

Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The (Surplus) or Deficit on the Provision of Service line shows the true economic cost of providing the authority's services, more detail of which is shown in the Comprehensive Income and Expenditure Statement. These are different to the statutory amounts required to be charged to the General Fund Balance. The Net Increase / Decrease before Transfers to / from earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the authority. The tables below show the details for both 2010/2011 and 2011/2012 as required by the Code of Accounting Practice.

Financial Statements (Continued)

Movement in Reserves Statement for 2011/2012 (including 2010/2011 comparative information)

	Notes	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grant Receipts in Advance £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2010 carried forward		(22,241)	(131,838)	(5,352)	(1,642)	(161,073)	(388,022)	(549,095)
<u>Movement in reserves during 2010/2011</u>								
(Surplus) on provision of services		(116,624)	0	0	0	(116,624)	0	(116,624)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(31,450)	(31,450)
Total Comprehensive Income and Expenditure		(116,624)	0	0	0	(116,624)	(31,450)	(148,074)
Adjustments between accounting basis & funding basis under regulations		109,724	0	(259)	65	109,530	(109,530)	0
Net Increase / Decrease before transfers to Earmarked Reserves		(6,900)	0	(259)	65	(7,094)	(140,980)	(148,074)
Transfers to / from Earmarked Reserves		8,632	(8,632)	0	0	0	0	0
Increase / Decrease in 2010/2011		1,732	(8,632)	(259)	65	(7,094)	(140,980)	(148,074)
Balance at 31 March 2011		(20,509)	(140,470)	(5,611)	(1,577)	(168,167)	(529,002)	(697,169)
<u>Movement in reserves during 2011/2012</u>								
Deficit on provision of services		64,003	0	0	0	64,003	0	64,003
Other Comprehensive Income and Expenditure		0	0	0	0	0	135,094	135,094
Total Comprehensive Income and Expenditure		64,003	0	0	0	64,003	135,094	199,097
Adjustments between accounting basis & funding basis under regulations	7	(71,473)	0	119	(4,277)	(75,631)	75,631	0
Net Increase / Decrease before transfers to Earmarked Reserves		(7,470)	0	119	(4,277)	(11,628)	210,725	199,097
Transfers to / from Earmarked Reserves	8	9,769	(9,769)			0		0
Increase / Decrease in 2011/2012		2,299	(9,769)	119	(4,277)	(11,628)	210,725	199,097
Balance at 31 March 2012		(18,210)	(150,239)	(5,492)	(5,854)	(179,795)	(318,277)	(498,072)

Financial Statements (Continued)

Comprehensive Income and Expenditure Statement

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

Financial Statements (Continued)

Comprehensive Income and Expenditure Statement for 2011/2012 (including 2010/2011 comparative information)

2010/2011				Notes	2011/2012		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
41,474	34,996	6,478	Central services to the public		39,421	32,362	7,059
48,529	20,149	28,380	Culture and related services		39,863	20,948	18,915
30,936	6,276	24,660	Environment and regulatory services		30,440	4,687	25,753
42,435	13,378	29,057	Planning services		30,311	11,856	18,455
335,464	252,573	82,891	Education and children's services		287,803	236,782	51,021
37,385	10,669	26,716	Highways and transport services		35,163	16,984	18,179
136,520	120,614	15,906	Other housing services		141,123	128,108	13,015
117,064	50,593	66,471	Adult social care		119,265	54,892	64,373
17,608	2,230	15,378	Corporate and democratic core		18,314	4,562	13,752
3,021	4,479	(1,458)	Non Distributed Costs		12,066	11,658	408
(135,000)	0	(135,000)	Exceptional item - negative past service cost	43	0	0	0
675,436	515,957	159,479	Cost of Services	27	753,769	522,839	230,930
40,179	298	39,881	Other operating expenditure	9	71,061	339	70,722
22,522	3,546	18,976	Financing and investment income and expenditure	10	35,804	3,641	32,163
0	334,960	(334,960)	Taxation and non-specific grant income	11	0	269,812	(269,812)
738,137	854,761	(116,624)	(Surplus) or Deficit on Provision of Services	27	860,634	796,631	64,003
		(23,880)	Surplus or deficit on the revaluation of Property, Plant and Equipment	12 and 23a)			(18,856)
		0	Surplus or deficit on the revaluation of available for sale financial assets				0
		(7,570)	Actuarial gain / loss on pension assets / liabilities	43			153,950
		(31,450)	Other Comprehensive Income and Expenditure				135,094
		(148,074)	Total Comprehensive Income and Expenditure				199,097

Financial Statements (Continued)

Balance Sheet as at 31st March 2012 (including restated information for 2009/2010 and 2010/2011 financial years)

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

31 Mar 10 (Restated) £'000	31 Mar 11 (Restated) £'000		Notes	31 Mar 12 £'000
1,109,962	1,115,432	Property, Plant and Equipment	12	1,073,995
11,347	11,357	Heritage Assets	13	11,357
82,067	83,327	Investment Property	14	63,551
1,391	1,509	Intangible Assets	15	2,368
817	817	Long Term Investments	16	817
28,064	27,742	Long Term Debtors	16	27,968
1,233,648	1,240,184	Long Term Assets		1,180,056
121,392	161,550	Short Term Investments	16	166,832
1,548	1,693	Inventories	17	1,376
42,926	42,354	Short Term Debtors	18	28,988
53,015	29,479	Cash and Cash Equivalents (In-hand & bank)	19	44,777
218,881	235,076	Current Assets		241,973
(8,133)	(8,235)	Cash and Cash Equivalents (overdrawn)	19	(12,080)
(32,464)	(32,985)	Short Term Borrowing	16	(36,707)
(57,725)	(45,094)	Short Term Creditors	20	(41,229)
(168)	(4,022)	Provisions	21	(2,046)
(31,929)	(23,939)	Grant Receipts in Advance - Capital	35	(8,301)
(130,419)	(114,275)	Current Liabilities		(100,363)
(6,658)	(5,652)	Provisions	21	(9,833)
(148,064)	(178,443)	Long Term Borrowing	16	(183,432)
(618,293)	(479,721)	Other Long Term Liabilities	16/23d	(630,329)
(773,015)	(663,816)	Long Term Liabilities		(823,594)
549,095	697,169	Net Assets		498,072
(161,073)	(168,167)	Usable Reserves	8 / 22	(179,795)
(388,022)	(529,002)	Unusable Reserves	23	(318,277)
(549,095)	(697,169)	Total Reserves		(498,072)

Financial Statements (Continued)

Cash Flow Statement

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

2010/2011 £'000		Notes	2011/2012 £'000
(116,624)	Net (surplus) or deficit on the provision of services		64,003
73,726	Adjust net surplus or deficit on the provision of services for non cash movement		(133,015)
46,748	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		12,789
3,850	Net cash flows from operating activities	24	(56,223)
33,021	Investing activities	25	32,422
(13,233)	Financing Activities	26	12,348
23,638	Net (increase) or decrease in cash and cash equivalents		(11,453)
44,882	Cash and cash equivalents at the beginning of the reporting period		21,244
21,244	Cash and cash equivalents at the end of the reporting period	19	32,697

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Note 1 – Significant Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/2012 financial year and its position at the year ended 31 March 2012. 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 2011/2012 and the Service Reporting Code of Practice 2011/2012, both based on International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Income & Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

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

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet. Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. A full year's charge is included in the accounts for those supplies and services used continuously and charged on a periodic basis (e.g. gas, electricity and water), but the period covered by the payments does not always coincide with the financial year.

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

1.3 Cash and Cash Equivalents

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

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

Notes to the Accounts (Continued)

1.4 Exceptional Items

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

1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. The reason and impact of any necessary adjustments are explained in more detail in the accounts as required.

1.6 Charges to Revenue for Non-Current Assets

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

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

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

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

1.7 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is based on the wage and salary rates applicable in the following accounting year in which the employee takes the benefit.

Accounting Policies (Continued)

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs, but this accounting treatment ensures that there is no actual impact on the Council's cash reserves.

Termination Benefits

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

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

Post Employment Benefits

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

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

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

The Local Government Pension Scheme

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

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

Notes to the Accounts (Continued)

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

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

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

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

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

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

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

(g) contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

1.8 Events After the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period– the Statement of Accounts is adjusted to reflect such events;

Notes to the Accounts (Continued)

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

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

1.9 Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into 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

Notes to the Accounts (Continued)

the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

Soft Loans (loans below market rate)

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

Available-for-Sale Assets

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

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

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

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

Notes to the Accounts (Continued)

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

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

Other Investments

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

1.10 Government Grants & Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

1.11 Heritage Assets

Please see Note 49 – Heritage Assets: Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom (page 118) for details.

1.12 Intangible Assets

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

Notes to the Accounts (Continued)

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

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

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

The only category of intangible assets for the Council is software licences; the asset life used for licences is between 5 and 10 years depending on licence conditions.

1.13 Interests in Companies & Other Entities

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

1.14 Inventories

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

1.15 Investment Property

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

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

Rental income from investment property is accounted for within the Provision of Services in the Comprehensive Income and Expenditure Statement; this is a departure from the Code of Practice on

Notes to the Accounts (Continued)

Local Authority Accounting in the United Kingdom which prescribes that it is accounted for within the Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

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.

1.16 Jointly Controlled Operations and Jointly Controlled Assets

Income, expenditure (other than direct payments from the Council to the entity), assets and liabilities of jointly controlled operations and assets are not recognised in the council's financial statements because these transactions are not deemed materially significant. This is a departure from the Code of Practice on Local Authority Accounting in the United Kingdom which prescribes that the Comprehensive Income and Expenditure Statement is credited and debited with its share of income and expenditure from the jointly controlled operation and that its share of assets and liabilities is presented on the council's balance sheet.

1.17 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.

Notes to the Accounts (Continued)

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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.18 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 2011/2012 (SeRCOP). The Civic Centre and Area Offices costs are allocated on the basis of floor area occupied. Financial Resources, Personnel, Legal Services and Property Services operate Service Level Agreements for allocating the costs of services to their customers. All other central

Notes to the Accounts (Continued)

service departments allocate their costs based on either estimated time or actual time spent, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority'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.

1.19 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.

1.20 Delegated Budgets

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

1.21 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 'fixed assets under construction' and are shown in the balance sheet under the relevant asset category. For material capital schemes that have been

Notes to the Accounts (Continued)

completed an assessment is undertaken by the Head of Land and Property to determine any change the capital scheme has made to an asset's value.

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. To ensure that this takes place a rolling programme of valuations has been put in place by the Head of Land and Property. Assets are valued in accordance with the principles of the RICS (Royal Institution of Chartered Surveyors) Appraisals and Valuation Standards. The valuations are supervised by 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:

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

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

De-Minimis Levels

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

Notes to the Accounts (Continued)

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

All capital expenditure is included in the Asset Register.

Impairment

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

Where impairment losses are identified, they are accounted for:

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

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

Depreciation

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

Depreciation on all Property, Plant and Equipment assets has been calculated on a straight line basis by taking the net asset value at 1st April 2011 divided by the future life expectancy. Depreciation is therefore charged in the year following acquisition.

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

Asset Category	Years
Buildings	2 - 60
Infrastructure	20 - 40
Vehicles, plant and furniture	5 - 15

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

- Building structure;
- Mechanical and electrical

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

Notes to the Accounts (Continued)

Disposals & Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is carried at its value prior to reclassification. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any 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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.22 Private Finance Initiative (PFI) and Similar Contracts

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

Recognising assets and liabilities

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

Notes to the Accounts (Continued)

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 fixed asset.

Minimum Revenue Provision (MRP) (England and Wales)

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

Capital financing requirement

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

1.23 Provisions

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

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

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

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

1.24 Contingent Liabilities

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

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

Notes to the Accounts (Continued)

1.25 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.

1.26 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.

1.27 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.

1.28 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.

1.29 Foreign Currency Translation

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

1.30 Treasury Management

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

During 2011 CIPFA published a revised Treasury Management Code of Practice to reflect developments resulting from the Localism Bill 2011 and in particular changes to the way that local authority housing will operate. There were no major changes required to Treasury Management practices and arrangements that the Council already has in place which fully embrace all of the requirements of the Code.

Notes to the Accounts (Continued)

Under the TMPS for 2011/2012 the policies and objectives of treasury management were further updated to reflect formal adoption of the revised Treasury Management Code of Practice on 3rd March 2010 (the words in the brackets show the minor changes to the original statement) and was as follows:

a) Treasury Management activities are defined as:

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

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

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

Further information relating to the Council's Treasury management policy and strategy can be found on the Council's website at:

<http://www.sunderland.gov.uk/committees/cmis5/Meetings/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/6987/Committee/1347/Default.aspx>

1.31 Carbon Reduction Commitment (CRC) Energy Efficiency Schemes

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie 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 authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

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

IFRS7 Financial Instruments: Disclosures (transfer of financial assets).

The adoption of IFRS7 Financial Instruments: Disclosures (Transfer of financial assets), by the code will result in a change to the Council's accounting policy from 1st April 2012. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. It is unlikely that there will be any effect on the Council's financial statements as a result of this adoption.

Notes to the Accounts (Continued)

Note 3 – Critical Judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Retirement benefit obligations – the Council recognise and disclose its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'. The calculations include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase in salaries and life expectancy amongst others. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation. The key assumptions made are set out in [Note 43 on page 106](#).
- Provisions – provisions are measured at the Executive Director of Commercial and Corporate Services 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 last independent valuation at 31st March 2010 which is still considered appropriate.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Notes to the Accounts (Continued)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and their components would increase by £1.751m for every year that useful lives had to be reduced.*
Provisions	The Authority has provisions of £11.879m, £3.988m 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 £0.399m to the provision needed.*
Arrears	At 31 March 2012, the Authority had a balance of debtors of £28.988m. A review of significant balances suggested that an impairment of doubtful debts of 17.95% (£5.202m) 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 £5.202m to set aside as an allowance.*
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £116.23m. However, the assumptions interact in complex ways. During 2011/2012, the Authority's actuaries advised that the net pensions liability had increased by £7.49m as a result of estimates being corrected as a result of experience and decreased by £96.23m attributable to updating of the assumptions used.

* 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 (Continued)

Note 5 – Material items of income and expenditure

The loss on disposal of fixed assets of £51.186m relates mainly to schools which have opted out of local authority control and have become academies. Under statutory regulations, assets in respect of the school are transferred from the local authority to the new academy body on a long term lease. As such the Council has had to write these assets out of its accounts for a nil consideration. The accounting entries require this 'loss' to be charged on the face of the Comprehensive Income and Expenditure Account and then this 'charge' is reversed out in the Movement in Reserves Statement, so that it does not have any impact on the Council Tax payer.

As part of this loss, assets have been transferred to the following schools during 2011/2012;

School	Loss on Disposal £m	Date of Transfer
Academy 360	£26.914m	16 th May 2011
Castle View Academy	£19.218m	27 th April 2011
Redby Primary School	£4.878m	1 st September 2011
Other Net (Gains) and Losses	£0.176m	
Total	£51.186m	

Note 6 – Events after the balance sheet date

The following schools that were part of the Council's asset base at 31st March 2012 have since transferred to Academy status and the value of the assets that will be written out of the accounts are as follows.

- Eppleton Primary School - £3.624m
- Southmoor Community School - £18.248m

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

Non Adjusting Events after the Balance sheet date

There are a number of events that have taken place since the accounts were certified on 29th June which are judged to be non adjusting post balance sheet events, which need to be included in the financial statements these include:

- The following schools have since also transferred to Academy status: East Herrington (1st July), Holley Park Primary, Barbara Priestman and Portland (all 1st August);
- The Council has reported to members that it may invest funds of up to £20m in Newcastle International Airport to enable it to participate in the debt re-financing of the Company. The funding proposal can be accommodated through prudential borrowing and / or the temporary use of internal funds. It is envisaged that interest and dividends receivable from the Airport over the course of the re-financing period will at least cover the costs of this investment on a worst case scenario basis and that as such the transaction is expected to be at least revenue neutral;
- The Council has introduced a severance scheme to help address a £5m budget shortfall in 2012/13 and it is envisaged that a number of employees will leave the Council by 30th September 2012.

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

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

Notes to the Accounts (Continued)

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

	2011/2012				2010/2011			
	Usable			Movement in Unusable Reserves	Usable			Movement in Unusable Reserves
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grant Unapplied £'000		General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grant Unapplied £'000	
Adjustments involving the Capital Adjustment Account:								
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Charges for depreciation and impairment of non current assets	(38,189)	0	0	38,189	(37,408)	0	0	37,408
Revaluation losses on Property Plant and Equipment	(10,137)	0	0	10,137	(23,848)	0	0	23,848
Movements in market value of investment property	(19,776)	0	0	19,776	634	0	0	(634)
Amortisation of intangible assets	(226)	0	0	226	(195)	0	0	195
Capital grants and contributions	12,551	0	0	(12,551)	45,606	0	0	(45,606)
Revenue expenditure funded from capital under statute	(7,915)	0	0	7,915	(7,472)	0	0	7,472
 Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	 (51,423)	 0	 0	 51,423	 (22,627)	 0	 0	 22,627
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							0	
Statutory provision for the financing of capital investment	11,577	0	0	(11,577)	11,349	0	0	(11,349)
Capital expenditure charged against General Fund balances	17,361	0	0	(17,361)	12,635	0	0	(12,635)
Adjustments involving the Capital Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	15,315	0	(15,315)	0	554	0	(554)	0
Application of grants and capital financing transferred to the Capital Adjustment Account	0	0	11,038	(11,038)	0	0	619	(619)

Notes to the Accounts (Continued)

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

	2011/2012				2010/2011			
	Usable			Movement in Unusable Reserves	Usable			Movement in Unusable Reserves
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grant Unapplied £'000		General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grant Unapplied £'000	
Adjustments involving the Capital Receipts Reserve:								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	237	(723)	0	486	694	(1,174)	0	480
Use of capital reserves to finance new capital expenditure	0	819	0	(819)	0	896	0	(896)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(23)	23	0	0	(19)	19	0	0
Adjustments involving the Financial Instruments								
Adjustment Account:								
Amount of which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(121)	0	0	121	(116)	0	0	116
Adjustments involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (See Note 41)	(35,630)	0	0	35,630	93,230	0	0	(93,230)
Employer's pensions contributions and direct payments to pensioners payable in the year	37,400	0	0	(37,400)	36,740	0	0	(36,740)

Notes to the Accounts (Continued)

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

	2011/2012				2010/2011			
	Usable			Movement in Unusable Reserves	Usable			Movement in Unusable Reserves
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grant Unapplied £'000		General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grant Unapplied £'000	
Adjustments involving the Unequal Pay Back Pay Adjustment Account: 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 accordance with statutory provision	(3,081)	0	0	3,081	0	0	0	0
Adjustments involving the Collection Fund Adjustment Account: Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement is different to Council Tax income calculated for the year in accordance with statutory requirements	381	0	0	(381)	665	0	0	(665)
Adjustments involving the Accumulating Compensated Absences Adjustment Account: Amount of which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	226	0	0	(226)	(698)	0	0	698
Total Adjustments	(71,473)	119	(4,277)	75,631	109,724	(259)	65	(109,530)

Notes to the Accounts (Continued)

Note 8 – Movements in usable reserves

	Balance at 31 March 2010 £'000	Transfers Out 2010/2011 £'000	Transfers In 2010/2011 £'000	Balance at 31 March 2011 £'000	Transfers Out 2011/2012 £'000	Transfers In 2011/2012 £'000	Balance at 31 March 2012 £'000
General Fund Balance	14,749	(2,330)	0	12,419	(16,433)	11,584	7,570
Delegated Budget Reserves:							
Balances held by schools under a scheme of delegation	7,493	0	597	8,090	(7,603)	10,058	10,545
Delegated budgets reserve - general	9,918	(2,635)	2,688	9,971	(10,901)	6,340	5,410
Total Delegated Reserves	17,411	(2,635)	3,285	18,061	(18,504)	16,398	15,955
Capital Reserves:							
Utilised RCCO Reserve	8,916	(5,124)	2,701	6,493	(4,680)	1,362	3,175
Strategic Investment Plan Reserve	11,543	(1,706)	0	9,837	(1,788)	0	8,049
Other General Capital Reserves	4,489	(762)	0	3,727	(352)	0	3,375
Childrens Social Care Capital Reseve	195	(3)	0	192	0	0	192
Useable Capital Receipts	5,352	(915)	1,174	5,611	(842)	723	5,492
Capital Grants Unapplied	1,642	(65)	0	1,577	(11,039)	15,316	5,854
Total Capital Reserves	32,137	(8,575)	3,875	27,437	(18,701)	17,401	26,137
Earmarked Revenue Reserves:							
Insurance Reserve	5,200	(1,288)	36	3,948	(832)	569	3,685
Strategic Investment Reserve	51,187	(2,394)	12,521	61,314	(10,854)	18,119	68,579
Economic Development Reserve	1,000	(700)	0	300	0	0	300
Winter Maintenance and Economic Downturn Reserve	1,200	(1,134)	1,000	1,066	0	0	1,066
Sandhill Centre PFI Smoothing Reserve	2,643		66	2,709	(23)	0	2,686

Notes to the Accounts (Continued)

	Balance at 31 March 2010 £'000	Transfers Out 2010/2011 £'000	Transfers In 2010/2011 £'000	Balance at 31 March 2011 £'000	Transfers Out 2011/2012 £'000	Transfers In 2011/2012 £'000	Balance at 31 March 2012 £'000
School Community Reserve	2,245	(2,245)	2,033	2,033	(1,980)	1,545	1,598
Connexions Hub Agreement	706	(717)	1,192	1,181	(637)	134	678
Education Redundancies Reserves	952	0	649	1,601	(1,378)	875	1,098
Street Lighting and Highways Signs PFI Smoothing Reserve	7,448	(383)		7,065	(381)		6,684
Adult Services Modernisation and Service Pressures Reserve	800	(64)	1,047	1,783	0		1,783
Play Areas Reserve	1,104	(83)		1,021	(168)	128	981
House Sale Income	1,250		178	1,428	(527)	255	1,156
WNF-Software City	2,600	0	0	2,600	(783)	0	1,817
WNF Visible Workshop and other projects	3,600	0	0	3,600	(50)	0	3,550
Modernisation Improvements	0	0	2,677	2,677	(196)	0	2,481
Utilities Reserve	0	0	1,043	1,043	0	0	1,043
Invest to save Commercial Opportunities	0	0	1,500	1,500	0	0	1,500
Transition Enablement	0	0	0	0	0	3,967	3,967
Riverside Transfer	0	0	0	0	0	11,980	11,980
Other Earmarked Reserves	14,841	(5,868)	4,408	13,381	(5,471)	5,496	13,406
Total Revenue Reserves	96,776	(14,876)	28,350	110,250	(23,280)	43,068	130,038
Total Reserves	161,073	(28,416)	35,510	168,167	(76,918)	88,546	179,795

Notes to the Accounts (Continued)

Purpose of Earmarked Reserves

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

Notes to the Accounts (Continued)

Note 9 – Other operating expenditure

2010/2011 £'000		2011/2012 £'000
53	Parish Council Precept	53
18,622	Levies	19,047
(298)	Surplus on Trading Undertakings	(339)
186	Deficit on Trading Undertakings	752
19	Payments to the Government Housing Capital Receipts Pool	23
21,299	Gain / losses on the disposal of non current assets	51,186
39,881	Total	70,722

Note 10 – Financing and investment income and expenditure

2010/2011 £'000		2011/2012 £'000
10,272	Interest payable and similar charges	9,718
12,250	Pensions interest cost and expected return on pension fund assets	6,310
(3,546)	Interest receivable and similar income	(3,641)
0	Changes in the fair value of investment property	19,776
18,976	Total	32,163

Note 11 – Taxation and non specific grant income

2010/2011 £'000		2011/2012 £'000
95,954	Council Tax Income	96,009
137,496	Non domestic rates	120,771
55,904	Non-ringfenced government grants	40,481
45,606	Capital grants and contributions	12,551
334,960	Total	269,812

Notes to the Accounts (Continued)

Note 12 – Property, Plant and Equipment Movement on Balances 2011/2012

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets included in Property Plant and Equipment £'000
Cost or Valuation						
At 1 April 2011	885,965	76,359	286,795	24,896	1,274,015	54,973
Additions	9,174	7,326	6,297	16,660	39,457	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	12,643	0	0	0	12,643	0
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(8,400)	(25)	(2,587)	0	(11,012)	0
Derecognition	(54,163)				(54,163)	0
Other movements in Cost or Valuation	6,610	356	5,636	(12,602)	0	0
At 31 March 2012	851,829	84,016	296,141	28,954	1,260,940	54,973
Accumulated Depreciation and Impairment						
At 1 April 2011	53,849	35,362	69,372	0	158,583	9,419
Depreciation Charge	23,235	7,338	7,616	0	38,189	1,692
Depreciation written out to Revaluation Reserve	(6,212)	0	0	0	(6,212)	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	(875)	0	0	0	(875)	0
Derecognition	(2,740)	0	0	0	(2,740)	0
At 31 March 2012	67,257	42,700	76,988	0	186,945	11,111
Net Book Value						
At 31 March 2011	832,116	40,997	217,423	24,896	1,115,432	45,554
At 31 March 2012	784,572	41,316	219,153	28,954	1,073,995	43,862

Note 12 – Property, Plant and Equipment (continued)
Movement on Balances 2010/2011

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets included in Property Plant and Equipment £'000
Cost or Valuation						
At 1 April 2010	864,292	68,771	279,773	29,590	1,242,426	54,973
Additions	38,536	6,996	4,352	15,633	65,517	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	17,316	0	0	0	17,316	0
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(27,508)	0	0	0	(27,508)	0
Derecognition - Disposals	(23,701)	0	0	0	(23,701)	0
Other movements in Cost or Valuation	17,030	592	2,670	(20,327)	(35)	0
At 31 March 2011	885,965	76,359	286,795	24,896	1,274,015	54,973
Accumulated Depreciation and Impairment						
At 1 April 2010	41,837	28,637	61,990	0	132,464	7,787
Depreciation Charge	23,302	6,725	7,382	0	37,409	1,632
Depreciation written out to Revaluation Reserve	(6,555)	0	0	0	(6,555)	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	(3,661)	0	0	0	(3,661)	0
Derecognition - Disposals	(1,074)	0	0	0	(1,074)	0
At 31 March 2011	53,849	35,362	69,372	0	158,583	9,419
Net Book Value						
At 31 March 2010	822,455	40,134	217,783	29,590	1,109,962	47,186
At 31 March 2011	832,116	40,997	217,423	24,896	1,115,432	45,554

Notes to the Accounts (Continued)

Note 12 – Property, Plant and Equipment (continued)

Depreciation

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

- Land and Buildings – 2 – 60 years
- Vehicles, Plant and Equipment – 5 – 15 years
- Infrastructure - 20 – 40 years

Capital Commitments

At 31 March 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/2013 and future years budgeted to cost £10.613m (As at 31 March 2011 £26.568m). The major commitments are:

- Maplewood School - £1.959m
- Sunderland Strategic Transport Corridor - £1.200m
- Corporate Computing Model - £1.142m
- Area Renewal - £0.942m
- St Joseph's RC Primary School - £0.897m
- Former Vaux site - £0.861m

Revaluations

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

Notes to the Accounts (Continued)

Note 12 – Property, Plant and Equipment (continued)

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historic cost		84,016	296,141	28,954	409,111
Valued at fair value as at:					
31 March 2012	109,865				109,865
31 March 2011	235,966				235,966
31 March 2010	136,857				136,857
31 March 2009	363,000				363,000
31 March 2008	6,141				6,141
Total Cost or Valuation	851,829	84,016	296,141	28,954	1,260,940

Notes to the Accounts (Continued)

Note 13 – Heritage Assets

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

	Collections Held by Tyne & Wear Museums £'000	Statues, Monuments and Public Art £'000	Other Historic Assets £'000	Total Assets £'000
Cost or Valuation				
1st April 2010	9,130	556	1661	11,347
Additions	10	0	0	10
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 2011	9,140	556	1,661	11,357
Cost or Valuation				
1st April 2011	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 2012	9,140	556	1,661	11,357

Further details of the Council's Heritage Asset holdings can be found in Notes 48 and 49 pages 116 – 118.

Notes to the Accounts (Continued)

Note 14 – Investment properties

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

2010/2011 Restated £'000		2011/2012 £'000
1,594	Rental income and investment property	2,143
(3,246)	Direct operating expenses arising from investment property	(912)
(1,652)	Net gain / (loss)	1,231

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

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

2010/2011 £'000		2011/2012 £'000
82,067	Balance at the start of the year	83,327
634	Net gain / (losses) from fair value adjustments	(19,776)
	Transfers:	
626	To / (From) Property, Plant and Equipment	0
83,327	Balance at the end of the year	63,551

Losses in 2011/2012 from fair value adjustments reflect the depressed market for land and building assets.

Note 15 – Intangible Assets

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

All software is given a finite useful life, based on assumptions of the period that the software is expected to be of use to the Authority. The useful life for 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 £0.226m charged to revenue in 2011/2012 was charged to the Administration cost centres and absorbed where appropriate as an overhead across service headings in the Net Expenditure of services

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

Notes to the Accounts (Continued)

Note 15 – Intangible Assets (continued)

	2010/2011 Software Licences £'000	2011/2012 Software Licences £'000
Balance at start of year:		
Gross carrying amounts	1,906	2,219
Accumulated Amortisation	(515)	(710)
Net carrying amount at the start of the year	1,391	1,509
Additions		
Purchases	313	1,085
Amortisation for the period	(195)	(226)
Net carrying amount at the year end	1,509	2,368
Comprising		
Gross carrying amounts	2,219	3,304
Accumulated amortisation	(710)	(936)
	1,509	2,368

Software Licences have been purchased in the year for use on a number of the Council's IT systems. In particular in 2011/2012 licences valued at £0.882m have been purchased in support of the Council's new Corporate Computing Model. There are no items of capitalised software that are individually material to the financial statements.

Notes to the Accounts (Continued)

Note 16 – Financial Instruments

Categories of Financial Instruments

	Long Term			Current		
	31 March 2012	31 March 2011	31 March 2010 (Restated)	31 March 2012	31 March 2011	31 March 2010 (Restated)
	£'000	£'000	£'000	£'000	£'000	£'000
Investments						
Loans and receivables	0	0	0	166,832	161,550	121,392
Available-for-sale financial assets	817	817	817	0	0	0
Unquoted equity investment at cost	0	0	0	0	0	0
Financial assets at fair value through P&L	0	0	0	0	0	0
Total Investments	817	817	817	166,832	161,550	121,392
Debtors						
Loans and receivables	27,968	27,742	28,064	44,777	29,479	53,015
Financial assets carried at contract amount	0	0	0	28,988	42,354	42,926
Total Debtors	27,968	27,742	28,064	73,765	71,833	95,941
Borrowings						
Financial liabilities at amortised costs	(183,432)	(178,443)	(148,064)	(48,787)	(41,220)	(40,597)
Financial liabilities at fair value through P&L	0	0	0	0	0	0
Total Borrowings	(183,432)	(178,443)	(148,064)	(48,787)	(41,220)	(40,597)
Other Long Term Liabilities						
PFI and finance lease liabilities	(41,569)	(43,141)	(44,173)	0	0	0
Pensions	(588,760)	(436,580)	(574,120)	0	0	0
Total other long term liabilities	(630,329)	(479,721)	(618,293)	0	0	0
Creditors						
Financial liabilities at amortised cost	0	0	0	0	0	0
Financial liabilities carried at contract amount	0	0	0	(49,530)	(69,033)	(89,654)
Total creditors	0	0	0	(49,530)	(69,033)	(89,654)

Notes to the Accounts (Continued)

Note 16 – Financial Instruments (continued)

Income, Expense, Gains and Losses

	2010/2011				2011/2012			
	Financial Liabilities	Financial Assets		Total	Financial Liabilities	Financial Assets		Total
	Liabilities at amortised cost £'000	Loans and receivables £'000	Available for sale assets £'000	£'000	Liabilities at amortised cost £'000	Loans and receivables £'000	Available for sale assets £'000	£'000
Interest Expense	(6,169)	0	0	(6,169)	(6,590)	0	0	(6,590)
Total expenses in Surplus or Deficit on the Provision of Services	(6,169)	0	0	(6,169)	(6,590)	0	0	(6,590)
Interest Income	0	3,546	0	3,546	0	3,549	0	3,549
Total expenses in Surplus or Deficit on the Provision of Services	0	3,546	0	3,546	0	3,549	0	3,549
Net Gain / (loss) for the year	(6,169)	3,546	0	(2,623)	(6,590)	3,549	0	(3,041)

Notes to the Accounts (Continued)

Note 16 – Financial Instruments (continued)

Fair Value of Assets and Liabilities carried at Amortised Cost

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

- For PWLB debt, the discount rate used is the premature repayment rates as per rate sheet number 128/12.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms for a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.

The fair values calculated are as follows:

Liabilities	31 March 2011		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB	137,950	138,175	142,917	166,371
LOBO's	40,221	46,126	40,215	41,437
Stock	105	75	102	88
Other	167	231	198	264
Bank Overdraft	8,235	8,235	12,080	12,080
Short Term Borrowing	32,985	32,985	36,707	36,707
Financial Liabilities	219,663	225,827	232,219	256,947

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

Assets	31 March 2011		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Deposits with Banks & Building Societies	188,991	189,357	208,119	209,206
Financial Assets	188,991	189,357	208,119	209,206

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 2012 the Council holds £25.270m of funds in relation to the North Eastern Local Enterprise Partnership. These funds do not belong to the Council and are therefore not reflected in the Statement of Accounts.

Notes to the Accounts (Continued)

Note 17 – Inventories

2011/2012

	Consumable Stores £'000	Maintenance Materials £'000	Client Services Work £'000	Total £'000
Balance Outstanding at start of year	1,210	139	344	1,693
Purchases	6,106	164	104	6,374
Recognised as an expense in the year	(6,147)	(171)	(344)	(6,662)
Written off balances	(29)	0	0	(29)
Balance outstanding at the year-end	1,140	132	104	1,376

2010/2011

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

Notes to the Accounts (Continued)

Note 18 – Short Term Debtors

2009/2010 £'000	2010/2011 £'000		2011/2012 £'000
18,499	21,197	Central government bodies	8,281
387	567	Other local authorities	780
2,337	2,165	NHS bodies	150
16	0	Public corporations and trading funds	0
21,687	18,425	Other entities and individuals	19,777
42,926	42,354	Total	28,988

Note 19 – Cash and cash equivalents

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

2009/2010 £'000	2010/2011 £'000		2011/2012 £'000
(5,973)	(6,196)	Cash held by the Authority	(8,589)
45,849	27,440	Bank current accounts and Money Market Funds	36,278
5,006	0	Short-term deposits with banks and building societies	5,008
44,882	21,244	Total Cash and Cash Equivalents	32,697

Note 20 – Short-Term Creditors

2009/2010 £'000	2010/2011 £'000		2011/2012 £'000
(10,231)	(8,152)	Central government bodies	(9,469)
(4,776)	(4,291)	Other local authorities	(3,904)
(1,935)	(1,047)	NHS bodies	(2,943)
(928)	0	Public corporations and trading funds	0
(39,855)	(31,604)	Other entities and individuals	(24,913)
(57,725)	(45,094)	Total	(41,229)

Notes to the Accounts (Continued)

Note 21 – Provisions

	Insurance Provision £'000	Other Provision £'000	Total £'000
Balance at 31 March 2010	3,273	3,553	6,826
Additional provisions made 2010/2011	3,587	5,460	9,047
Amounts used 2010/2011	(2,834)	(3,365)	(6,199)
Balance at 31 March 2011	4,026	5,648	9,674
Additional provisions made 2011/2012	3148	5135	8283
Amounts used 2011/2012	(3,186)	(2,892)	(6,078)
Balance at 31 March 2012	3,988	7,891	11,879
Long Term provisions at 31st March 2012	3,988	5,845	9,833
Short Term Provisions at 31st March 2012	0	2,046	2,046

Included within other provisions £0.529m back on the map temporary funding (2010/2011 £1.463m), £1.521m known transitional costs (2010/2011 £2.929m), £Nil procurement efficiencies to support the 2012/2013 budget (2010/2011 £1.037m), Carbon Reduction Commitments £0.526, Unequal Pay back pay provision £5.237m (2010/2011 £nil) and Guarantee Bonds of £0.078m (2010/2011 £0.219m).

Note 22 – Usable Reserves

The total Usable Reserves held by the Council is £179.795m at 31.03.2012 (£168.167m at 31.03.2011) and are detailed in Note 8. Movements in the Council's Usable Reserves are also detailed in Note 8 – Movement in Usable Reserves (Pages 60 and 61).

Note 23 – Unusable Reserves

2009/2010 £'000	2010/2011 £'000		Note	2011/2012 £'000
178,147	196,351	Revaluation Reserve	23a	209,535
785,377	771,277	Capital Adjustment Account	23b	702,662
(516)	(631)	Financial Instrument Adjustment Account	23c	(752)
(574,120)	(436,580)	Pensions Reserve	23d	(588,760)
2,164	1,650	Deferred Capital Receipts Reserve	23e	1,130
1,008	1,673	Collection Fund Adjustment Account	23f	2,054
(4,833)	(5,533)	Accumulated Absence Account	23g	(5,306)
795	795	Available for Sale Financial Instrument Reserve	23h	795
0	0	Unequal Backpay Account	23i	(3,081)
388,022	529,002	Total Unusable Reserve		318,277

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

23a) Revaluation Reserve

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

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

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

Notes to the Accounts (Continued)

23a) Revaluation Reserve (continued)

2009/2010 (restated) £'000	2010/2011 £'000		2011/2012 £'000
133,503	178,147	Balance at 1 April	196,351
70,204	34,018	Upward revaluation of assets	18,856
(17,997)	(10,138)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Service	0
185,710	202,027	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	215,207
3,498	0	Revaluation gain transfers offsetting revaluation losses	0
3,965	4,638	Difference between fair value depreciation and historical cost depreciation	4,635
100	1,038	Accumulated gains on assets sold or scrapped	1,037
7,563	5,676	Amount written off to the Capital Adjustment Account	5,672
178,147	196,351	Balance at 31 March	209,535

23b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

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

Notes to the Accounts (Continued)

23b) Capital Adjustment Account (continued)

2009/2010 £'000	2010/2011 £'000		2011/2012 £'000
789,827	785,377	Balance at 1 April	771,277
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(32,410)	(37,409)	Charges for depreciation and impairment of non-current assets	(38,189)
(44,676)	(23,848)	Revaluation losses on Property, Plant and Equipment	(10,137)
(171)	(195)	Amortisation of intangible assets	(226)
(4,202)	(7,437)	Net revenue expenditure funded from capital under statute	(7,882)
		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	
(1,115)	(22,687)		(51,423)
(82,574)	(91,576)		(107,857)
7,563	5,678	Adjusting amounts written out of Revaluation Reserve	5,672
(75,011)	(85,898)	Net written out amount of the cost of non current assets consumed	(102,185)
		Capital financing applied in the year:	
2,486	896	Use of Capital Receipts to finance new capital expenditure	819
		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have applied to capital financing	
40,938	45,606		12,551
2,598	619	Application of grants to capital financing from the Capital Grants Unapplied Account	11,038
11,085	11,349	Statutory provision for the financing of capital investment charged against the General Fund balance	11,577
19,215	12,634	Capital expenditure charged against the General Fund balance	17,361
76,322	71,104		53,346
(5,761)	694	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(19,776)
785,377	771,277	Balance at 31 March	702,662

23c) Financial Instruments Adjustment Account

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

Notes to the Accounts (Continued)

23c) Financial Instruments Adjustment Account (continued)

2009/2010 £'000	2010/2011 £'000		2011/2012 £'000
(442)	(516)	Balance at 1 April	(631)
171	107	Premiums incurred in the year charged to the Comprehensive Income and Expenditure Account	100
(245)	(222)	Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(221)
(516)	(631)	Balance at 31 March	(752)

23d) Pensions Reserve

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

2009/2010 £'000	2010/2011 £'000		2011/2012 £'000
(428,930)	(574,120)	Balance at 1 April	(436,580)
(130,200)	7,570	Actuarial gains and losses on pensions assets and liabilities	(153,950)
(51,120)	93,230	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	(35,630)
36,130	36,740	Employers' pensions contributions and direct payments to pensioners payable in the year	37,400
(574,120)	(436,580)	Balance at 31 March	(588,760)

23e) Deferred Capital Receipts Reserve

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

2009/2010 £'000	2010/2011 £'000		2011/2012 £'000
2,685	2,164	Balance at 1 April	1,650
(33)	(34)	Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(35)
(488)	(480)	Transfer to the Capital Receipts Reserve upon receipt of cash	(485)
2,164	1,650	Balance at 31 March	1,130

Notes to the Accounts (Continued)

23f) Collection Fund Adjustment Account

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

2009/2010 £'000	2010/2011 £'000		2011/2012 £'000
146	1,008	Balance at 1 April	1,673
		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	
862	665		381
1,008	1,673	Balance at 31 March	2,054

23g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/2010 £'000	2010/2011 £'000		2011/2012 £'000
(4,537)	(4,833)	Balance at 1 April	(5,533)
4,537	4,833	preceding year	5,533
(4,833)	(5,533)	Amounts accrued at the end of the current year	(5,306)
(4,833)	(5,533)	Balance a 31 March	(5,306)

23h) 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.

2009/2010 £'000	2010/2011 £'000		2011/2012 £'000
795	795	Balance at 1 April	795
0	0	Downward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	0
795	795	Balance a 31 March	795

23i) Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the difference between the rate at which the Authority 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 (Continued)

23i) Unequal Pay Back Pay Account (continued)

2009/2010 £'000	2010/2011 £'000		2011/2012 £'000	
0	0	Balance at 1 April		0
0	0	Increase in provision for back pay in relation to Equal Pay cases	(3,081)	
0	0	Cash settlement paid in year	0	(3,081)
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 charged in the year in accordance with statutory requirements.		0
0	0	Balance a 31 March		(3,081)

Note 24 – Cash Flow Statement – Operating Activities

The cash flows from operating activities include the following items:

2010/2011 £'000		2011/2012 £'000
3,546	Interest received	3,641
(10,272)	Interest paid	(9,718)
0	Dividends received	0

Note 25 – Cash Flow Statement – Investing Activities

2010/2011 £'000		2011/2012 £'000
70,510	Purchase of property, plant and equipment, investment property and intangible assets	43,770
0	Purchase of short-term and long-term investments	0
975	Other payments for investing activities	1,786
(694)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(238)
0	Proceeds for short-term and long-term investments	0
(37,770)	Other receipts from investing activities	(12,896)
33,021	Net cash flows from investing activities	32,422

Note 26 – Cash Flow Statement – Financing Activities

2010/2011 £'000		2011/2012 £'000
(455)	Capital receipts of short and long-term borrowing	(455)
(41,180)	Other receipts and financing activities	(11,857)
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	0
10,274	Repayments of short and long term borrowing	3,140
18,128	Other payments and financing activities	21,520
(13,233)	Net cash flows from financing activities	12,348

Notes to the Accounts (Continued)

Note 27 – Amounts Reported for Resource Allocation Decisions

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

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

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

Notes to the Accounts (Continued)

Note 27 – Amounts Reported for Resource Allocation Decisions (continued)

Portfolio Income and Expenditure 2011/2012

	Leader and Deputy Leader £'000	Cabinet Secretary £'000	Children and Learning City £'000	Prosperous City £'000	Health and Well Being £'000	Safer City and Culture £'000	Attractive and Inclusive City £'000	Sustainable Communities £'000	Responsive Local Services and Customer Care £'000	Total £'000
Fees and Charges	(1,678)	(14,755)	(10,442)	(2,248)	(21,340)	(1,918)	(20,883)	(341)	(480)	(74,085)
Government grants	(25)	(149,306)	(205,979)	(507)	(11,054)	0	(2,206)	(946)	(1,635)	(371,658)
Other Grants, reimbursements and contributions	(4,000)	(3,632)	(8,210)	(1,462)	(28,291)	(1,784)	(1,281)	(80)	(59)	(48,799)
Total Income	(5,703)	(167,693)	(224,631)	(4,217)	(60,685)	(3,702)	(24,370)	(1,367)	(2,174)	(494,542)
Employee expenses	40,653	16,856	180,711	3,907	41,325	6,759	23,012	1,296	3,362	317,881
Other service expenditure	11,478	160,034	69,041	5,024	87,662	7,485	21,776	705	3,873	367,078
Total Expenditure	52,131	176,890	249,752	8,931	128,987	14,244	44,788	2,001	7,235	684,959
Net Expenditure	46,428	9,197	25,121	4,714	68,302	10,542	20,418	634	5,061	190,417

Notes to the Accounts (Continued)

Note 27 – Amounts Reported for Resource Allocation Decisions (continued)

Portfolio Income and Expenditure 2010/2011

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

Notes to the Accounts (Continued)

Note 27 – 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 a subjective analysis of the Surplus or Deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

2010/2011 £'000		2011/2012 £'000
93,367	Net expenditure in the portfolio analysis.	190,417
68,860	Net expenditure of services and support services not included in the analysis.	53,806
(2,748)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis.	(13,293)
159,479	Cost of Service in the Comprehensive Income and Expenditure Analysis	230,930

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis or portfolio income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

Notes to the Accounts (Continued)

Note 27 – Amounts Reported for Resource Allocation Decisions (continued)

Reconciliation to Subjective Analysis 2011/2012

	Portfolio Analysis £'000	Amounts not reported to management £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(122,883)	0	0	(122,883)	(340)	(123,223)
Interest and investment income	0	0	0	0	(3,641)	(3,641)
Income from council tax	0	0	0	0	(96,009)	(96,009)
Government grants and contributions	(371,659)	(13,328)	0	(384,987)	(173,802)	(558,789)
Total Income	(494,542)	(13,328)	0	(507,870)	(273,792)	(781,662)
Employee expenses	317,880	35	0	317,915	0	317,915
Other service expenses	367,079	0	0	367,079	752	367,831
Support service recharges	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	53,806	53,806	19,776	73,582
Interest Payments	0	0	0	0	16,028	16,028
Precepts and Levies	0	0	0	0	19,100	19,100
Payments to Housing Capital receipts Pool	0	0	0	0	23	23
Gain and Loss on Disposal of Fixed Assets	0	0	0	0	51,186	51,186
Total Expenditure	684,959	35	53,806	738,800	106,865	845,665
Surplus or deficit on the provision of services	190,417	(13,293)	53,806	230,930	(166,927)	64,003

Notes to the Accounts (Continued)

Note 27 – Amounts Reported for Resource Allocation Decisions (continued)

Reconciliation to Subjective Analysis 2010/2011

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

Notes to the Accounts (Continued)

Note 28 – Trading Operations

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

	2010/2011			2011/2012		
	Expenditure £'000	Income £'000	Net Expenditure £'000	Expenditure £'000	Income £'000	Net Expenditure £'000
City Print Services	2,036	1,855	181	1,823	1,071	752
General Highways	3,493	3,675	(182)	2,561	2,824	(263)
Education and Civic Buildings Maintenance	8,572	8,688	(116)	8,424	8,461	(37)
Networking Services	174	169	5	234	273	(39)
	14,275	14,387	(112)	13,042	12,629	413

Note 29 – Agency Services

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

	2010/2011 £m	2011/2012 £m
Residential, Nursing and Home Care Provision	52.5	58.8
Learning Providers	11.3	11.3
Fostering and Adoption Service	5.5	5.7
Payments to Voluntary Organisations	5.9	4.8
Health Trust	4.9	1.1
Supporting People Contracts	6.0	5.4
Highways Maintenance	9.9	5.2
Waste Disposal	7.7	7.5
Council Services provided to Schools Delegated Budgets	3.7	4.7
School Meals Contract provided to Schools	6.2	6.0
School Placements for Special Education in Other Authorities	0.8	0.1
Museums Service - Joint Authority	0.9	0.6
Other Payments	4.4	1.3
Total Agency Payments	119.7	112.5

Notes to the Accounts (Continued)

Note 30 – Pooled Budgets

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

Community Equipment Service

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

	2010/2011 £'000	2011/2012 £'000
Sunderland City Council	(1,097)	(1,038)
Sunderland Teaching Primary Care Trust	(1,401)	(1,325)
Total Funding	(2,498)	(2,363)
Gross Expenditure	2,601	2,742
Net (Funding) / Expenditure	103	379

Learning Disabilities

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

	2010/2011 £'000	2011/2012 £'000
Sunderland City Council	(935)	(959)
Sunderland Teaching Primary Care Trust	(1,457)	(1,519)
Total Funding	(2,392)	(2,478)
Gross Expenditure	2,201	2,392
Net (Funding) / Expenditure	(191)	(86)

Intermediate Care

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

	2010/2011 £'000	2011/2012 £'000
Sunderland City Council	(1,244)	(1,238)
Sunderland Teaching Primary Care Trust	(992)	(988)
Total Funding	(2,236)	(2,226)
Gross Expenditure	2,198	2,197
Net (Funding) / Expenditure	(38)	(29)

Notes to the Accounts (Continued)

Note 30 – Pooled Budgets (continued)

Mental Capacity Act / Deprivation of Liberties

The overall aim of this new Pooled Budget and of this Agreement 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.

	2010/2011 £'000	2011/2012 £'000
Sunderland City Council	0	(27)
Sunderland Teaching Primary Care Trust	0	(36)
Total Funding	0	(63)
Gross Expenditure	0	38
Net (Funding) / Expenditure	0	(25)

Note 31 – Members' Allowances

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

	2010/2011 £'000	2011/2012 £'000
Allowances	1,041	1,055
Expenses	31	22
Total	1,072	1,077

Notes to the Accounts (Continued)

Note 32 – Officers' Remuneration

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

	2010/2011		2011/2012	
	Non-Teaching Staff	Teaching Staff	Non-Teaching Staff	Teaching Staff
£50,000 - £54,999	48	49	42	56
£55,000 - £59,999	23	20	19	25
£60,000 - £64,999	7	37	2	30
£65,000 - £69,999	7	22	7	26
£70,000 - £74,999	6	5	4	6
£75,000 - £79,999	11	5	12	5
£80,000 - £84,999	7	3	2	3
£85,000 - £89,999	5	3	8	2
£90,000 - £94,999	3	0	3	1
£95,000 - £99,999	2	2	2	0
£100,000 - £104,999	0	0	0	2
£105,000 - £109,999	1	0	1	1
£110,000 - £114,999	0	0	1	0
£115,000 - £119,999	2	1	1	0
£120,000 - £124,999	2	0	2	0
£125,000 - £129,999	1	0	1	0
£130,000 - £134,999	1	0	1	0
£135,000 - £139,999	1	0	0	1
£200,000 - £204,999	1	0	0	0
£210,000 - £214,999	0	0	1	0

Notes to the Accounts (Continued)

Note 32 – Officers’ Remuneration (continued)

The number of exit packages with total cost per band and total cost of these packages are set out in the table below:

The Council made no compulsory redundancies in 2010/2011 and 2011/2012.

Exit package cost band (including special payment) £'000	Number of agreed departures (Non-Teaching)		Number of agreed departures (Teaching)		Total Cost of Exit Packages in each band (Non-Teaching)		Total Cost of Exit Packages in each band (Teaching)	
	2010/11	2011/12	2010/11	2011/12	2010/11 £	2011/12 £	2010/11 £	2011/12 £
£0 - £20	91	92	20	21	246,797	248,167	247,018	240,353
£20 - £40	2	4	22	14	49,174	102,536	534,303	338,958
£40 - £60	0	0	1	0	0	0	40,461	0
£60 - £80	0	0	1	0	0	0	68,799	0
£80 - £100	0	0	0	0	0	0	0	0
£100 - £150	0	2	0	0	0	259,967	0	0

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

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

Notes to the Accounts (Continued)

Note 32 – Officers' Remuneration (continued)

Post Holder Information	Salary (Including Fees and Allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of office £	Benefits in Kind £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
2011/2012								
Senior Officer Emoluments exceeding £150,000 per year								
Chief Executive - Dave Smith	202,562	0	0	0	7,852	210,414	30,031	240,445
Senior Officer Emoluments exceeding £50,000 but less than £150,000								
Deputy Chief Executive	124,932	0	0	0	0	124,932	18,441	143,373
Executive Director of Adult Services	115,068	0	0	0	0	115,068	16,570	131,638
Executive Director of Children's Services	112,705	0	0	0	0	112,705	16,228	128,933
Executive Director of City Services	122,940	0	0	0	0	122,940	17,703	140,643
Executive Director of Corporate and Commercial Services	124,220	0	0	0	0	124,220	17,703	141,923
Strategic Director of Transformation*	48,682	0	0	0	0	48,682	7,133	55,815
Head of Legal Services	85,941	0	0	0	0	85,941	12,347	98,288

* Officer not in post for a full year

Notes to the Accounts (Continued)

Note 32 – Officers' Remuneration (continued)

Post Holder Information	Salary (Including Fees and Allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of office £	Benefits in Kind £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
2010/2011								
Senior Officer Emoluments exceeding £150,000 per year								
Chief Executive - Dave Smith	193,148	0	0	0	7,905	201,053	28,494	229,547
Senior Officer Emoluments exceeding £50,000 but less than £150,000								
Deputy Chief Executive	120,024	0	0	0	0	120,024	18,043	138,067
Executive Director of Adult Services	115,268	0	0	0	0	115,268	16,684	131,952
Executive Director of Children's Services	109,907	0	0	0	0	109,907	15,907	125,814
Executive Director of City Services	122,940	0	0	0	0	122,940	17,826	140,766
Executive Director of Corporate and Commercial Services*	29,454	0	0	0	0	29,454	4,270	33,724
Strategic Director of Transformation	117,664	0	0	0	0	117,664	17,238	134,902
Head of Legal Services*	78,343	0	0	0	0	78,343	11,359	89,702
Director of Financial Resources*	82,226	0	0	0	0	82,226	11,922	94,148
Chief Solicitor*	48,963	0	0	0	0	48,963	7,056	56,019

* Officer not in post for a full year

Notes to the Accounts (Continued)

Note 33 – External Audit Costs

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

	2010/2011 £'000	2011/2012 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year.	333	299
Fees payable to the Audit Commission in respect of statutory inspection.	0	0
Fees payable to the Audit Commission with regard to additional external audit services carried out by the appointed auditor.	6	0
Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	40	38
Fees payable in respect of other services by the Audit Commission during the year.	(33)	(24)
Total Costs	346	313

Note 34 – 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). 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 School Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2011/2012 are as follows:

	Schools Budget Funded by DSG		
	Central Expenditure £	Individual Schools Budget (ISB) £	Total £
Final DSG for 2011/2012	12,624,557	162,719,688	175,344,245
Plus			
Brought forward from 2010/2011	435,399	(435,399)	0
Less			
Carry forward to 2012/2013 agreed in advance	0	0	0
Agreed budgeted distribution in 2011/2012	13,059,956	162,284,289	175,344,245
In Year Adjustments	(2,352,670)	2,352,670	0
Final budgeted distribution in 2011/2012	10,707,286	164,636,959	175,344,245
Less			
Actual central expenditure	10,707,286	0	10,707,286
Less			
Actual ISB deployed to schools	0	164,636,959	164,636,959
Plus			
Local authority contribution for 2011/2012	0	0	0
Carry forward to 2012/2013	0	0	0

Notes to the Accounts (Continued)

Note 35 – Grant Income

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

	2010/2011 £'000	2011/2012 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	19,966	37,331
National Non Domestic Rates	137,496	120,771
Area Based Grant	35,938	0
Council Tax Freeze Grant	0	2,377
Local Services Support Grant	0	773
Department for Education - Capital Grants	11,647	3,694
Department for Transport - Capital Grants	5,571	634
Department of Health - Capital Grants	0	254
Home Office - Capital Grants	0	41
Communities and Local Government - Capital Grants	117	0
Homes and Communities Agency	21,330	755
One North East / CLG (European) - Capital Grants	3,937	5,773
Heritage Lottery Fund - Capital Grants	1,326	14
Department for Environment, Food and Rural Affairs - Capital Grants	486	24
Commission for Architecture and the Built Environment - Capital Grants	293	707
Other Capital Grants and Contributions	899	654
Total	239,006	173,802

Notes to the Accounts (Continued)

Note 35 – Grant Income (continued)

	2010/2011 £'000	2011/2012 £'000
Credited to Services		
Department for Education - Dedicated Schools Grant	157,031	175,345
Department for Education - Standards Fund	29,268	869
Department for Education - Sure Start	12,714	0
Department for Education - Early Intervention Grant	0	16,062
Department for Education - Children and Young Peoples Grant	1,664	0
Department for Education - Pupil Premium	0	3,788
Department for Education	1,219	349
Department for Education - Capital Grants	8,453	11,197
Children's Workforce Development Council	200	496
Education Funding Agency	0	1,635
Young Peoples Learning Agency	19,236	7,539
Training and Development Agency	205	0
Learning and Skills Council	940	1,162
Skills Funding Agency	2,719	615
Department for Work and Pensions - Housing & Council Tax Benefit	142,136	149,306
Department for Work and Pensions	220	153
Department of Health - Learning Disabilities and Health Reform Grant	0	11,004
Department of Health	3,071	150
Department of Health - Capital Grants	1,125	1,194
Communities and Local Government - PFI	3,733	3,734
Communities and Local Government - European Grants	0	185
Communities and Local Government - New Homes Bonus Grant	0	577
Communities and Local Government	1,292	353
Communities and Local Government - Capital Grants	1,373	1,777
Communities and Local Government - Single Housing Investment Pot - Capital Grants	2,142	530
Department for Transport	293	0
Department for Transport - Capital Grants	0	5,181
Homes and Communities Agency - Capital Grants	155	1,947
Home Office	938	48
Youth Justice Board	1,240	1,033
New Deal for Communities	1,805	151
Teaching Primary Care Trust	28,527	25,687
Primary Care Trust - Capital Grants	550	0
One North East	1,262	0
One North East - Capital Grants	47	1,000
Sport England	795	284
Youth Opportunities Fund	205	0
Northern Arts	157	140
Other Grants	1,289	874
Other Capital Grants	286	1,081
Total	426,290	425,446

Notes to the Accounts (Continued)

Note 35 – Grant Income (continued)

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

	2009/2010 £'000	2010/2011 £'000	2011/2012 £'000
Capital Grant Receipts in Advance			
Department for Education	14,293	9,978	2,842
Department for Education - Sure Start	784	77	66
Department of Health	885	105	38
Communities and Local Government	1,427	958	741
Communities and Local Government - Single Housing In	1,182	757	361
Department for Transport	354	634	0
Department for Environment, Food and Rural Affairs	257	54	29
Homes and Communities Agency	9,365	6,120	4,063
One North East	1,390	3,942	161
Primary Care Trusts	1,068	516	0
Commission for Architecture and the Built Environment	500	708	0
Other Grants and Contributions	424	90	0
Total	31,929	23,939	8,301

Note 36 – Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to 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 authority.

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 35. Grant receipts outstanding at 31 March 2012 are shown in Note 18.

Members

Members of the council have direct control over the council's financial and operating policies. The total members allowances paid in 2011/2012 are shown in Note 31. In respect of 2011/2012 financial year a number of Council Members had a controlling interest in a company, partnership, trust or entity which generated a related party transaction with the Authority. The controlling influence was by way of ownership, or as a director, trustee or partner. These transactions amounted to payments of £2.154m made by the Authority in 2011/2012 (£4.005m in 2010/2011), of which £0.019m (£0.023m for 2010/2011) relates to Cabinet Delegated Schemes approved grants in support of the arts, sports, promotions and tourism, £0.306m (£1.827m for 2010/2011) payments to companies and £1.828m (£2.155m for 2010/2011) to voluntary organisations.

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

Notes to the Accounts (Continued)

Note 36 – Related Parties (continued)

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

Officers

In respect of the 2011/2012 financial year no Chief Officers had a controlling interest in a company, partnership, trust or entity which is considered to have generated a related party transaction with the Authority.

Entities Controlled or Significantly Influenced by the Authority

Care and Support Sunderland Ltd

Care and Support Sunderland Ltd was established on 7th October 2011, following the administration and bankruptcy of Choices Care Ltd. Choices Care Ltd provided specialist care services to 95 residents in 16 homes in Sunderland, with two contracts collectively valued at around £6.5m per annum. This contract was novated to Care and Support Sunderland Ltd on its date of incorporation.

Care and Support Sunderland Ltd is a wholly owned subsidiary of Sunderland City Council. In the 6 months to 31st March 2012, the company's income amounted to £3.249m, expenditure of £3.354m generating a trading loss of £0.105m. The company has no assets.

Tyne and Wear Development Company Ltd

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

Members of the Company have a limited guarantee of £1. The financial results of the company for 2011/2012 showed a consolidated trading profit after taxation of £0.071m (2010/2011 £0.271m) and had net assets worth £14.613m (2010/2011 £14.520m). The Company's audited accounts for 2011/2012 will be made available once approved by the Board at its AGM in December 2012.

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

Newcastle Airport

Under the Airport Act 1986, Newcastle International Airport Limited (NIAL) was formed and seven Local Authorities were allocated shares in consideration for all the property, rights and liabilities that were transferred into the new company. In consideration of this transfer the Council received £6.161m worth of shares.

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

Notes to the Accounts (Continued)

Note 36 – Related Parties (continued)

The Newcastle Airport Local Authority Holding Company Limited has a called up share capital of 10,000 shares with a nominal value of £1 each. Sunderland Council has a shareholding of 1,845 shares representing an 18.45% interest in the company. The shares are not held for trading outside of the LA7.

At the time of the acquisition of the new shares, the net worth of NIAL Holdings Limited was £134m and the Council's share of this valuation (18.45% of 51%) was £12.609m. The valuation of NIAL Holdings Limited is reviewed each year to consider whether a full independent valuation of the holding is required. A full independent valuation was carried out in May 2010 which valued the shareholding at £0.795m based upon the discounted cash flow method. There has been no significant change in external factors since this valuation that would materially affect the value of the shareholding.

The Local Authority shareholders received £95m in cash for the 49% shareholding in NIAL Holdings Limited and an additional £100m issued by the Company in the form of short and long-term loan notes. The latter payments are in recognition of the value built up in Newcastle International Airport Limited over previous years. £25m long-term loan notes are being paid in ten annual instalments, starting in 2002/03, of which the Council will receive £4.6m over the 10 years.

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

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

No dividends were payable for the year ended 31st December 2011.

Sunderland Empire Theatre Trust

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

The Council has a facilities management arrangement with the Ambassador Theatre Group for a fixed annual amount, the amount paid by the Council totalled £0.383m in 2011/2012, (£0.366m in 2010/2011).

In 2010/2011, the turnover of the Trust was under £30,000 and as such audited accounts are not required. The Trust made a small surplus of £25 in 2011/2012 (surplus of £25 for 2010/2011) in year which will increase its reserves to meet future costs. Its reserves as at 31 March 2012 now stand at £7,094 (£7,069 as at 31 March 2011). In 2011/2012 the Council made a contribution of £12,118 (£29,501 for 2010/2011) to the Trust and the Council also has to meet its own obligations in the form of the upkeep of the building to which the Trust has no liability. A copy of the Trust accounts can be obtained from the Director of Commercial and Corporate Services, Sunderland City Council, Civic Centre, P.O. Box 106, Sunderland, SR2 7DN.

Beamish Museum Joint Committee and related companies

Beamish Museum was established in 1970 and the Council has been a constituent member Authority of Beamish North of England Open Air Museum since its inception. The Council makes an annual contribution towards the running costs of the Joint Committee, this totalled £15,903 in 2011/2012 (£30,974 2010/2011).

Notes to the Accounts (Continued)

Note 36 – Related Parties (continued)

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

In 2010/2011 Beamish Museum Joint Committee and related companies produced group accounts. Due to a change in regulation this is not required in 2011/2012, the following is the position for the Joint Committee and the BML / BMTL group.

In 2011/2012 the Joint Committee made an operating profit of £0.028m (2010/2011 £0.009m profit) and had net assets of £22.007m (2010/2011 £20.824m). In 2011/2012 the BML and BMTL group made an operating loss of £0.162m (2010/2011 £0.438m profit) and had net liabilities of £0.944m (2009/2010 £0.384m net assets). The Council receives no income or contributions from the above reported arrangements. Copies of the Joint Committees and Group Accounts can be obtained from the Museum Director, Regional Resource Centre, Beamish, County Durham, DH9 0RG.

Other Relevant Information

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

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

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

	2010/2011 £'000	2011/2012 £'000
Tyne and Wear Fire and Rescue Service	596	596
Beamish Joint Committee	19	17
Beamish Museum Limited	32	29
Beamish Museum Trading Limited	11	10
Tyne and Wear Economic Development Company	73	73
Tyne and Wear Economic Development Joint Committee	14	14
	745	739

Notes to the Accounts (Continued)

Note 37 – Capital Expenditure and Capital Financing

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

	2010/2011 £	2011/2012 £
Opening Capital Financing Requirement	241,243	243,997
<i>Capital Investment</i>		
Property, Plant and Equipment	67,082	40,944
Investment Properties	0	0
Intangible Assets	313	1,085
Revenue Expenditure Funded from Capital under Statute	20,042	14,985
<i>Sources of Finance</i>		
Capital Receipts	(896)	(819)
Government grants and other contributions	(59,803)	(32,181)
Sums set aside from:		
Direct revenue contributions	(12,634)	(17,361)
MRP	(11,350)	(11,577)
Closing Capital Financing Requirement	243,997	239,073
<i>Explanation of movements in year</i>		
(Decrease) in underlying need to borrow (supported by government financial assistance)	(701)	(8,032)
Increase in underlying need to borrow (unsupported by government financial assistance)	4,779	4,980
Increase / (Decrease) in underlying need to borrow of Assets acquired under finance leases	72	(367)
Decrease in underlying need to borrow of Assets acquired under PFI contracts	(1,396)	(1,505)
Increase / (decrease) in Capital Financing Requirement	2,754	(4,924)

Note 38 – Leases

Authority as Lessee

Finance Leases

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

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

	2010/2011 £'000	2011/2012 £'000
Other Land & Buildings	7,487	11,198
Vehicles, Plant, Furniture and Equipment	2,321	2,286
	9,808	13,484

Notes to the Accounts (Continued)

Note 38 – Leases (continued)

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

	2010/2011 £'000	2011/2012 £'000
Finance Lease Liabilities (NPV of Future lease payments):		
Current	568	383
Non - Current	8,906	7,595
Finance costs payable in future years	1,659	2,823
Minimum lease payments	11,133	10,801

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2010/2011 £'000	2011/2012 £'000	2010/2011 £'000	2011/2012 £'000
Not later than one year	1,245	1,402	536	537
Later than one year and not later than five years	3,302	2,811	2,780	1,985
Later than five years	6,586	6,588	6,586	6,570
	11,133	10,801	9,902	9,092

Operating Leases

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

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

	2010/2011 £'000	2011/2012 £'000
Not later than one year	141	74
Later than one year but not later than five years	80	50
Later than five years	0	0
	221	124

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £322,273 (2010/2011 £385,559).

The Authority has acquired a small number of properties by entering into operating leases. The annual payment of £622,320 in 2011/2012 (2010/2011 £692,000) relates to the following periods:

	2010/2011 £'000	2011/2012 £'000
Not later than one year	337	224
Later than one year but not later than five years	200	100
Later than five years	155	298
	692	622

Notes to the Accounts (Continued)

Note 38 – Leases (continued)

Authority as Lessor

Finance Leases

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

- Bungalows lease to three rivers housing – Remaining lease 12 years
- Raich Carter Centre – Remaining lease 14 years
- Marine Activity Centre – Remaining lease 110 years

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

Operating Leases

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

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

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

	2010/2011 (restated) £'000	2011/2012 £'000
Not later than one year	902	3,140
Later than one year but not later than five years	2,041	1,452
Later than five years	2,696	1,951
	5,639	6,543

Note 39 – Private Finance Initiatives and Similar Contracts

The Council currently operates two PFI schemes, with a third to become operational from April 2014:

- 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, with Balfour Beatty Power Networks Ltd. to provide replacement highway signs and street lighting, this includes ongoing maintenance, over a period of 25 years. The contract began on 1 September 2003 and will last until 31 August 2028.
- The South Tyne and Wear Waste Management Partnership comprises Gateshead, Sunderland and South Tyneside Councils. A PFI contract has been signed with a consortium led by SITA for the Treatment and Disposal of Residual Municipal Waste for a period of 25 years from a planned service commencement date of April 2014. Gateshead performs the Lead Authority function with an Inter Authority Agreement and Authority Sub-Contacts between the partner authorities.

Notes to the Accounts (Continued)

Note 39 – Private Finance Initiatives and Similar Contracts (continued)

Property, Plant and Equipment

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

Payments

The Authority makes payments each year which is 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 31st March 2012 (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 2012/2013	3,180	1,210	3,425	7,815
Payable within 2 to 5 years	25,549	20,770	39,230	85,549
Payable within 6 to 10 years	27,346	22,590	43,825	93,761
Payable within 11 to 15 years	28,638	30,204	40,641	99,483
Payable within 16 to 20 years	9,651	20,431	30,549	60,631
Payable within 21 to 25 years	14,304	20,605	28,776	63,685
Payable within 26 to 30 years	8,235	0	5,224	13,459
Total	116,903	115,810	191,670	424,383

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate 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:

	2010/2011 £'000	2011/2012 £'000
Balance outstanding at the start of the year	34,796	33,708
Payments during the year	(1,088)	(1,190)
Capital Expenditure incurred in year	0	0
Balance Outstanding at the year end	33,708	32,518

Note 40 – Impairment Losses

During 2011/2012, the Authority recognised impairment losses totalling £7.933m (2010/2011 £6.150m). 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 works involving demolition of the central car park in Sunderland city centre to the sum of £2.486m, works to upgrade Barnes Park £1.376m and works to various Council offices that will generate long term savings £0.967m.

Notes to the Accounts (Continued)

Note 41 – Termination Benefits

The Authority terminated the contracts of a number of employees in 2011/2012, incurring liabilities of £1,189,980 (£1,186,551 in 2010/2011 - restated). Of this total, £610,669 related to teachers (£890,581- restated in 2010/2011). – see Note 32 (page 92) for the number of exit packages and the total cost per band.

Note 42 – Pension Scheme Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers Pension Scheme, administered by the Department of Education. The scheme provides teachers with specified benefits upon their retirement; the authority contributes towards the costs by making contributions based on a percentage of member's pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department of Education uses a national fund as the basis for calculating the employer's contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as the defined contribution scheme.

In 2011/2012, the Council paid £11.584m to the Teachers Pensions Scheme in respect of teachers retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/2011 were £12.332m and 14.2%. There were no contributions remaining payable at the year end.

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

Note 43 – Defined Benefit Pension Schemes

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

The authority participates in two post employment schemes:

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made 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 (Continued)

Note 43 – Defined Benefit Pension Schemes (continued)

Transactions Relating to Post-employment Benefits

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2010/2011 £m	2011/2012 £m	2010/2011 £m	2011/2012 £m
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	29.52	26.44	0.00	0.00
Past service cost	(131.20)	2.88	(3.80)	0.00
Settlements and curtailments	0.00	0.00	0.00	0.00
Financing and Investment Income and Expenditure				
Interest cost	64.83	63.80	2.51	2.43
Expected return on scheme assets	(55.09)	(59.92)	0.00	0.00
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(91.94)	33.20	(1.29)	2.43
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement				
Actuarial gains and losses	(7.99)	150.40	0.42	3.55
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(99.93)	183.60	(0.87)	5.98
Movement in Reserves Statement or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(125.35)	(0.88)	(4.62)	(0.89)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers contributions payable to the scheme	33.41	34.08	3.33	3.32
Retirement payments payable to pensioners	(32.80)	38.58	0.00	0.00

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £376.63m.

Notes to the Accounts (Continued)

Note 43 – Defined Benefit Pension Schemes (continued)

Assets and Liabilities in Relation to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2010/2011 £m	2011/2012 £m	2010/2011 £m	2011/2012 £m
Opening balance at 1 April	1,276.85	1,181.70	50.04	45.84
Current service cost	29.52	26.44	0.00	0.00
Interest cost	64.83	63.80	2.51	2.43
Contributions by scheme participants	9.34	8.78	0.00	0.00
Actuarial gains and (losses)	(34.84)	103.72	0.42	3.55
Benefits paid	(32.80)	(38.58)	(3.33)	(3.32)
Past service cost	(131.20)	2.88	(3.80)	0.00
Entity combinations	0.00	0.00	0.00	0.00
Curtailments	0.00	0.00	0.00	0.00
Settlements	0.00	0.00	0.00	0.00
Closing balance at 31 March	1,181.70	1,348.74	45.84	48.50

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2010/2011 £m	2011/2012 £m
Opening balance at 1 April	752.77	790.96
Expected rate of return	55.09	59.92
Actuarial gains and (losses)	(26.85)	(46.68)
Employer contributions	33.41	34.08
Participant contributions	9.34	8.78
Benefits paid	(32.80)	(38.58)
Entity combinations	0.00	0.00
Settlements	0.00	0.00
Closing balance at 31 March	790.96	808.48

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

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

Notes to the Accounts (Continued)

Note 43 – Defined Benefit Pension Schemes (continued)

The actual return on scheme assets in the year was £13.24m (2010/2011 £28.24m)

	2008/2009 £m	2009/2010 £m	2010/2011 £m	2011/2012 £m
Present value of liabilities:				
Local Government Pension Scheme	920.91	1,276.85	1,181.70	1,348.74
Discretionary Benefits	46.40	50.04	45.84	48.50
Fair value of assets in the Local Government Pension Scheme	(538.38)	(752.77)	(790.96)	(808.48)
Surplus / (Deficit) in the scheme:				
Local Government Pension Scheme	(382.53)	(524.08)	(390.74)	(540.26)
Discretionary Benefits	(46.40)	(50.04)	(45.84)	(48.50)
Total	(428.93)	(574.12)	(436.58)	(588.76)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £1,397.24m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a positive balance sheet worth of £500.4m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £31.5m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 are £3.4m.

Basis for Estimating Assets and liabilities

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

Notes to the Accounts (Continued)

Note 43 – Defined Benefit Pension Schemes (continued)

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2010/2011	2011/2012	2010/2011	2011/2012
Long-term expected rate of return on assets in the scheme:				
Equity investments	8.4%	8.1%	N/A	N/A
Property	7.9%	7.6%	N/A	N/A
Government Bonds	4.4%	3.1%	N/A	N/A
Corporate Bonds	5.1%	3.7%	N/A	N/A
Cash	1.5%	1.8%	N/A	N/A
Other	8.4%	8.1%	N/A	N/A
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	23.3 years	23.4 years	23.3 years	23.4 years
Women	25.6 years	25.7 years	25.6 years	25.7 years
Longevity at 65 for future pensioners				
Men	21.5 years	21.6 years	21.5 years	21.6 years
Women	23.7 years	23.8 years	23.7 years	23.8 years
RPI	3.7%	3.5%	3.6%	3.4%
CPI	2.8%	2.5%	2.7%	2.4%
Rate of increase in salaries	5.2%	5.0%	N/A	N/A
Rate of increase in pensions	2.8%	2.5%	2.7%	2.4%
Rate for discounting scheme liabilities	5.4%	4.7%	5.5%	4.6%
Commutation - Pre 1 April 1998	50.0%	50.0%	N/A	N/A
Commutation - Post 31 March 2008	75.0%	75.0%	N/A	N/A

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

	2010/2011 %	2011/2012 %
Equities	68.0	68.5
Property	8.1	9.2
Government Bonds	7.0	7.1
Corporate Bonds	11.7	11.6
Cash	1.2	1.9
Other	4.0	1.7
Total	100.0	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/2012 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

	2008/2009 %	2009/2010 %	2010/2011 %	2011/2012 %
Difference between the expected and actual return on assets	(22.1)	26.8	3.6	(5.8)
Experience gains and losses on liabilities	1.3	2.3	1.0	(0.5)

Notes to the Accounts (Continued)

Notes to the Accounts (Continued)

Note 44 – Contingent Liabilities

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

The City Council, together with the other Tyne and Wear Districts, are guarantors to the Tyne and Wear Pension Fund in respect of employees of the North East Regional Assembly and the Association of North East Councils. 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's deficit would be repaid over a 10 year repayment period. The Council's share of the potential liabilities (based upon the latest Actuarial Valuation) in the unlikely event that all of the bodies should fail would be approximately £1.11 million in total.

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 Council has settled a large number of claims and is currently engaged in proceedings in relation to other claims made but not yet settled and has therefore set up a reserve to meet or assist in meeting these future potential liabilities. The Council continues to strenuously resist the claims made and has taken advice from leading Counsel. However, if the Council were to lose cases there could be a significant financial impact on the Council.

Notes to the Accounts (Continued)

Note 44 – Contingent Liabilities

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

Note 45 – Contingent Assets

The Council has a number of outstanding VAT claims lodged with Revenue and Customs in relation to overpaid output tax, the value of these claims amount to £5.480m. However as it is probable that these claims will be paid they have been reflected as a contingent asset.

The Council entered into an agreement with Wainhomes (Yorkshire) Ltd and Persimmon Homes Ltd to make phased payment contributions to educational facilities at Easington Lane Primary School; a locally equipped play area; public open space and sports and recreation facilities under Section 106 of the Town and County Planning Act 1990. The monies will be paid to the Council upon phased sale of properties at the development of land at Murton Lane, Hetton-le-Hole, the timing of which is uncertain. The total value of the agreement is £1.253m.

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.

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

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

Credit Risk

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

Notes to the Accounts (Continued)

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

Fitch / S&P's Long Term Rating	Fitch Short Term Rating	S&P's Short Term Rating	Moody's Long Term Rating	Moody's Short Term Rating	Maximum Deposit £m	Maximum Duration
AAA	F1+	A1+	Aaa	P-1	50	2 Years
AA+	F1+	A1+	Aa1	P-1	50	2 Years
AA	F1+	A1+	Aa2	P-1	40	364 Days
AA-	F1+ / F1	A1+ / A-1	Aa3	P-1	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					30	364 Days
Uk Government					70	5 years
Money Market Funds					50 (max £30m per fund)	2 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 2012 £'000	Historical Experience of default %	Historical Experience adjusted for market conditions as at 31 March 2012 £'000	Estimated maximum exposure to default and uncollectability at 31 March 2012 £'000	Estimated maximum exposure to default and uncollectability at 31 March 2011 £'000
Deposits with Banks and other financial institutions	208,119	0	0	0	0
Bonds and other securities	0	0	0	0	0
Customers	12,909	3.70	0	481	483
Financial Assets	221,028		0	481	483

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

The authority does not generally allow credit for customers, such that £12.909m of the £49.530m is beyond its due date for payment. The past due amount can be analysed by age as follows:

Notes to the Accounts (Continued)

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

	31 March 2011 £'000	31 March 2012 £'000
Less than 3 months	6,370	11,958
Three to six months	439	309
Six months to one year	85	359
More than one year	467	283
	7,361	12,909

Liquidity Risk

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

Loans Outstanding	31 March 2011 £'000	31 March 2012 £'000
Less than 1 year	32,985	36,707
Maturing in 1-2 years	5,052	5,047
Maturing in 2-5 years	15,144	10,194
Maturing in 5-10 years	18,248	23,249
Maturing in 10-20 years	15,248	10,202
Maturing in 20-30 years	30	25
Maturing in 30-40 years	15,000	15,000
Maturing in 40-50 years	74,500	84,500
Maturing in more than 50 years	35,221	35,215
Total	211,428	220,139

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

Market Risk

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

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

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

Notes to the Accounts (Continued)

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

- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the balance sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

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

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

According to this assessment strategy, at 31st March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2011 £'000	31 March 2012 £'000
Increase in interest payable on variable rate borrowings	(411)	(498)
Increase in interest received on variable rate borrowings	2,105	2,134
Net Impact on Income and Expenditure Account	1,694	1,636
Decrease in fair value of 'available for sale' investment assets	0	0
Impact on MiRS	0	0
Decrease in fair value of fixed rate investment assets (No impact on Comprehensive I&E Statement or MiRS)	(569)	(705)
Decrease in fair value of fixed rate borrowing liabilities (No impact on Comprehensive I&E Statement or MiRS)	24,271	28,031

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £795,123 (2010/2011 £795,123) in Newcastle Airport which is not listed on the stock exchange. The authority is consequently exposed to loss arising from the movement in the price of these shares which were re-valued in 2010/2011.

The Council holds a small number of various gilts and unit trusts with a value at cost of £19,541 (2010/2011 £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 2012 was £110,986 in total (the value at 31st March 2011 was £106,601).

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 (Continued)

Note 47 – Heritage Assets: Five-Year Summary of Transactions

	2007/2008 £'000	2008/2009 £'000	2009/2010 £'000	2010/2011 £'000	2011/2012 £'000
Cost of Acquisitions of Heritage Assets					
Collections held by Tyne & Wear Museums	0	0	0	7	0
Statues, Monuments and Public Art					
Other Historic Assets	0	0	0	0	0
Total Cost of Purchases	0	0	0	7	0
Value of Heritage Assets Acquired by Donation					
Collections held by Tyne & Wear Museums	0	0	0	0	0
Statues, Monuments and Public Art					
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					
Other Historic Assets	0	0	0	0	0
Total Proceeds	0	0	0	0	0
Carrying Value	0	0	0	10	0
Proceeds	0	0	0	0	0

Note 48 – Heritage Assets: Further Information on the Council's holdings

Collections held by Tyne & Wear Museums

Sunderland City Councils share of the artefacts held 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 Lidisfarne gospels, miners banners, etc.

Notes to the Accounts (Continued)

Note 49 – Heritage Assets: Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom

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. The Council now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/2012 the Council is required to change its accounting policy for heritage assets and recognise them 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 currently held as community assets as heritage assets, this is because the cost of revaluing elements of community assets outweighs the benefit of the disclosure. However, future capital schemes on community assets will be analysed, any of the expenditure in excess of £10,000 relating to Historic Assets, will be capitalised as Historic Assets and held at historic cost. Future revaluations, impairments or disposals will be actioned against this balance sheet valuation. This is a departure from the Code of recommended practice on Local Authority Accounting in England and Wales 2011/2012.

The Council has recognised collections held 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 has identified an additional £11.357m for the recognition of heritage assets that were not previously recognised in the Balance Sheet. This increase is also recognised in the Revaluation Reserve. The 1st April 2010 and 31st March 2011 Balance Sheet and 2010/2011 comparative figures have thus been restated in the 2011/2012 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1st April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £11.347m. The revaluation reserve has increased by £11.347m.
- The fully restated 1st April 2010 Balance Sheet is provided on [page 32](#). The adjustments have been made to the Balance Sheet over the version published in the 2010/2011 Statement of Accounts as follows:

Comprehensive Income and Expenditure

There is no impact on the comprehensive income and expenditure statement.

Notes to the Accounts (Continued)

Note 49 – Heritage Assets: Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom

Effect on Balance Sheet 31st March 2010

	As previously stated at at 31st March 2010 £'000	As restated at 31st March 2010 £'000	Restatement 2010 £'000
Heritage Assets	0	11,347	11,347
Long Term assets	1,222,301	1,233,648	11,347
Total Net Assets	537,748	549,095	11,347
Unusable Reserves	(376,675)	(388,022)	(11,347)
Net Worth	(537,748)	(549,095)	(11,347)

Movement in Reserves Statement – Unusable Reserves 2010/2011

The restatement of the relevant lines of the Movement in Reserves Statement, as at 31st March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As previously stated at at 31st March 2011 £'000	As restated at 31st March 2011 £'000	Restatement 2011 £'000
Balance as at the end of the previous reporting period - 31st March 2010	(537,748)	(549,095)	(11,347)
Surplus or deficit on the Provision of Services	(116,624)	(116,624)	0
Other Comprehensive Income and Expenditure	(31,440)	(31,440)	0
Adjustments between the accounting basis and the funding basis under regulation	0	(10)	(10)
Transfer to / from earmarked reserves	0	0	0
Increase / (decrease) in the year	(148,064)	(148,074)	(10)
Balance at the end of the reporting period - 31 March 2011	(685,812)	(697,169)	(11,357)

The restated Balance Sheet for 31st March 2011 is provided on [page 32](#). The adjustments that have been made to that Balance Sheet over the version published in the 2010/2011 Statement of Accounts are as follows:

Notes to the Accounts (Continued)

Note 49 – Heritage Assets: Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom

Effect on Balance Sheet 31st March 2011

	As previously stated at at 31st March 2011 £'000	As restated at 31st March 2011 £'000	Restatement 2011 £'000
Property, Plant and Equipment Heritage Assets	0	11,357	11,357
Long Term assets	1,228,827	1,240,184	11,357
Total Net Assets	685,812	697,169	11,357
Unusable Reserves	(517,645)	(529,002)	(11,357)
Net Worth	(685,812)	(697,169)	(11,357)

The effect of the change in accounting policy in 2010/2011 has been that heritage assets are recognised at £11.357m on the Balance Sheet resulting in an increase to the Revaluation Reserve of £11.357m.

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 2012 the Council was responsible for 42 of these funds (40 relating to Children's Services and 2 relating to Adult Social Services), details of which are shown below.

	Balance at 01/04/2011 £'000	Additions during the year £'000	Income £'000	Expenditure £'000	Balance at 31/03/2012 £'000
Childrens Services Trust Funds	170	0	1	(99)	72
Adult Services Trust Funds	71	0	0	0	71
	241	0	1	(99)	143

Supplementary Statement

Collection Fund Account for Year Ended 31 March 2012

	Note	2010/2011		2011/2012	
		£'000	£'000	£'000	£'000
Income					
Council Tax	51		108,713		109,286
Government Grants	54		2		1
Income from Business Rates	52		74,949		81,288
			<u>183,664</u>		<u>190,575</u>
Expenditure					
Precepts and Demands:					
City of Sunderland		95,238		95,128	
Tyne and Wear Fire and Rescue Authority		5,875		5,896	
Northumbria Police		6,720	107,833	6,744	107,768
Business Rates - Payment to pool	52	73,079		77,454	
Business Rates - Cost of collection and other allowances.	52 & 53b	1,870	74,949	3,834	81,288
Amounts Written Off:					
Council Tax	53a		470		381
Provision for uncollectable amounts:					
Council Tax			(391)		207
			<u>182,861</u>		<u>189,644</u>
Net Income (Deficit) for the Year			803		931
Add balance b/fwd from previous year			1,141		1,894
Less Amounts transferred to General Fund					
Council Tax Surplus			(50)		(500)
Fund Balance Carried Forward at 31 March	55		1,894		2,325

Notes to the Collection Fund Account

51 – Income from Council Tax

Council Tax income derives from charges raised according to the value of residential properties. All properties are classified into 8 valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council and dividing this by the Council Tax Base. This basic amount of Council Tax for a Band D property £1,342.80 for 2011/2012, (£1,342.80 for 2010/2011), is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax bills are based on the following proportions:

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

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

Band	2010/2011 £ p	2011/2012 £ p
A	43,799.55	43,630.75
B	11,270.60	11,320.33
C	12,487.82	12,476.93
D	7,282.63	7,290.22
E	3,195.97	3,223.52
F	1,311.51	1,303.37
G	883.22	899.15
H	28.42	22.55
	80,259.72	80,166.82

The income of £109,286,032 for 2011/2012, (£108,713,589 for 2010/2011), is receivable from the following sources:

	2010/2011 £'000	2011/2012 £'000
Billed to Council Tax Payers	82,009	82,596
Council Tax Benefits	26,704	26,690
Total	108,713	109,286

Notes to the Collection Fund Account (Continued)

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

Under the revised arrangements for business rates, the Council collects business rates for its area which are based on local rateable value multiplied by a uniform rate. The total amount, less certain reliefs and other deductions is paid to a central pool managed by Central Government. The contribution due from the Council to the National Non Domestic Rates Pool for 2011/2012 can be analysed as follows:

	2010/2011		2011/2012	
	£'000	£'000	£'000	£'000
Gross Rates Collectable		74,949		81,288
Less:				
Costs of Collection Allowance	(333)		(329)	
Other Allowances and Adjustments Reclaimable	(587)		(2,489)	
Amounts Written Off	(950)	(1,870)	(1,016)	(3,834)
Amount Payable to Pool		73,079		77,454

Central Government, in turn, pays back to authorities their share of the pool based on a standard amount per head of the local adult population. For 2011/2012 the Council received a contribution from the pool of £120,771,129 which is payable directly to the General Fund, (in 2010/2011 this figure was £137,496,111).

The Total Business Rateable value as at 31 March 2012 was £217,160,151 (the value as at 31st March 2011 was £217,453,597). The Business Rates Multiplier (poundage) for 2011/2012 was 43.3 pence compared to the previous year's figure of 41.4 pence. For businesses that qualified for small business relief the Business Rate Multiplier was 42.6 pence in 2011/2012, (compared to the 40.7 pence in 2010/2011).

53 – Amounts Written Off During the Year

a) Council Tax

Once all actions to recover outstanding debt have been exhausted, the Council will write off uncollectable debt in accordance with proper accounting practice. In 2011/2012 £381,067 (£469,687 for 2010/2011) was written off with most of the sums involved relating to bankruptcy, death and where all actions have failed to collect the debt over a period of years. It should be noted that the amounts written off were already included in the accounts as a provision for bad debts, and as such has already been accounted for in a previous period. To put this figure into context, the amount written off compared to the collectable Council Tax for 2011/2012 represents 0.35% (2010/2011 was 0.43%) of the total sum.

b) Business Rates

In 2011/2012 £1,016,422 was written off, (2010/2011 £950,499), with most of the sums involved relating to bankruptcy, death and where all actions have failed to collect the debt over a period of years. It should be noted that the amounts written off were already included in the accounts as a provision for bad debts. This affects the payments to the National NNDR Pool and not the Authorities resources. To put this figure into context, the amount written off compared to the collectable Business Rates for 2011/2012 represents 1.24% (2010/2011 was 1.27%) of the total sum.

54 – Government Grants

	2010/2011	2011/2012
	£'000	£'000
Transitional Relief Grant	2	1

Notes to the Collection Fund Account (Continued)

55 – Fund Balance

The fund balance can be analysed as follows:

	2010/2011 £'000	2011/2012 £'000
Sunderland City Council	1,673	2,053
Northumbria Police Authority	118	145
Tyne & Wear Fire and Rescue Authority	103	127
Total Collection Fund Balance	1,894	2,325

The amounts of the Collection Fund balance relating to the Northumbria Police Authority and the Tyne and Wear Fire and Rescue Authority are shown in the Balance sheet as creditors, as the amounts of £145,537 and £127,240 are effectively owed to these authorities. The amount of the Collection Fund balance relating to the Council of £2,052,954 is shown in Reserves which forms part of the Net Worth of the Council in the Balance Sheet.