Council Only		Council	Care and Support Sunderland Ltd	Sunderland Care and Support	Sunderland Live Ltd	Total Group
£m		£m	£m	£m	£m	£m
	Comprehensive Income and Expenditure					
	Cost of Services:					
	Service cost comprising:					
28.02	Current service cost	27.97	0.54	0.81	0.05	29.37
6.66	Past service costs	4.37	0.00	0.00	0.00	4.37
0.00	(Gain)/loss from settlements	(12.26)	0.00	0.00	0.00	(12.26)
	Financing and Investment Income and					
24.54	Net interest expense	27.10	0.06	0.51	0.06	27.73
59.22	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	47.18	0.60	1.32	0.11	49.22
	Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure					
	Remeasurement of the net defined benefit liability comprising:					
59.14	Return on plan assets (excluding the amount included in the net interest expense)	(22.57)	0.07	0.67	0.08	(21.75)
0.00	Actuarial gains and losses arising on changes in demographic assumptions	11.83	0.00	0.00	0.00	11.83
(87.24)	Actuarial gains and losses arising on changes in financial assumptions	94.75	(0.06)	(6.93)	(0.35)	87.41
1.54	Actuarial gains and losses arising from liability experience	129.01	0.08	0.89	0.10	130.08
32.66	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	260.20	0.69	(4.05)	(0.06)	256.78
	Movement in Reserves Statement					
23.50	Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	12.12	0.23	0.53	0.06	12.94
	Actual amount charged against the General Fund Balance for pensions in the year:					
35.72	Employers contributions payable to the scheme	35.06	0.37	0.79	0.06	36.28
46.43	Retirement payments payable to pensioners	43.61	0.00	0.00	0.00	43.61

Notes to the Group Financial Statements

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Group Balance Sheet arising from all obligations in respect of defined benefit plans is as follows:

2012/2013		2013/2014				
Council Only		Council	Care and Support Sunderland Ltd	Sunderland Care and Support	Sunderland Live Ltd	Total Group
£m		£m	£m	£m	£m	£m
1,492.63	Present value of the defined benefit obligation	1,322.41	36.96	1.84	1.47	1,362.68
902.31	Fair value of plan assets	882.79	31.06	1.51	1.24	916.60
(590.32)	Sub-total	(439.62)	(5.90)	(0.33)	(0.23)	(446.08)
0.00	Other movements in the liability (asset)	0.00	0.00	0.00	0.00	0.00
(590.32)	Net liability arising from defined benefit obligation	(439.62)	(5.90)	(0.33)	(0.23)	(446.08)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2012/2013		2013/2014				
Council Only		Council	Care and Support Sunderland Ltd	Sunderland Care and Support	Sunderland Live Ltd	Total Group
£m		£m	£m	£m	£m	£m
808.48	Opening fair value of scheme assets	902.31	0.85	29.55	1.11	933.82
37.92	Interest income	39.12	0.10	(0.17)	(0.02)	39.02
	Remeasurement gain/(loss):					0.00
59.14	The return on plan assets, excluding the amount included in the net interest expense	(22.57)	0.07	0.67	0.08	(21.75)
0.00	The effect of changes in foreign exchange rates	0.00	0.00	0.00	0.00	0.00
39.20	Contributions from employer	35.06	0.37	0.79	0.06	36.28
7.80	Contributions from employees into the scheme	6.76	0.14	0.23	0.02	7.14
(50.23)	Benefits paid	(47.23)	(0.01)	(0.01)	(0.00)	(47.25)
0.00	Settlements	(30.66)	0.00	0.00	0.00	(30.66)
902.31	Closing balance at 31 March	882.79	1.51	31.06	1.24	916.60

Notes to the Group Financial Statements

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2012/2013		2013/2014				
Council Only		Council	Care and Support Sunderland Ltd	Sunderland Care and Support	Sunderland Live Ltd	Total Group
£m		£m	£m	£m	£m	£m
1,397.24	Opening balance at 1 April	1,542.83	1.03	34.53	1.24	1,579.63
28.02	Current service cost	27.97	0.54	0.81	0.05	29.37
64.61	Interest cost	66.22	0.06	0.51	0.06	66.85
7.80	Contributions by scheme participants	6.76	0.14	0.23	0.02	7.14
	Remeasurement (gains) and losses:					0.00
0.00	Actuarial gains/losses arising from changes in demographic assumptions	(11.83)	0.00	0.00	0.00	(11.83)
90.36	Actuarial gains/losses arising from changes in financial assumptions	(94.75)	0.00	0.00	0.00	(94.75)
(1.63)	Actuarial gains/losses arising from liability experience	(129.01)	0.08	0.89	0.10	(127.94)
6.66	Past service cost	4.37	0.00	0.00	0.00	4.37
0.00	Losses/(gains) on curtailment	0.00	0.00	0.00	0.00	0.00
0.00	Liabilities assumed on entity combinations	0.00	0.00	0.00	0.00	0.00
(50.23)	Benefits paid	(47.23)	(0.01)	(0.01)	(0.00)	(47.25)
0.00	Liabilities extinguished on settlements	(42.92)	0.00	0.00	0.00	(42.92)
1,542.83	Closing balance at 31 March	1,322.41	1.84	36.96	1.47	1,362.68

Local Government Pension Scheme assets comprised:

2012/2013		2013/2014			
Council Only		Council	Care and Support Sunderland Ltd	Sunderland Care and Support	Sunderland Live Ltd
%		%	%	%	%
68.0	Equities	66.8	66.8	66.8	66.8
9.0	Property	8.5	8.5	8.5	8.5
7.0	Government Bonds	3.5	3.5	3.5	3.5
11.0	Corporate Bonds	11.5	11.5	11.5	11.5
1.6	Cash	2.9	2.9	2.9	2.9
3.4	Other	6.8	6.8	6.8	6.8
100.0	**Total assets**	100.0	100.0	100.0	100.0

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 dependent 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 being based on the latest full valuation of the scheme as at 1 April 2013.

The significant assumptions used by the actuary have been:

Notes to the Group Financial Statements

2012/2013			2013/2014				
Local Government Pension Scheme	Discretionary Benefits		Local Government Pension Scheme (Council)	Discretionary Benefits (Council)	Care and Support Sunderland Ltd	Sunderland Care and Support Ltd	Sunderland Live Ltd
		Mortality assumptions: Longevity at 65 for current pensioners					
21.7 years	21.7 years	Men	23.0 years	23.0 years	23.0 years	23.0 years	23.0 years
23.9 years	23.9 years	Women	24.6 years	24.6 years	24.6 years	24.6 years	24.6 years
		Longevity at 65 for future pensioners					
23.5 years	23.5 years	Men	25.0 years	25.0 years	25.0 years	25.0 years	25.0 years
25.8 years	25.8 years	Women	26.9 years	26.9 years	26.9 years	26.9 years	26.9 years
3.6%	3.5%	RPI	3.4%	3.2%	3.4%	3.4%	3.4%
2.7%	2.6%	CPI	2.4%	2.2%	2.4%	2.4%	2.4%
4.6%	N/A	Rate of increase in salaries	3.9%	N/A	3.9%	3.9%	3.9%
2.7%	2.6%	Rate of increase in pensions	2.4%	2.2%	2.4%	2.4%	2.4%
4.4%	4.1%	Rate for discounting sc	4.3%	4.2%	4.4%	4.4%	4.4%
4.4%	4.1%	Long-term expected rate of return on assets in the scheme	4.3%	4.2%	4.4%	4.4%	4.4%

Note 13 – Group Financing and Investment Income and Expenditure

2012/2013		2013/2014	
Council Only		Council Only	Group
£'000		£'000	£'000
9,792	Interest payable and similar charges	9,888	9,888
26,690	Net interest on the net defined benefit liability (asset)	27,100	27,734
(5,224)	Interest receivable and similar income	(4,410)	(4,593)
(653)	Surplus on Trading Undertakings	(578)	(578)
0	Deficit on Trading Undertakings	22	22
(5,372)	Income and expenditure in relation to investment properties and changes in their fair value	8,316	8,316
25,233	**Total**	40,338	40,789

Note 14 – Group Taxation and Non-Specific Grant Income

2012/2013		2013/2014	
Council Only		Council Only	Group
£'000		£'000	£'000
(97,142)	Council tax income	(76,667)	(76,667)
(145,368)	Non-domestic rates income and expenditure	(39,239)	(39,239)
(5,398)	Non-ringfenced government grants	(150,727)	(150,727)
(13,756)	Capital grants and contributions	(18,156)	(18,156)
0	Tax on profit on ordinary activities	0	20
(261,664)	**Total**	(284,789)	(284,769)

Glossary of Terms

Accrual
A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end date of the period for which the accounts are prepared.

Accounting Policies
Those principles, bases, conventions, rules and practice applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:
- recognising
- selecting measurement bases for, and
- presenting assets, liabilities, gains, losses and changes to reserves

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Acquired Operation
Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. Acquired operations are those operations of the local authority that are acquired in the period.

Actuarial Gains and Losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:
- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or
- the actuarial assumptions have changed.

Agency Services
Services which are performed by or for other authorities or bodies, where the authority/body responsible for the service reimburses the authority carrying out the work for the cost of the work carried out.

Assets
Items of worth which are measurable in terms of money (value). Current assets are ones that may change in value on a day-to-day basis (e.g. Inventories). Non-current assets are tangible assets that yield benefit to the City Council and the services it provides for a period of more than one year.

Audit Commission
Is an independent body established by the 1982 Local Government Finance Act, which is responsible for appointing auditors to local authorities.

Balance Sheet
A statement of the recorded assets, liabilities and other balances at a specific date usually at the end of an accounting period.

Balances
The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund or any other fund.

Capital Charge
The charge to the services for the use of non-current assets. As a minimum, the capital charge must cover the annual provision for depreciation, where appropriate, plus a capital financing charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet.

Glossary of Terms

Capital Expenditure
Expenditure on the acquisition or provision of tangible assets which have a long term value to the City Council, e.g. land, purchase of existing buildings, erecting new buildings, purchase of furniture and equipment.

Capital Financing Charges
The annual charge to the Revenue Account in respect of the minimum revenue provision and interest on money borrowed together with leasing rentals.

Capital Financing Requirement
The capital financing requirement is one of the indicators that must be produced as part of the CIPFA prudential code. This measures the authority's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and the next two financial years.

Capital Grants
Grants received towards capital expenditure on a particular service or project.

Capital Receipts
Money received from the sale of land or other capital assets. A proportion of capital receipts must be paid to the government on housing assets held within a Housing Revenue Account. This is pooled and redistributed nationally. For non-housing authorities capital receipts are held by the authority and can be used to pay for any kind of capital expenditure, to repay debt, to meet premiums on early debt repayments and to meet liabilities under credit arrangements.

Class of Non-Current Assets
The classes of non-current assets required to be included in the accounting statements are:

Property, Plant and Equipment
- Council Dwellings
- Other land and buildings
- Vehicles, Plant, Furniture and Equipment
- Infrastructure assets
- Community Assets
- Surplus Assets

Investment Property
Heritage Assets

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

Code of Practice on Local Authority Accounting in the UK
'The Code' specifies the principles and practices of accounting to give a 'true and fair' view of the financial position and transactions of the Council.

Collection Fund
The fund maintained by the City Council into which are paid the amounts of Council Tax and Non-Domestic Rates which it collects and out of which are to be paid precepts issued by major precepting authorities, its own demands and payments into the NNDR pool.

Community Assets
These are assets that the City Council intends to hold in perpetuity, which have no determinable finite useful life and in addition may have restrictions on their disposal. Examples include parks, historical buildings not used for operational purposes, works of art, museum exhibits and statues.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Glossary of Terms

Constructive Obligation
An obligation that derives from an authority's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities and
- as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Asset
A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

Contingent Liability
A condition which exists at the balance sheet date, which may arise in the future but where the outcome will be confirmed only on the occurrence or non-occurrence of one or more future events.

Contingencies
Sums set aside as a provision for liabilities which may arise in the future but which cannot be determined in advance.

Corporate and Democratic Core
The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Council Tax
The form of local taxation operated from April 1993, based on properties.

Creditors
Amounts owed by the City Council for goods and services provided where payment has not been made at the date of the balance sheet.

Current Service Cost (Pensions)
The increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

Curtailment
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employee's service earlier than expected, for example as a result of closing a factory or discontinuing a segment or a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify for only reduced benefits.

Debt Outstanding
Amounts borrowed to finance capital expenditure that are still to be repaid.

Debtors
Sums of money due to the City Council but not received at the date of the balance sheet.

Defined Benefit Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Glossary of Terms

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Direct Service Organisation (DSO)
The term is used to cover both Direct Labour Organisations (DLOs) established under the Local Government, Planning and Land Act 1980 and DSOs established under the Local Government Act 1988.

Discontinued Operations
Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- the activities related to the operation have ceased permanently;
- the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting in either form its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations;
- the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Emoluments
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Estimation Techniques
The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gain losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured: where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:
- methods of depreciation, such as straight line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible non-current asset consumed in a period.
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

Glossary of Terms

Exceptional Items
Material items that derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Pension Assets
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Expenditure
Amounts paid by the City Council for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment - expenditure is deemed to have been incurred once the goods or services have been received, even if they have not yet been paid for (in which case the supplier is a creditor of the City Council).

Extraordinary Items
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Fees and Charges
Income arising from the provision of services, e.g. for the use of recreation facilities.

General Fund
This accounts for the services of the City Council except for the Collection Fund. The net cost is met by the Council Tax, Government Grants and National Non Domestic Rates.

Going Concern
The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Impairment
A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

Income
Amounts due to the City Council for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment - income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the City Council).

Infrastructure Assets
These are inalienable assets; expenditure on which is recoverable only by continued use of the asset created.
Examples of such assets are highways, footpaths, bridges, water and drainage facilities.

Intangible Non-Current Assets
These are non-financial non-current assets, such as software licences, that do not have physical substance but are identifiable and are controlled through custody or legal rights.

Glossary of Terms

Interest Cost (Pension)
For a defined benefit scheme, the expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standards (IFRS) / International Accounting Standards (IAS)
Standards issues by the International Accounting Standards Board (IASB) which present the Council's accounts in a consistent and comparable format with other organisations internationally.

Investments (Pension Fund)
The investments of the pension fund will be accounted for in the statements of that fund. However authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Investment Properties
Interest in land and/or buildings in respect of which construction work and development have been completed; and which is held for its investment potential, any rental income being negotiated at arm's length.

Investments (Non-Pensions Fund)
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment

for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

Leasing
The method of financing the provision of various capital assets to discharge the City Council's functions outside normal borrowing procedures but within criteria laid down in the Local Authorities (Capital Finance) Regulations 1990. There are different types of leases available of which the following are most commonly used:

Finance Leases - are leases that transfer substantially all of the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Operating Leases – are all leases other than a finance lease

Lender Option Borrower Option Loans (LOBO)
A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every six months to 3 years), the lender has the ability to alter the interest rate. Should the lender make this offer, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Liquid Resources
Current asset investments that are readily disposable by the authority without disrupting its business and are either: readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Glossary of Terms

Loans Outstanding
The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

Long Term Contracts
A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts if they are sufficiently material to the activity of the period.

Minimum Revenue Provision
Is the minimum amount which must be charged to an authority's revenue account each year and set aside as a provision for credit liabilities, as required by the Local Government Act 1989.

National Non-Domestic Rate (NNDR)
With effect from April 1990 all non-domestic properties were revalued and the Government determines a national rate poundage every year which is applicable to all local authorities. Local authorities continue to collect the non-domestic rate but the proceeds are pooled and distributed by Central Government on the basis of an authority's adult population.

Net Book Value
The amount at which non-current assets are included in the balance sheet, that is their historical cost of current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost
The cost of replacing or recreating a particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt
The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

Net Realisable Value
The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Operational Assets
Non-current assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operational Assets
Non-current assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Costs
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events
Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept
The amount levied by various authorities (e.g. the Tyne and Wear Fire and Rescue Authority) which is collected by the Tyne and Wear Councils on their behalf.

Glossary of Terms

Prior Period Adjustments
Those material adjustments applicable to prior periods arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases and:
- the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Provisions
These are sums set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and / or the timing of such costs is uncertain.

Private Finance Initiatives (PFI)
PFIs are methods of funding/acquiring assets such as schools, but the supplier of the building is usually an agreed contractor or bidder, usually over a 25 year term. The Council pays for the use of the asset by means of a unitary charge and can acquire the asset after this term if included in the terms of the contract. Up until this point the Council does not own the asset and simply pays for the use of the asset. Government grant is available to assist authorities who enter into these arrangements, however, known as PFI credits. These have a direct impact upon the level of government grant paid each year to help pay for the scheme.

Prudence
The concept that revenue is not anticipated but is recognised only when realised in the form of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Prudential Framework
One of the principal features of the Local Government Act 2003 was to provide the primary legislative requirements to introduce a new prudential regime for the control of Local Authority capital expenditure. The regime relies upon both secondary legislation in the form of regulations, and a prudential code which has been published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the prudential framework local authorities are free to borrow without specific government consent if they can afford to service the debt without extra government support. The basic principle is that authorities will be free to invest as long as their capital spending plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council before the start of the relevant financial year as part of their budget setting process.

Public Works Loan Board (PWLB)
A Central Government agency, which lends money to Local Authorities at lower interest rates than those generally available from the private sector. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Related Parties
Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or

- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:
- central government;
- local authorities and other bodies precepting or levying demands on the Council Tax;
- its subsidiary and associated companies;
- its joint ventures and joint venture partners;
- its members;
- its chief officers; and
- its pension fund.

Examples of related parties of a pension fund include its:
- administrating authority and its related parties;
- scheduled bodies and their related parties; and
- trustees and advisors.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:
- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or a member of their c lose family or the same household, has a controlling interest.

Related Party Transaction
A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- the provision of services to a related party, including the provision of pension fund administration services;
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, Rents and payable of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

Renewals Accounting
Where renewals accounting is adopted, the level of annual expenditure required to maintain the operating capacity of the infrastructure asset is treated as depreciation charged for the period. Actual expenditure is capitalised as incurred. Renewals accounting may only be used for infrastructure assets.

Research and Development
Expenditure falling into one or more of the following broad categories:
- pure (or basic) research: experimental work undertaken primarily to acquire knowledge.
- applied research: original investigation undertaken to gain knowledge towards a specific practical objective.

- development: use of knowledge to produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed.

Reserves
These are sums set aside to meet possible future costs where there is no certainty about whether or not the costs will actually be incurred.

Residual Value
The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- an employer's decision to terminate an employee's employment before the normal retirement date or
- an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Balances
These are the accumulated surpluses on the General Fund. They can be applied to reduce borrowing, reduce the Council Tax, or held to be applied in future years.

Revenue Contributions
The method of financing capital expenditure directly from revenue. The City Council may determine that certain capital schemes should be financed in this way or alternatively may include a prescribed sum in the revenue budget for this purpose.

Revenue Expenditure
Expenditure incurred on the day-to-day running of the City Council, the costs principally include employee expenses, capital financing charges and general running costs.

Revenue Expenditure Funded by Capital under Statute
Items of capital expenditure, which do not result in, or remain matched by, tangible non-current assets. Revenue Expenditure Funded by Capital under Statute is charged to revenue in the year in which the expenditure is incurred.

Revenue Support Grant (RSG)
A grant paid by Central Government to every Local Authority to help to finance its expenditure generally and not specific services. The grant helps to bridge the gap between Council Tax and NNDR income on one hand and the total assessment of the City Council's need to spend on the other. The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised, in order to permit each authority to support a standard level of spending.

Scheme Liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SeRCOP
The CIPFA Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). SeRCOP applies to all Local Authorities from the 1 April 2012 for the preparation of budgets, performance indicators and Statement of Accounts. The aim of SeRCOP is to establish proper practice with regard to consistent financial reporting for services.

Glossary of Terms

Settlement
An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:
- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrecoverable annuity contract sufficient to cover vested benefits: and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Specific Grants
Government grants to Local Authorities in aid of particular services, e.g. magistrates court grant.

Stock / Inventories
Comprises the following categories:
- goods or other assets purchased for resale
- consumable goods
- raw materials and components purchased for incorporation into products for sale
- products and services in intermediate stages of completion
- long term contract balances
- finished goods

Supported Capital Expenditure
Government provides support for capital expenditure in one of two ways:
- Supported Capital Expenditure (Revenue);
- Supported Capital Expenditure (Capital).

The Supported Capital Expenditure (Revenue) is in effect revenue support through the Revenue Support Grant System for borrowing. The Supported Capital Expenditure (Capital) is a capital grant given by government.

Total Cost
The total cost of a service or activity includes all costs, which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

Trust Funds
Funds administered by the City Council on behalf of charitable organisations and / or specific organisations.

Unapportionable Central Overheads
These are overheads for which no user benefits and should not be apportioned to services.

Unsupported Borrowing
Under the Prudential Framework, the facility to undertake what is known as ‘unsupported borrowing’ is available. This is borrowing to fund capital expenditure where no support or provision is made by the government to fund this borrowing. In deciding upon whether to undertake unsupported borrowing regard is required to be had to:
- the prudential indicators which are designed to assess whether capital investment needs are affordable, sustainable and prudent;
- the effect on the revenue budget of any additional costs incurred.

Useful Life
The period over which the authority will derive benefits from the use of a non-current asset.

Vested Rights
In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- for deferred pensioners, their preserved benefits:
- for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.