

Appendix B

Sunderland City Council

**Guide to the Audited
Statement of Accounts
2011/2012**

Introduction

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

Movement in Reserves (Page 29)

The Movement in Reserves Statement shows the movement in the year on the reserves held by the Council, analysed into 'usable' reserves (cash reserves that can be used to fund expenditure or reduce council tax) of £179.795m and 'unusable' reserves (non-cash reserves representing asset valuations and other accounting adjustments) £318.277m see Note 3.

	Note	Usable Reserves			Total Unusable Reserves £'000	Total Reserves £'000
		General Fund Balance £'000	Earmarked Reserves £'000	Total Usable Reserves £'000		
Balance at 1st April 2011		(20,509)	(147,658)	(168,167)	(529,002)	(697,169)
Deficit on the provision of service	1	64,003	0	64,003	0	64,003
Other Comprehensive Income and Expenditure		0	0	0	135,094	135,094
Adjustments for non-cash accounting entries	2	(71,473)	(4,158)	(75,631)	75,631	0
Transfers (to) or from earmarked reserves		9,769	(9,769)	0	0	0
Balance at 31st March 2012	3	(18,210)	(161,585)	(179,795)	(318,277)	(498,072)
(Increase) or decrease in reserves	4	2,299	(13,927)	(11,628)	210,725	199,097

Notes

- (1) The Deficit on the provision of service is analysed by services in the Comprehensive Income and Expenditure Statement. This figure is not a true representation of the deficit made by the Council in the year as it includes a number of non-cash items that are required for accounting compliance purposes. Once these items are adjusted for (listed in Note 2) the true (surplus) / deficit for the year can be established (see Note 4).
- (2) Adjustments for non-cash accounting entries include, actuarial gains and losses on the pension fund, asset charges and employee benefit accruals.
- (3) Total usable reserves at 31.3.12 (i.e. real cash backed reserves) amounts to £179,795k made up from the General Fund Balance of £18,210k and Earmarked Reserves of £161,585k. These are the key figures from this statement.

- (4) The other message to note from this statement is that although the General Fund Balance has reduced in total by £2.299m in the year, the council's usable cash reserves have increased by a net £11.628m. Although the council's General Reserve reduced in the year by £4.849m (part of the £2.299m) – the details are set out on page 10 of the accounts to explain why and that this was a managed and planned outcome.

Note: School Balances total £10.640m and Council General Fund Reserve totals £7.570m which makes up the General Fund Balances figure of £18.210m in the accounts.

Comprehensive Income and Expenditure Statement (Page 31)

The Comprehensive Income and Expenditure Statement for 2011/12 shows the full accounting costs in the year for providing services rather than the cost in cash terms. The cash position is shown in the movement in reserves statement, with a net overall increase in 'usable' cash backed reserves of £11.628m.

	Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Central services to the public		39,421	32,362	7,059
Culture and related services		39,863	20,948	18,915
Environment and regulatory services		30,440	4,687	25,753
Planning services		30,311	11,856	18,455
Education and children's services		287,803	236,782	51,021
Highways and transport services		35,163	16,984	18,179
Other housing services		141,123	128,108	13,015
Adult social care		119,265	54,892	64,373
Corporate and democratic core		18,314	4,562	13,752
Non distributed costs		12,066	11,658	408
Other operating expenditure		71,061	339	70,722
Financing and investment income and expenditure		35,804	3,641	32,163
Taxation and non-specific grant income	9	0	269,812	(269,812)
(Surplus) or deficit on the provision of service*	5	860,634	796,631	64,003
Other comprehensive (income) and expenditure**				135,094
Total Comprehensive income and expenditure				199,097

Linkages to other statements

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

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

Notes

- (5) The Deficit on the provision of service is not a true representation of the deficit made by the council as it includes a number of non-cash items that are included for proper accounting purposes. The real position is that School balances increased by £2.550m, General Fund Reserve reduced by £4.849m and other reserves increased by £13.927m, a net increase in total usable reserves of £11.628m.

Balance Sheet (Page 32)

The Balance Sheet as at 31st March 2012 shows the value of the assets and liabilities of the Council, in other words the net worth of the council. Assets should exceed liabilities if the organisation is a going concern. The net assets held by the Council (assets less liabilities) are off-set by reserves held by the Council, some are cash backed and some are purely accounting non cash reserves as explained previously.

	Note	Totals £'000
Assets		
Long term assets including property, land and equipment	6	1,180,056
Short term investments		166,832
Inventories		1,376
Cash*		44,777
Cash owed to the council - debtors		28,988
Total Assets		1,422,029
Liabilities		
Cash owed by the council - creditors / borrowing	7	(899,998)
Cash overdrawn*		(12,080)
Provisions		(11,879)
Total Liabilities		(923,957)
Net Assets (Total Assets less Total Liabilities)		498,072
Reserves**		
Usable reserves		(179,795)
Unusable reserves	7	(318,277)
Total Reserves		(498,072)

Linkages to other statements

* The sum of the cash and cash overdrawn can be reconciled to the Net Cash at 31st March 2012 in the Cash Flow Statement which totals £32.697m.

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

Notes

(6) The majority of the council's value is held in the physical assets that it owns which is in excess of £1.4bn.

(7) Included within cash owed by the council and unusable reserves is the value of the pension fund deficit, this is required by International Accounting Standard 19 (IAS19) and reduces the balance sheet worth of the council by £588.760m. Under IAS 19 the council has in place actions to balance this deficit over 22 years. Excluding this amount as it is being proactively addressed would mean that the Balance Sheet worth of the council would increase to over £1 billion.

Cash Flow Statement (Page 33)

The Cash Flow Statement as at 31st March 2012 shows the movement in cash of the Council and can be reconciled to the sum of the cash and cash overdrawn reported in the balance sheet.

	Note	Net Expenditure £'000
Net (Surplus) or deficit on the provision of services		64,003
Adjustments for non-cash items and investing and financing activities		(133,015)
Net cash flows from investing and financing activities		57,559
Net (increase) or decrease in cash and cash equivalents		(11,453)
Net Cash at 1st April 2011		21,244
Net Cash at 31st March 2012*		32,697

Linkages to other statements

* The Net Cash at 31st March 2012 reconciles to the sum of the cash and cash overdrawn in the Balance Sheet.

Capital Expenditure and Income (Page 10)

Capital expenditure is expenditure incurred by the council on the acquisition or enhancement of tangible assets that have a long term value to the council. This expenditure is funded using a combination of loans, capital receipts, revenue income, grants or reserves. The most cost effective method of financing is always sought.

The council spent £56.847m on capital schemes during 2011/2012, creating long term economic benefits for Sunderland. The main schemes on which money was spent included:

Scheme / Project	Expenditure during 2011/2012 £'000	Total Currently Estimated Gross Cost £'000
Sunderland Software Centre	6,464	9,742
Corporate Computing Model	4,759	5,901
St Josephs Primary	3,435	6,000
Maplewood School	3,521	5,800
Houghton Primary Care Centre	2,313	2,400
Strategic Economic Development Support	2,000	2,000
Sunderland Strategic Transport Corridor	1,404	117,642

The £56.847m capital expenditure was financed from the following sources:

- Unsupported Borrowing £6.486m
- Capital Receipts £0.819m
- Government Grants £24.451m
- Other Grants and Contributions £7.730m
- Revenue Contributions £1.589m
- Reserves £15.772m

A requirement of proper accounting practice requires that over the medium term, net borrowing can only be entered into for capital purposes. The council had no difficulty

meeting this requirement for 2011/2012, and there are no difficulties envisaged for future years.

Collection Fund (Page 120)

The council is responsible for both the billing and collection of both council tax and business rates from taxpayers in the area. Council tax is collected not only for the council itself, to help fund the services it provides, but it's also collected for and paid over to Tyne and Wear Fire and Rescue Authority and Northumbria Police Authority to assist in funding their services. In addition, business rates are set by and paid over to central government where they are pooled nationally before being re-distributed to authorities on a formula basis each year. The table below sets out the amount of business rates and council tax that was collected and paid over in 2011/2012.

	Note	£'000
Business Rates		
Collected from businesses 'in year'		81,288
Paid to Central government in year		(77,454)
Council Tax		
Collected from council taxpayers 'in year'		109,286
Collected and paid over 'in year' to:		
Sunderland City Council		(95,128)
Tyne and Wear Fire and Rescue Authority		(5,896)
Northumbria Police		(6,744)
Other income and expenses		(4,421)
Surplus in year *		931
Transfer to General Fund	9	(500)
Surplus brought forward		1,894
Collection Fund Surplus *	10 & 11	2,325

Linkages to other statements

- * The Collection Fund Balance is reflected in the cash or usable reserves of the council set out in the Balance Sheet and the movement in the reserve for the Council, an increase of £381k during the year out of the total surplus generated of £931k is reflected in the Statement of Movement in Reserves (Earmarked Reserves) figure.

Note

- (9) The amount of £500k was used to contribute towards the level of council tax income for 2011/12
- (10) Any surplus on the Collection Fund can only be used to reduce the level of council tax set in future years and cannot be used to supplement council spending.
- (11) The Collection Fund balance of £2,325k includes an element for Northumbria Police Authority of £145k and Tyne and Wear Fire and Rescue Authority of £127k, with the remaining amount of £2,053k belonging to the Council. This balance is apportioned according to the precept amounts 'charged' to this separate fund in each year.