

## Income and Expenditure Account for the Year Ended 31 March 2008

Cost of Services	Note	2007/2008			Restated 2006/2007 Net Expenditure £
		Gross Expenditure £	Gross Income £	Net Expenditure £	
<b>Continuing Services</b>					
Central Services					
Corporate and Democratic Core		16,089,926	1,462,735	14,627,191	6,866,924
Central Services to the Public		33,158,874	27,692,569	5,466,305	4,592,003
Other Operating Income and Expenditure		2,141,694	2,004,130	137,564	184,949
Court Services		514,390	0	514,390	786,018
Cultural, Environmental and Planning Services					
Cultural and Related Services		45,192,966	15,550,434	29,642,532	27,318,768
Environmental Services		24,991,997	6,595,418	18,396,579	17,397,938
Planning and Development Services		41,357,333	23,878,269	17,479,064	12,348,549
Children's and Education Services					
Education Services		287,963,530	241,927,147	46,036,383	29,465,135
Children's Social Care		34,990,783	6,837,313	28,153,470	27,889,242
Highways, Roads and Transport		35,020,349	17,264,138	17,756,211	18,841,083
Housing Services		107,978,201	104,693,648	3,284,553	2,560,051
Adult Social Care		105,906,275	45,794,423	60,111,852	60,099,314
Non Distributed Costs		3,917,431	4,164,035	(246,604)	905,416
Exceptional Item - Airport Refinancing Receipt		0	0	0	(14,575,500)
Exceptional Item - Insurance Provision		30,922	1,315,537	(1,284,615)	(1,546,154)
Exceptional Item - Equal Pay Provision		0	305,427	(305,427)	(1,644,179)
<b>Net Cost of Continuing Services</b>		<b>739,254,671</b>	<b>499,485,223</b>	<b>239,769,448</b>	<b>191,489,557</b>
<b>Discontinuing Services</b>					
Connexions Tyne and Wear *		19,007,326	18,399,674	607,652	432,706
<b>Net Cost of Services</b>		<b>758,261,997</b>	<b>517,884,897</b>	<b>240,377,100</b>	<b>191,922,263</b>
Loss/(Gain) on the Disposal of Fixed Assets **		39,318,000	0	39,318,000	0
Impairment of Landfill Allowances		417,424	0	417,424	28,194
Parish Council Precepts		48,804	0	48,804	46,480
Levies		17,633,143	0	17,633,143	17,124,320
(Surpluses) / Deficits on Trading	2	71,075	125,218	(54,143)	(611,534)
Undertakings not included in Net Cost of Services					
Interest Payable and Similar Charges		9,775,319	0	9,775,319	9,399,645
Contribution of Housing Capital Receipts to Government Pool		62,577	0	62,577	141,570
Investment Gains and Losses		0	0	0	0
Interest and Investment Income		0	12,475,539	(12,475,539)	(8,499,252)
Pensions Interest Cost and Expected Return on Pensions Assets		5,970,000	0	5,970,000	5,320,000
<b>Net Operating Expenditure</b>		<b>831,558,339</b>	<b>530,485,654</b>	<b>301,072,685</b>	<b>214,871,686</b>
Demand on the Collection Fund		0	88,288,757	(88,288,757)	(85,449,392)
General Government Grants		0	20,609,806	(20,609,806)	(27,167,732)
Non-Domestic Rates Redistribution		0	120,982,887	(120,982,887)	(116,586,970)
<b>(Surplus)/Deficit for the Year</b>		<b>831,558,339</b>	<b>760,367,104</b>	<b>71,191,235</b>	<b>(14,332,408)</b>

\* Connexions Tyne and Wear forms part of the accounts for the Authority as the Council became the Host Authority of this organisation by agreement from 1 April 2002. It was formed when the government set up the Connexions service nationally which meant that both the Tyneside Careers Service and the Sunderland Careers Service were merged together into one body, hosted on behalf of all District Councils in Tyne and Wear by the Authority.

However from 1st April 2008, Connexions Tyne and Wear was discontinued in line with government policy, (and as this was a planned closure it has to be accounted for as an adjusting post balance sheet event in accordance with the SORP - please see Accounting Policies - [Note 27, page 36](#) for details).

The new arrangements mean that each District Council within Tyne and Wear will provide its own Connexions related services, although a central hub is still retained and provided by Sunderland City Council who will recharge each District Council for the use of these central services.

\*\* Houghton Kepier School valued at £39,318,000 officially became a Foundation School from 1st September 2007, (Houghton Kepier Sports College(Foundation)) and as such the Council has had to write this asset out of its accounts for a nil consideration. The accounting entries under the SORP requires this 'loss' to be charged on the face of the Income and Expenditure Account and then this 'charge' is reversed out in the Statement Movement in the General Fund Balance, so that it does not have any impact on the Council Tax payer.

In accordance with the SORP, the Council is also required to provide a set of Disclosure Notes to accompany the Income and Expenditure Account. The respective notes are set out in [Notes 2 to 17](#) to the Core Financial Statements and have been cross referenced to the Income and Expenditure Account where appropriate.

## Statement of Movement on the General Fund Balance for the Year Ended 31 March 2008

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from usable capital receipts rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement set out below thus summarises the differences between the outturn (Surplus or Deficit) on the Income and Expenditure Account and the General Fund Balance.

	Notes	2007/2008 £	Restated 2006/2007 * £
Deficit/(Surplus) for the year on the Income and Expenditure Account		<b>71,191,235</b>	(14,332,408)
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	19	<b>(69,223,265)</b>	11,443,106
Increase in General Fund Balances for the Year		<b>1,967,970</b>	(2,889,302)
General Fund Balances Brought Forward		<b>(19,576,905)</b>	(16,687,603)
General Fund Balances Carried Forward		<b>(17,608,935)</b>	(19,576,905)
Amount of General Fund Balances held by schools under local management schemes	5	<b>5,601,315</b>	4,172,301
Amount of General Fund Balances generally available for new expenditure	47	<b>12,007,630</b>	15,404,604
		<b>17,608,945</b>	19,576,905

\* Changes in the SORP mean that General Fund Balances includes the level of funds held by schools under the Local Management of Schools (LMS) Scheme.

**Statement of Total Recognised (Gains) and Losses (STRGL) for the Year Ended 31 March 2008**

	Notes	2007/2008 £	Restated 2006/2007 £
Surplus for the year on the Income and Expenditure Account		<b>71,191,235</b>	(14,332,408)
Actuarial (gains) / losses on pension fund assets and liabilities	20	<b>(85,950,000)</b>	820,000
Surplus arising on revaluation of fixed assets / investment in Airport	21	<b>(237,206,238)</b>	(4,247,203)
Other (gains) / losses required to be included in the STRGL	22	<b>366,428</b>	(7,593,362)
<b>Total recognised (gains) for the year</b>		<b>(251,598,575)</b>	(25,352,973)

## Balance Sheet As At 31 March

	Notes	31 March 2008		Restated 31 March 2007	
		£	£	£	£
<b>Fixed Assets</b>	23				
<b>Operational Assets</b>	23				
Land and Buildings		771,846,807		593,433,633	
Infrastructure		187,247,555		152,985,035	
Vehicles, Plant, Furniture and Equipment		26,309,178		24,275,122	
Community Assets		0		0	
<b>Non Operational Assets</b>	23				
Investment Properties		44,747,303		44,579,437	
Assets Under Construction		27,694,466		58,346,329	
Assets held for disposal		99,734,101	1,157,579,410	102,888,576	976,508,132
Intangible Assets	25		1,145,476		1,057,612
<b>Total Fixed Assets</b>			<b>1,158,724,886</b>		<b>977,565,744</b>
Long Term Investments	26a		17,630,116		70,630,116
Long Term Debtors	27 to 32		23,571,777		24,552,879
<b>Total Long Term Assets</b>			<b>1,199,926,779</b>		<b>1,072,748,739</b>
<b>Current Assets</b>					
Short Term Investments	26b	189,406,351		92,503,115	
Stocks and Stores	33	1,357,030		1,510,607	
Work in Progress		400,315		296,233	
Debtors	34	39,576,582		52,394,034	
Landfill Usage Allowance	35	3,878,604		3,851,238	
Cash - School Bank Accounts		1,549,882		1,613,747	
Cash in Hand - Imprests		870,844	237,039,608	947,676	153,116,650
<b>Current Liabilities</b>					
Short Term Borrowing		(35,110,213)		(28,596,560)	
Creditors	36	(84,505,077)		(62,505,189)	
Liability to DEFRA - Landfill Usage	35	(3,651,084)		(3,273,019)	
Cash Overdrawn	37	(17,086,306)	(140,352,680)	(15,666,024)	(110,040,792)
<b>Net Current Assets</b>			96,686,928		43,075,858
<b>Total Assets Less Current Liabilities</b>			<b>1,296,613,707</b>		<b>1,115,824,597</b>
Long Term Borrowing	38	(169,172,653)		(174,165,632)	
Grants and Contributions Deferred Account	39	(165,058,729)		(146,368,600)	
Liability Related to Defined Pension Scheme	40	(241,620,000)		(319,630,000)	
Provisions					
Insurance Provision	41	(3,488,906)		(4,434,900)	
Other Provisions	42	(4,434,675)	(583,774,963)	(9,985,296)	(654,584,428)
<b>Total Assets Less Liabilities</b>			<b>712,838,744</b>		<b>461,240,169</b>
<b>Reserves</b>					
Revaluation Reserve	43	203,612,550		0	0
Available-for-Sale Financial Instruments Reserve		0		0	0
Capital Adjustment Account	44	591,975,164		633,626,563	
Deferred Credits	45	3,243,288		3,811,949	
Usable Capital Receipts Reserve	46	12,796,832		21,296,548	
Newcastle Airport Reserve	26a	12,608,730		12,608,730	
Connexions General Fund Balance		0		248,571	
Pensions Reserve	40	(241,620,000)		(319,630,000)	
Insurance Reserve		6,449,164		6,098,971	
General Fund Balance					
LMS Schools Reserve	47	5,601,315		4,172,301	
General Reserve	47	12,007,630		15,404,605	
Delegated Budgets Reserve	48	7,874,424		7,753,882	
Financial Instruments Adjustment	50	(380,457)		(323,774)	
Capital Reserves	51	68,465,114		52,601,094	
Revenue Reserves	51	29,293,836		22,293,147	
Collection Fund (Page 97)	63 to 67	911,154		1,277,582	
<b>Total Net Worth</b>			<b>712,838,744</b>		<b>461,240,169</b>

## Cash Flow Statement

This statement summarises the flow of cash from capital and revenue transactions with third parties.

	Notes	2007/2008		2006/2007	
		£	£	£	£
<b>Revenue Activities</b>					
Cash Outflows					
Cash paid to and on behalf of employees		311,644,200		319,098,444	
Other operating cash payments		269,437,525		259,257,597	
Housing Benefit paid out		85,280,560		81,279,555	
National non-domestic rate payments to national pool		70,782,440		66,513,390	
Precepts paid from Collection Fund		11,574,645	748,719,370	11,235,477	737,384,463
Cash Inflows					
Rents (after rebates)		(514,089)		(504,009)	
Council Tax receipts		(77,767,352)		(75,500,573)	
National non-domestic rate receipts from national pool		(70,174,032)		(65,756,501)	
Non-domestic rate receipts		(120,982,887)		(116,586,970)	
Revenue Support Grant		(20,609,806)		(23,882,766)	
DWP grants for benefits		(108,140,607)		(102,669,167)	
Other government grants	62	(257,537,102)		(241,825,702)	
Cash received for goods and services		(71,201,322)		(61,632,093)	
Other operating cash receipts		(60,980,932)	(787,908,129)	(69,127,499)	(757,485,280)
			(39,188,759)		(20,100,817)
<b>Dividends from Joint Ventures and Associates</b>					
Cash Inflows					
Dividends received			0		(15,313,500)
<b>Returns on Investments and Servicing of Finance</b>					
Cash Outflows					
Interest paid		9,775,319		7,792,070	
Cash Inflows					
Interest received		(12,475,539)	(2,700,220)	(5,569,005)	2,223,065
<b>NET CASH FLOW FROM REVENUE ACTIVITIES</b>	57		(41,888,979)		(33,191,252)
<b>Capital Activities</b>					
Cash Outflows					
Purchase of Fixed Assets		53,607,652		69,093,494	
Purchase of Long Term Investments		5,000,000		49,000,000	
Other Capital Cash Payments		19,299,825	77,907,477	14,099,924	132,193,418
Cash Inflows					
Sale of Fixed Assets		(4,079,449)		(10,349,259)	
Capital Grants Received		(66,345,566)		(48,248,693)	
Other Capital Cash Receipts		(58,959,887)	(129,384,902)	(1,185,745)	(59,783,697)
<b>Acquisitions and Disposals</b>					
Cash Inflows					
Receipts on Long Term Loan Notes			(455,178)		(455,178)
<b>NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING</b>			(93,821,582)		38,763,291
<b>Management of Liquid Resources</b>					
Net Increase/(Decrease) in Short Term Deposits		96,903,236		(23,365,213)	
Net Increase/(Decrease) in Other Liquid Resources		0		0	
<b>INCREASE/(DECREASE) IN LIQUID RESOURCES</b>	59		96,903,236		(23,365,213)
<b>Financing</b>					
Cash Outflows					
Repayment of Amounts Borrowed		1,360,961		128,210,952	
Cash Inflows					
New Loans Raised		(1,980)		(91,565,907)	
New Short Term Loans		(2,879,655)		(63,486,340)	
<b>INCREASE/(DECREASE) IN FINANCING</b>	60		(1,520,674)		(26,841,295)
<b>INCREASE/(DECREASE) IN CASH</b>	58		1,560,980		(11,443,217)

## Notes to the Core Financial Statements

### Prior Year Adjustments

#### 1. Prior Year Adjustments to the previous years accounts (2006/2007)

Because of changes to the SORP 2007, the previous years accounts have been amended. The purpose of this note is to provide meaningful comparators which will aid the reader in interpreting the financial statements and help explain the adjustments necessary in order to comply with the new accounting requirements.

#### Income and Expenditure Account for the year ended 31st March 2007

	Reported Figures £	Capital Adjustment Account and Revaluation Reserve £	Interest Accruals** £	Premiums and Discounts*** £	LOBO's**** £	Restated Figures £
Continuing Service						
Central Services						
Central Services to the public	4,592,003					4,592,003
Other Operating Income and Expenditure	184,949					184,949
Court and Probation Services	786,018					786,018
						0
Cultural, Environmental and Planning Services						
Cultural and Related Services	27,318,768					27,318,768
Environmental Services	17,397,938					17,397,938
Planning and Development Services	12,348,549					12,348,549
Education Services	29,465,135					29,465,135
Highways, Roads and Transport	18,841,083					18,841,083
Housing Services	2,560,051					2,560,051
Social Services	87,988,556					87,988,556
Corporate and Democratic Core	6,866,924					6,866,924
Non Distributed Costs	905,416					905,416
Connexions Tyne & Wear	432,706					432,706
Exceptional Item - Airport Refinancing Receipt	(14,575,500)					(14,575,500)
Exceptional Item - Insurance Provision	(1,546,154)					(1,546,154)
Exceptional Item - Equal Pay Provision	(1,644,179)					(1,644,179)
<b>Net Cost of Services</b>	<b>191,922,263</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>191,922,263</b>
Loss / Gain on the Disposal of Fixed Assets	0					0
Impairment of landfill Allowances	28,194					28,194
Parish Council Precepts	46,480					46,480
Levies	17,124,320					17,124,320
(Surpluses) / deficits on Trading Undertakings not included in net cost of service	126,466					126,466
Interest payable and similar charges	9,287,127			(414,002)	526,520	9,399,645
Contribution of Housing Capital Receipts to Government Pool	141,570					141,570
Investment Gains and Losses	0					0
Interest and Investment Income	(9,237,252)					(9,237,252)
Pensions Interest Cost and Expected Return on Pension Fund Assets	5,320,000					5,320,000
<b>Net Operating Expenditure</b>	<b>214,759,168</b>	<b>0</b>	<b>0</b>	<b>(414,002)</b>	<b>526,520</b>	<b>214,871,686</b>
Demand on the Collection Fund	(85,449,392)					(85,449,392)
General Government Grants	(27,167,732)					(27,167,732)
Non-Domestic Rates Redistributed	(116,586,970)					(116,586,970)
<b>(Surplus) / Deficit for the year</b>	<b>(14,444,926)</b>	<b>0</b>	<b>0</b>	<b>(414,002)</b>	<b>526,520</b>	<b>(14,332,408)</b>

Statement of Movement on the General Fund Balance for the year ended 31st March 2007

	Reported Figures £	Capital Adjustment Account and Revaluation Reserve £	Interest Accruals** £	Premiums and Discounts*** £	LOBO's**** £	Restated Figures £
(Surplus) / Deficit for the year on the Income and Expenditure Account	(14,444,926)			(414,002)	526,520	(14,332,408)
Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	11,766,880			414,002	(737,776)	11,443,106
Increase in General Fund Balances For the year	(2,678,046)	0	0	0	(211,256)	(2,889,302)
General Fund Balances Brought Forward	(16,687,603)					(16,687,603)
General Fund Balances Carried Forward	(19,365,649)	0	0	0	(211,256)	(19,576,905)
Amount of General Fund Balances held by schools under local management schemes.	4,172,301					4,172,301
Amount of General Fund balances generally available for new expenditure.	15,193,348				211,256	15,404,604
<b>Total recognised (gains) for the year</b>	<b>19,365,649</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>211,256</b>	<b>19,576,905</b>

1. Prior Year Adjustments to the previous years accounts (2006/2007)

Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year

	Reported Figures £	Capital Adjustment Account and Revaluation Reserve £	Interest Accruals** £	Premiums and Discounts*** £	LOBO's**** £	Restated Figures £
<b>Amounts Included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>						
Amortisation of intangible assets	(86,069)					(86,069)
Depreciation and impairment of fixed assets	(22,077,621)					(22,077,621)
Government Grants Deferred Amortised	3,728,897					3,728,897
Write down of deferred charges to be financed from capital resources	(6,210,246)					(6,210,246)
Net Gain / (Loss) on sale of fixed assets	0					0
Amount by which finance costs calculated in accordance with the SORP but which are different from the amount of finance costs calculated in accordance with statutory requirements	0			414,002	(737,776)	(323,774)
Net charges made for retirement benefits in accordance with FRS17	(34,299,000)					(34,299,000)
<b>Amounts not included in the Income and Expenditure account but required to be included by statute when determining the Movement on the General Fund balance for the year.</b>						
Minimum revenue provision for capital financing	7,980,002					7,980,002
Capital expenditure charged in year to the General Fund Balance	14,182,622					14,182,622
Reversal of capital de minimis expenditure charged to cost of services	(1,052,272)					(1,052,272)
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(141,570)					(141,570)
Employers contributions payable to the Tyne and Wear Pension Fund and retirement benefits payable direct to pensioners	32,229,000					32,229,000



1. Prior Year Adjustments to the previous years accounts (2006/2007)

Net Additional Amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (Continued)

	Reported Figures £	Capital Adjustment Account and Revaluation Reserve £	Interest Accruals** £	Premiums and Discounts*** £	LOBO's**** £	Restated Figures £
<b>Transfers to or from the General Fund balance that are required to be taken into account when determining the Movement on the General Fund balance for the year</b>						
Voluntary revenue provision for capital financing	718,581					718,581
<b>Transfers to or from Earmarked Reserves</b>						
Surplus / (Deficit) transferred to / (from) Connexions Balances	83,436					83,436
Connexions Pension Reserve	(117,846)					(117,846)
Social Services - Furniture and Equipment Reserve	71,000					71,000
General Capital Reserve	1,070,076					1,070,076
General Revenue Reserve	(138,602)					(138,602)
General Revenue Reserves - Port	(167,500)					(167,500)
CCS School Meal Reserve	180,000					180,000
CCS Revenue Reserve	1,781					1,781
Inward Investment Reserve	(253,891)					(253,891)
Rent Allowances Reserve	0					0
Strategic Investment Reserve	15,505,979					15,505,979
Service Pressure and Priorities Reserve	850,878					850,878
Service Pressures Reserve	0					0
Insurance Reserve	(2,313,457)					(2,313,457)
School Meals Consortium Reserve	(94,338)					(94,338)
Standard Fund Reserve	(635,112)					(635,112)
Landfill Allowance Trading Scheme (LATS) Reserve	321,679					321,679
PFI Appropriations Account	(286,076)					(286,076)
PFI Residual Interest Account	177,716					177,716
Sandhill View PFI Smoothing Reserve	136,313					136,313
Derwent Hill Investment Reserve	(80,442)					(80,442)
School Community Activity Reserve	268,887					268,887
Edit Reserve	19,000					19,000
Street Lighting Smoothing Reserve	887,269					887,269
Delegated Budget Surplus	802,726					802,726
Delegated Budget Surplus - Social Services Pooled Budgets	3,294					3,294
Delegated Budget Surplus - Supporting People	501,786					501,786
<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>11,766,880</b>	<b>0</b>	<b>0</b>	<b>414,002</b>	<b>(737,776)</b>	<b>11,443,106</b>

1. **Prior Year Adjustments to the previous years accounts (2006/2007)**  
**Statement of Total Recognised (Gains) and Losses (STRGL) for the Year Ended 31 March 2007**

	<b>Reported Figures £</b>	<b>Capital Adjustment Account and Revaluation Reserve £</b>	<b>Interest Accruals** £</b>	<b>Premiums and Discounts*** £</b>	<b>LOBO's**** £</b>	<b>Restated Figures £</b>
Surplus for the year on the Income and Expenditure Account	(14,444,926)			(414,002)	526,520	(14,332,408)
Actuarial (gains) / losses on the pension fund assets and liabilities	820,000					820,000
Surpluses arising from the revaluation of fixed assets / investment in airport	(4,247,203)					(4,247,203)
Other (gains) / (losses required to be included in the STRGL	(7,593,362)					(7,593,362)
<b>Total recognised (gains) for the year</b>	<b>(25,465,491)</b>	<b>0</b>	<b>0</b>	<b>(414,002)</b>	<b>526,520</b>	<b>(25,352,973)</b>

1. **Prior Year Adjustments to the previous years accounts (2006/2007)**  
**Balance Sheet as at 31st March 2007**

	Reported Figures £	Capital Adjustment Account and Revaluation Reserve £	Interest Accruals** £	Premiums and Discounts*** £	LOBO's**** £	Restated Figures £
<b>Fixed Assets</b>						
Operational Assets						
Land and Buildings	593,433,633					593,433,633
Infrastructure	152,985,035					152,985,035
Vehicles, Plant, Furniture and Equipment	24,275,122					24,275,122
Community Assets	0					0
Non Operational Assets						
Investment Properties	44,579,437					44,579,437
Assets Under Construction	58,346,329					58,346,329
Surplus Assets held for disposal	102,888,576					102,888,576
Intangible Assets	1,057,612					1,057,612
<b>Total Fixed Assets</b>	<b>977,565,744</b>					<b>977,565,744</b>
Long Term Investments	70,630,116					70,630,116
Long Term Debtors	24,552,879					24,552,879
Deferred Premiums on the Early Redemption of Debt	1,995,833			(1,995,833)		0
<b>Total Long Term Assets</b>	<b>1,074,744,572</b>					<b>1,072,748,739</b>
Current Assets						
Short Term Investments	90,919,695		1,583,420			92,503,115
Stocks and Stores	1,510,607					1,510,607
Work in Progress	296,233					296,233
Debtors	53,977,454		(1,583,420)			52,394,034
Landfill Usage Allowance	3,851,238					3,851,238
Cash - School Bank Accounts	1,613,747					1,613,747
Cash In Hand - Imprests	947,676					947,676
Current Liabilities						
Short Term Borrowings	(26,029,309)		(2,040,731)		(526,520)	(28,596,560)
Creditors	(64,545,920)		2,040,731			(62,505,189)
Liability to DEFRA - Landfill Usage	(3,273,019)					(3,273,019)
Cash Overdrawn	(15,666,024)					(15,666,024)
<b>Net Current Assets</b>	<b>43,602,378</b>					<b>43,075,858</b>
<b>Total Assets Less Current Liabilities</b>	<b>1,118,346,950</b>					<b>1,115,824,597</b>
Long Term Borrowing	(174,165,632)					(174,165,632)
Deferred Discounts on Early Repayment of Debt	(2,409,835)			2,409,835		0
Grants and Contributions Deferred Account	(146,368,600)					(146,368,600)
Liability related to Defined Pension Scheme Provisions	(319,630,000)					(319,630,000)
Insurance Provisions	(4,434,900)					(4,434,900)
Other Provisions	(9,985,296)					(9,985,296)
<b>Total Assets Less Liabilities</b>	<b>461,352,687</b>	<b>0</b>	<b>(0)</b>	<b>414,002</b>	<b>(526,520)</b>	<b>461,240,169</b>

1. **Prior Year Adjustments to the previous years accounts (2006/2007)**  
**Balance Sheet as at 31st March 2007 (Continued)**

	Reported Figures £	Capital Adjustment Account and Revaluation Reserve £	Interest Accruals** £	Premiums and Discounts*** £	LOBO's**** £	Restated Figures £
<b>Reserves</b>						
Revaluation Reserve		0				0
Available-for-Sale Financial Instruments Reserve						0
Capital Adjustment Account	0	633,626,563				633,626,563
Financial Instruments Adjustment Account	0			414,002	(737,776)	(323,774)
Fixed Asset Restatement Account	170,193,301	(170,193,301)				0
Capital Financing Account	463,433,262	(463,433,262)				0
Deferred Credits	3,811,949					3,811,949
Usable Capital Receipts Reserve	21,296,548					21,296,548
Newcastle Airport Reserve	12,608,730					12,608,730
Connexions General Fund Balance	248,571					248,571
Pensions Reserve	(319,630,000)					(319,630,000)
Insurance reserve	6,098,971					6,098,971
General Fund Balance:						0
LMS Schools Reserve	4,172,301					4,172,301
General Reserve	15,193,349				211,256	15,404,605
Delegated Budgets Reserve	7,753,882					7,753,882
Capital Reserves	52,601,094					52,601,094
Revenue Reserves	22,293,147					22,293,147
Collection Fund	1,277,582					1,277,582
						0
<b>Total Net Worth</b>	<b>461,352,687</b>	<b>0</b>	<b>0</b>	<b>414,002</b>	<b>(526,520)</b>	<b>461,240,169</b>

1. **Prior Year Adjustments to the previous years accounts (2006/2007)**  
**Cash Flow Statement for the year ended 31st March 2007**

	Reported Figures £	Capital Adjustment Account and Revaluation Reserve £	Interest Accruals** £	Premiums and Discounts*** £	LOBO's**** £	Restated Figures £
<b>Revenue Activities</b>						
Cash Outflows						
Cash paid to and on behalf of employees	319,098,444					319,098,444
Other operating cash payments	259,257,597					259,257,597
Housing Benefit paid out	81,279,555					81,279,555
National non-domestic rate payments to national pool	66,513,390					66,513,390
Precepts paid from Collection Fund	11,235,477					11,235,477
	737,384,463	0	0	0	0	737,384,463
Cash Inflows						
Rents (after rebates)	(504,009)					(504,009)
Council Tax receipts	(75,500,573)					(75,500,573)
National non-domestic rate receipts from national pool	(65,756,501)					(65,756,501)
Non-domestic rate receipts	(116,586,970)					(116,586,970)
Revenue Support Grant	(23,882,766)					(23,882,766)
DWP grants for benefits	(102,669,167)					(102,669,167)
Other government grants	(241,825,702)					(241,825,702)
Cash received from goods and services	(61,632,093)					(61,632,093)
Other operating cash receipts	(69,127,499)					(69,127,499)
Total Cash Inflows	(757,485,280)					(757,485,280)
Total of Cash Outflows and Cash Inflows	(20,100,817)	0	0	0	0	(20,100,817)
<b>Dividends from Joint Ventures and Associates</b>						
Cash Inflows						
Dividends Received	(15,313,500)					(15,313,500)
<b>Returns on Investments and Servicing of Finance</b>						
Cash Outflows						
Interest paid	9,375,490		(1,583,420)			7,792,070
Cash Inflows						
Interest received	(7,609,736)		2,040,731			(5,569,005)
	1,765,754	0	457,311	0	0	2,223,065
<b>NET CASH FLOW FROM REVENUE ACTIVITIES</b>	<b>(33,648,563)</b>	<b>0</b>	<b>457,311</b>	<b>0</b>	<b>0</b>	<b>(33,191,252)</b>

1. **Prior Year Adjustments to the previous years accounts (2006/2007)**  
**Cash Flow Statement for the year ended 31st March 2007 (Continued)**

	Reported Figures £	Capital Adjustment Account and Revaluation Reserve £	Interest Accruals** £	Premiums and Discounts*** £	LOBO's**** £	Restated Figures £
<b>Capital Activities</b>						
Cash Outflows						
Purchase of Fixed Assets	69,093,494					69,093,494
Purchase of Long Term Investments	49,000,000					49,000,000
Other Capital Cash Payments	14,099,924					14,099,924
	132,193,418	0	0	0	0	132,193,418
Cash Inflows						
Sale of Fixed Assets	(10,349,259)					(10,349,259)
Capital Grants Received	(48,248,693)					(48,248,693)
Other Capital Cash Receipts	(1,185,745)					(1,185,745)
	(59,783,697)	0	0	0	0	(59,783,697)
<b>Acquisitions and Disposals</b>						
Cash Inflows						
Receipts on Long Term Loan Notes	(455,178)					(455,178)
<b>NET CASH (INFLOWS) / OUTFLOW BEFORE FINANCING</b>	<b>38,305,980</b>	<b>0</b>	<b>457,311</b>	<b>0</b>	<b>0</b>	<b>38,763,291</b>
<b>Management of Liquid Resources</b>						
Net Increase / (Decrease) in Short Term Deposits	(24,948,633)		1,583,420			(23,365,213)
Net Increase / (Decrease) in Other Liquid Resources	0					0
<b>INCREASE / (DECREASE) IN LIQUID RESOURCES</b>	<b>(24,948,633)</b>	<b>0</b>	<b>1,583,420</b>	<b>0</b>	<b>0</b>	<b>(23,365,213)</b>
<b>Financing</b>						
Cash Outflows						
Repayment of Amounts Borrowed	128,210,952					128,210,952
Cash Inflows						
New Loans raised	(91,565,907)					(91,565,907)
New Short Term Loans	(61,445,609)		(2,040,731)			(63,486,340)
<b>INCREASE / (DECREASE) IN FINANCING</b>	<b>(24,800,564)</b>	<b>0</b>	<b>(2,040,731)</b>	<b>0</b>	<b>0</b>	<b>(26,841,295)</b>
<b>INCREASE / (DECREASE) IN CASH</b>	<b>(11,443,217)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,443,217)</b>

1. Prior Year Adjustments to the previous years accounts (2006/2007)

Notes to the Cash Flow Statement

56 Revenue Activities. The net Cash Flow can be reconciled to the Income and Expenditure Account as follows:

	Reported Figures £	Capital Adjustment Account and Revaluation Reserve £	Interest Accruals** £	Premiums and Discounts*** £	LOBO's**** £	Restated Figures £
(Surplus) / Deficit per Income and Expenditure Account	(14,444,926)			(414,002)	526,520	(14,332,408)
Non Cash Transactions						
Depreciation and Government Grants Deferred Amortisation	(18,434,793)					(18,434,793)
Deferred Charges written to revenue	(6,210,246)					(6,210,246)
Direct Revenue Funding	14,182,622					14,182,622
Net Movement in Reserves and Provisions	(16,794,556)			414,002	(526,520)	(16,907,074)
Other	(1,178,712)					(1,178,712)
	(28,435,685)	0	0	414,002	(526,520)	(28,548,203)
Items on an Accruals Basis						
Increase / (Decrease) in Debtors	(991,471)		(1,583,420)			(2,574,891)
(Increase) / Decrease in Creditors	10,223,519		2,040,731			12,264,250
	9,232,048	0	457,311	0	0	9,689,359
<b>Net Cash Flow from Revenue Activities</b>	<b>(33,648,563)</b>	<b>0</b>	<b>457,311</b>	<b>0</b>	<b>0</b>	<b>(33,191,252)</b>

58 Increase / (Decrease) in Liquid Resources

	Reported Figures £	Capital Adjustment Account and Revaluation Reserve £	Interest Accruals** £	Premiums and Discounts*** £	LOBO's**** £	Restated Figures £
Short Term Deposits	(24,948,633)		1,583,420			(23,365,213)
Other Liquid Deposits	0					0
<b>Net Movement</b>	<b>(24,948,633)</b>	<b>0</b>	<b>1,583,420</b>	<b>0</b>	<b>0</b>	<b>(23,365,213)</b>

59 Increase / (Decrease) in Financing

	Reported Figures £	Capital Adjustment Account and Revaluation Reserve £	Interest Accruals** £	Premiums and Discounts*** £	LOBO's**** £	Restated Figures £
Long Term Borrowing	(7,947,417)					(7,947,417)
Short Term Borrowing	(16,853,147)		(2,040,731)			(18,893,878)
<b>Net Movement</b>	<b>(24,800,564)</b>	<b>0</b>	<b>(2,040,731)</b>	<b>0</b>	<b>0</b>	<b>(26,841,295)</b>

60 Reconciliation of Net Cash Flow to Movement in Debt

	Reported Figures £	Capital Adjustment Account and Revaluation Reserve £	Interest Accruals** £	Premiums and Discounts*** £	LOBO's**** £	Restated Figures £
Decrease in Cash During the Year	11,443,217					11,443,217
Decrease in Liquid Resources	(24,948,633)		1,583,420			(23,365,213)
Decrease in Financing	(24,800,564)		(2,040,731)			(26,841,295)
	<b>(38,305,980)</b>	<b>0</b>	<b>(457,311)</b>	<b>0</b>	<b>0</b>	<b>(38,763,291)</b>
Represented by movement in:						
Net Debt at 1 April	(84,073,866)		(526,520)			(84,600,386)
Net Debt at 31 March	(122,379,846)		(983,831)			(123,363,677)
	<b>(38,305,980)</b>	<b>0</b>	<b>(457,311)</b>	<b>0</b>	<b>0</b>	<b>(38,763,291)</b>

## 1. Prior Year Adjustments to the previous years accounts (2006/2007)

### \* Revaluation Reserve and Capital Adjustment Account

The fundamental principle of capital accounting is that accounting for fixed assets is separated from accounting for their financing. The adoption of the SORP 2007 ensures full compliance with this principle and requires the creation of two new reserves. The Revaluation Reserve is set at zero and is to record any unrealised gains arising from holding fixed assets. The Capital Adjustment Account shows the amounts set aside to finance capital expenditure and absorbs the timing differences that may arise as a result of the setting aside of resources being out of line with accounting charges for depreciation and impairment losses. The Capital Adjustment Account has been created by merging the previously reported Fixed Asset Restatement Account and the Capital Financing Account which it replaces.

### \*\* Interest Accruals

The adoption of the SORP 2007 fully incorporates the requirements of FRS25, FRS26 and FRS29. This requires accrued interest on loans and investments to be added to the carrying value of the loan and investment shown on the Balance Sheet. This replaces the accounting treatment under FRS 4 where accrued interest was previously included in debtors (interest receivable) / creditors (interest payable).

### \*\*\* Premium and Discounts

Premiums and Discounts were shown on the Balance Sheet at 31st March 2007 but are subject to transitional arrangements under the SORP 2007. From 1st April 2007, where loans are repaid early and premiums and / or discounts arise, the accounting treatment depends upon whether the early repayment is part of a debt restructuring exercise that meets the loan modification criteria. Where this is not the case the premiums and discounts must be posted in full to the income and expenditure account. This would mean the full impact of premiums and discounts falling on the council tax in the year they occur and as such the government has issued a statutory override that allows councils to smooth this impact in the accounts provided they meet certain criteria. The premium and / or discount is thus transferred to the Financial Instruments Adjustment Account via the Statement of Movement on the General Fund Balance. The premium and / or discount is then debited or credited to the Movement on the General Fund Balance over time.

Where the premium and / or discount arise as part of a debt restructuring exercise that meet the test of modification the premiums and discounts modify the carrying value of the replacement loan.

### \*\*\*\*LOBO's

LOBO's are variable rate financial instruments. FRS26 recognises the fact that it is not possible to estimate the cash flows or the expected life of a LOBO and therefore the contractual life and contractual cashflows should be used when calculating the effective interest rate which is used to calculate a revised carrying amount for the LOBO. An adjustment is then made between the carrying value of the LOBO and the Financial Instruments Adjustment Account.



## Notes to the Income and Expenditure Account

### 2. Trading Services

The Council is required to publish the financial results of services it operates on a trading account basis. The cost of the former DLO activities are categorised into General Highways and Education and Civic Buildings Maintenance activities. The trading results in relation to 'Other Activities' for the former DLO are now reported as part of either General Highways or Education and Civic Building, depending upon the nature of work undertaken. The results for 2007/2008 are shown below.

No Airport dividends were received in respect of the Council's shareholding in Newcastle International Airport Ltd Holding Company for 2007/2008. This was expected however because of the previous years refinancing and restructuring of the Company - (Please see [Notes 26a, page 76](#) and [Note 52, pages 92 and 93](#) which provide further details).

	2007/2008			2006/2007		
	Expenditure	Income	Net Expenditure	Expenditure	Income	Net Expenditure
	£	£	£	£	£	£
City Print Services	1,880,314	1,916,815	(36,501)	1,676,518	1,605,571	70,947
City Stores	1,083,043	924,442	158,601	2,665,274	2,517,701	147,573
General Highways	5,291,789	5,327,792	(36,003)	5,711,006	5,747,874	(36,868)
Education and Civic Buildings Maintenance	9,579,537	9,668,752	(89,215)	6,983,010	7,043,974	(60,964)
Networking Services	231,002	282,027	(51,025)	239,857	234,079	5,778
Newcastle Airport Dividends	0	0	0	0	738,000	(738,000)
	<b>18,065,685</b>	<b>18,119,828</b>	<b>(54,143)</b>	<b>17,275,665</b>	<b>17,887,199</b>	<b>(611,534)</b>

The Income and Expenditure Account also includes various trading activities under service income and expenditure, the financial results of which were as follows:

	2007/2008			2006/2007		
	Expenditure	Income	Net Expenditure	Expenditure	Income	Net Expenditure
	£	£	£	£	£	£
Retail Market	245,820	468,566	(222,746)	224,103	421,466	(197,363)
Industrial Estates	1,628,368	1,960,716	(332,348)	1,713,217	2,122,686	(409,469)
*** Miscellaneous Land and Properties	11,174,677	3,170,833	8,003,844	2,154,997	3,164,643	(1,009,646)
Building Regulation (See Note 12, Page 67)	824,060	806,293	17,767	749,008	658,400	90,608
Building Control (See Note 12, Page 67)	191,506	18,122	173,384	168,112	24,109	144,003
* Car Parks (Decriminalised Parking Enforcement)	728,249	257,968	470,281	828,122	414,706	413,416
* Car Parks (Other)	1,735,574	1,984,273	(248,699)	1,580,100	2,007,192	(427,092)
Cash in Transit Service	340,843	429,111	(88,268)	378,448	503,824	(125,376)
Refuse Collection	3,320,887	28,475	3,292,412	3,450,292	21,026	3,429,266
Other Cleaning	4,020,496	140,082	3,880,414	3,870,707	4,756	3,865,951
Grounds Maintenance	5,658,297	480,005	5,178,292	5,616,999	524,769	5,092,230
Leisure Management	7,665,199	4,409,450	3,255,749	7,804,565	4,190,353	3,614,212
Other Catering	487,140	434,349	52,791	467,249	305,748	161,501
Building Cleaning	4,180,032	140,101	4,039,931	3,974,407	102,006	3,872,401
School and Welfare Catering	6,299,353	1,259,575	5,039,778	6,143,368	438,496	5,704,872
** Port of Sunderland	4,510,959	3,689,337	821,622	3,354,378	2,311,984	1,042,394
Derwent Hill	1,314,592	1,056,639	257,953	1,369,391	1,122,168	247,223
Support Services to Schools	4,570,290	2,302,917	2,267,373	4,477,849	1,972,823	2,505,026
Trade Refuse	523,740	468,050	55,690	523,671	486,982	36,689
Training Centres	1,376,139	1,266,958	109,181	1,276,027	1,333,141	(57,114)
Allotments	131,544	69,096	62,448	135,881	50,369	85,512
Building Maintenance Surveying	164,055	181,768	(17,713)	0	0	0
	<b>61,091,820</b>	<b>25,022,684</b>	<b>36,069,136</b>	<b>50,260,891</b>	<b>22,181,647</b>	<b>28,079,244</b>

In April 2001 the Council adopted a set of ground rules for determining which services should operate on a Trading Account basis. These guiding principles reflect the requirements of the Best Value Accounting Code of Practice and provide for a uniform approach to the monitoring of trading performance. At that time the Council also identified all those services to be operated and monitored on a trading account basis. The financial performance of all these services are identified in the table above. Included in these items are the functions of the former Direct Service Organisations (DSO's) which were previously subject to the requirements of Compulsory Competitive Tendering (CCT) legislation. Since April 1999 these services have operated as part of General Fund services. The accounts of the former DSO's continue to be maintained on a trading account basis in accordance with guiding principles adopted by the Council, and are included in the Best Value Accounting Code of Practice Cost of Services analysis.

\* Car Parks - The net position for both car parks (other) and car parks (DPE) is a £221,582 deficit (2006/2007 £13,676 surplus). Decriminalised Parking Enforcement was repealed on 30th March 2008 and was replaced by Civil Parking Enforcement on 31 March 2008. The DPE line includes 1 day trading under the CPE regime.

\*\* Port of Sunderland includes Capital charges of £556,058. The net expenditure position excluding capital items is therefore £265,564 (for 2006/2007 £414,065).

\*\*\* Miscellaneous Land and Property includes impairment charges of £8,747,592. The net expenditure position excluding these charges is therefore £817,439 surplus

### 3. Publicity

Section 5(i) of the Local Government Act 1986, requires local authorities to keep an account of their expenditure on publicity. The Council has established a revised coding structure to report more accurately publicity related expenditure.

	2007/2008 £	2006/2007 £
Employees	354,100	402,568
Running Expenses	(72,446)	(25,968)
Staff Recruitment Advertising	888,759	952,643
General Advertising and Publicity	2,886,635	2,335,580
Promotional Activities	668,197	521,722
Connexions - Marketing	201,609	190,270
	4,926,854	4,376,815

### 4. Local Authority (Goods and Services) Act 1970

Work may be carried out under the Act for other local and public authorities. Information to be disclosed is to indicate the scale of the operations and the nature of the activities the Council has been engaged in during the financial year. None of the activities represent a significant proportion of the Council's total related capacity.

	2007/2008 £	2006/2007 £
<b>Supplies of Goods</b>		
Issues from Central Stores to Sunderland University, Stockton Borough Council, Colleges and Voluntary Bodies	50,050	485,439
<b>Supplies of Services</b>		
Printing services provided to Sunderland University, Stockton Borough Council, Colleges and Voluntary Bodies	8,505	58,326
Hospital Library Service to Teaching Primary Care Trust	5,088	4,987
Buildings Repairs and Maintenance to Sunderland University, Teaching Primary Care Trust, Colleges and Police Authority	24,688	81,045
Support Services to Houghton Kepier Sports College (Foundation)	39,264	0
Payroll Service to City of Sunderland College	25,225	27,131

### 5. Local Management of Schools and School Delegated Budgets

Under the Education Reform Act 1988, once budgets have been delegated to schools, subject to scheme rules, any underspending can be carried forward by the school and do not accrue to the Council's balances. The value of schools balances are shown below:

31st March 2008 £	31st March 2007 £
5,601,315	4,172,301

The above sums represent accumulated surpluses and amounts set aside for specific spending plans of schools. The principle of delegated budgets was extended to Council Departments in 1992/1993. Unspent balances are shown in the Statement of Movement in General Fund Balances and identified as earmarked in the Balance Sheet on [Page 49](#).

### 6. Industrial Loans at Subsidised Rates of Interest

Economic development regulations require the disclosure of loans to industry which are at a subsidised rate of interest (i.e. below market rates), often referred to as soft loans. There were two such loans included in the accounts for 2006/2007, (the previous year), with a total amount outstanding of £46,977 however during the year this amount was written off, consequently there are no amounts outstanding as at 31st March 2008. The Council has taken all appropriate and reasonable steps to try and recover the amounts outstanding but as the organisations concerned went into voluntary liquidation in 2005 and after having taken appropriate legal advice, the loans are unrecoverable and have now been written off. The following table shows the details of each loan in accordance with accounting requirements .

Date of Loan Awarded	Amount of Loan	Term	Interest Rate	Balance as at 31st March 2008	Balance as at 31st March 2007
	£		%	£	£
May 2002	50,000	24 Months	5.75	0	4,981
Oct. 2002	60,000	36 Months	5.75	0	41,996
Totals	110,000			0	46,977

## 7. Subjective Summary

The following analysis treats DLO expenditure as agency and contracted services and does not therefore show such expenditure subjectively.

The analysis reflects the requirements of the BVACOP where internal recharges have been allocated to the service recipient and ensures that this expenditure appears only once in the accounts and that it reflects the total cost principle of BVACOP. It eliminates double counting of the same recharges. This treatment has been applied consistently for both financial years.

	2007/2008			Restated 2006/2007
	Gross Expenditure £	Gross Income £	Net Expenditure £	Net Expenditure £
Employee Expenses	304,255,307	6	304,255,301	307,370,860
Premises Related Expenses	35,022,881	0	35,022,881	35,775,713
Transport Related Expenses	9,517,112	0	9,517,112	9,718,243
Supplies and Services	85,686,094	0	85,686,094	86,149,480
Third Party Payments (See Note 13 Page 67 for more details)	105,469,687	0	105,469,687	105,045,018
Transfer Payments	110,448,385	0	110,448,385	105,389,950
Support Services	25,036,892	0	25,036,892	24,527,411
Capital Items	80,904,672	22,379,079	58,525,593	24,568,255
Government Grants	0	357,663,050	(357,663,050)	(348,311,598)
Other Grants, Reimbursements and Contributions	0	61,144,428	(61,144,428)	(66,139,990)
Customer and Client Receipts	0	66,900,399	(66,900,399)	(60,502,868)
Transfer from Provisions	0	6,238,068	(6,238,068)	(1,644,179)
Appropriation to Provisions	1,890,045	0	1,890,045	0
Recharges	0	2,244,330	(2,244,330)	(13,902,379)
Exceptional Item - Airport Refinancing Receipt	0	0	0	(14,575,500)
Exceptional Item - Insurance Provision	30,922	1,315,537	(1,284,615)	(1,546,154)
<b>Net Cost of Services</b>	<b>758,261,997</b>	<b>517,884,897</b>	<b>240,377,100</b>	<b>191,922,262</b>
Loss/(Gain) on the Disposal of Fixed Assets	39,318,000	0	39,318,000	0
Impairment of Landfill Allowances	417,424	0	417,424	28,194
Parish Council Precepts	48,804	0	48,804	46,480
Other Levies	17,633,143	0	17,633,143	17,124,320
(Surpluses)/Deficits on Trading Undertakings not included in net cost of services	71,075	125,218	(54,143)	126,466
Interest Payable and Similar Charges	9,775,319	0	9,775,319	9,399,645
Contribution of Housing Capital Receipts to Government Pool	62,577	0	62,577	141,570
Investment Gains and Losses	0	0	0	0
Interest and Investment Income	0	12,475,539	(12,475,539)	(9,237,252)
Pensions Interest Cost and Expected Return on Pension Assets	5,970,000	0	5,970,000	5,320,000
<b>Net Operating Expenditure</b>	<b>831,558,339</b>	<b>530,485,654</b>	<b>301,072,685</b>	<b>214,871,685</b>
Demand on the Collection Fund	0	88,288,757	(88,288,757)	(85,449,392)
General Government Grants	0	20,609,806	(20,609,806)	(27,167,732)
Non-Domestic Rates Redistribution	0	120,982,887	(120,982,887)	(116,586,970)
<b>(Surplus)/Deficit for the Year</b>	<b>831,558,339</b>	<b>760,367,104</b>	<b>71,191,235</b>	<b>(14,332,409)</b>
Capital Financing Costs	29,658,750	74,530,869	(44,872,119)	(2,816,106)
Housing Capital Receipts	0	62,577	(62,577)	(141,570)
PFI Residual Interest Appropriation	225,319	0	225,319	177,716
Transfer to Earmarked Reserves	33,332,167	0	33,332,167	37,620,126
Loss / (Gain) on the Disposal of Fixed Assets	0	39,318,000	(39,318,000)	0
Financial Instruments Adjustments	0	56,683	(56,683)	(323,774)
Delegated Budgets Underspend Carried Forward - Other	6,389,484	0	6,389,484	6,532,609
Delegated Budgets Underspend Carried Forward - Social Services Pooled Budgets	88,158	0	88,158	3,294
Delegated Budgets Underspend Carried Forward - Supporting People	1,300,134	0	1,300,134	1,217,978
Contribution to / (from) Balances - Connexions	0	248,571	(248,571)	83,436
Contribution to Balances - General Fund Balances	0	0	0	0
Appropriation from Pension Reserve	0	7,940,000	(7,940,000)	(2,070,000)
PFI Appropriation Account	0	286,076	(286,076)	(570,758)
Transfer from Specific Reserves	0	10,117,268	(10,117,268)	(21,823,771)
Delegated Budget Surplus Brought Forward - Schools	0	0	0	0
Delegated Budget Surplus Brought Forward - Other	0	6,435,961	(6,435,961)	(5,050,145)
Delegated Budget Surplus Brought Forward - Social Services Pooled Budgets	0	3,294	(3,294)	(679,736)
Delegated Budget Surplus Brought Forward - Supporting People	0	1,217,978	(1,217,978)	(716,192)
<b>Increase in General Fund for the Year</b>	<b>902,552,351</b>	<b>900,584,381</b>	<b>1,967,970</b>	<b>(2,889,302)</b>

## 8. Pension Costs

### 8a. Teachers

Teachers employed by the authority are members of the Teachers Pensions Scheme, administered by the Teachers Pensions Agency. It provides teachers with defined benefits upon their retirement, and the Authority makes contributions based on a percentage of members' pensionable salaries. In 2007/2008 the Council paid £12.831million to the Teachers Pension Agency in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. (The figures for 2006/2007 were £12.345 million representing 13.7% of pensionable pay). The Authority is also responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' Scheme. These benefits are fully accrued in the pensions liability described in [Note 42 Page 81](#) of the Balance Sheet.

### 8b. Other Employees (Excluding Teachers)

In 2007/2008 the Council paid employers contributions of £19.515million (2006/2007 - £19.183million) into the Tyne and Wear Pension Fund, which represents 13.47% (2006/2007 - 13.57%) of pensionable pay. The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, the last review completed being at 31st March 2004. Under Pension Regulations overall contribution rates are set to meet 100% of the overall liabilities of the Fund over a defined period. An additional £10.397million (equivalent to 7.18% of Pensionable Pay) was also paid into the Fund during 2007/2008, (for 2006/2007 - £8.959million equivalent to 5.93% of pensionable pay) in respect of the local government pension deficiency payment to enable the fund to support existing and future pensioners.

In addition the Council is responsible for all pension payments relating to added years benefits it has awarded, together with related increases. These benefits are also reflected in the pensions liability as described in [Note 42 Page 81](#) to the Balance Sheet.

### 8c. FRS Disclosures

The Council participates in the Local Government Pension Scheme which is administered by South Tyneside MBC. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary. It is a funded scheme which means that the Authority and employees pay contributions into a fund, calculated at a level intended to balance pensions liabilities with investment assets. In accordance with Financial Reporting Standard (FRS)17 - Retirement Benefits, the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to its Pension Scheme for its employees.

The information included in the accounts and in the notes below have been provided by the Actuary to the Tyne and Wear Pension Fund. References in [ ] relate to the relevant paragraph(s) of the FRS17 requirements. The figures provided by the actuary to the Tyne and Wear Pension Fund are based on information provided by the scheme and assumptions determined by the Council in conjunction with the actuary. Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

- i) Employees of the Council are admitted to the Tyne and Wear Pension Fund ("the Fund"), which is administered by South Tyneside MBC under regulations governing the Local Government Pension Scheme, 'a Defined Benefit Scheme'. [76(a)]
- ii) The most recent valuation was carried out as at 31st March 2007, and has been updated by independent actuaries to the Tyne and Wear Pension Fund to take account of the requirements of FRS17 in order to assess the liabilities of the fund as at 31st March 2008. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to the present value. [76(b)] The next revaluation will be carried out by the Actuary as at 31st March 2010.
- iii) The Council's contribution rates in respect of the period 1 April 2008 to 31 March 2011 and the contributions to cover the deficit in the Fund were certified by the actuary as follows: [76(c)]

Period	Percentage of Pensionable Pay %	Additional Contributions £000
1 April 2008 to 31 March 2009	14.5	10.266
1 April 2009 to 31 March 2010	14.5	10.749
1 April 2010 to 31 March 2011	14.5	11.253

- iv) The Council recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account with accounting entries shown in the Statement of Movement on General Fund Balance. The following transactions have been made during the year:

Local Government Pension Scheme	2007/2008 £m	2006/2007 £m
<b>Actuarial information included in the Income and Expenditure Account</b>		
<b>Net Cost of Services:</b>		
Current Service Cost	27.1	27.4
Past Service Costs	9.6	1.8
Curtailment Costs	0.0	0.0
<b>Net Operating Expenditure:</b>		
Interest Cost	52.4	46.0
Expected Return on Assets in the Scheme	-46.5	-40.7
<b>Total impact on Income and Expenditure Account</b>	<b>42.6</b>	<b>34.5</b>
<b>Statement of Movement on General Fund Balance</b>		
Net Reversal of FRS17 Actuarial transactions	-7.9	-2.1
<b>Actual amount charged against council tax for pensions in the year: Employer's contributions payable in the scheme</b>	<b>34.7</b>	<b>32.4</b>

- v) Further information can be found in South Tyneside Council's Pension Fund Annual Report or by contacting the Pension Fund Administrators directly. The address for correspondence is as follows: Pension Fund Administration, Finance Department, Town Hall, South Shields NE33 2RL or Telephone 0191 427 1717.

## 9. Members Allowances and Officers Emoluments

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were:

### 9a. Officers Emoluments

Remuneration Band	Number of Employees	
	2007/2008	2006/2007
£50,000 - £59,999	111	89
£60,000 - £69,999	36	24
£70,000 - £79,999	15	20
£80,000 - £89,999	10	4
£90,000 - £99,999	3	4
£100,000 - £109,999	4	1
£110,000 - £119,999	1	0
£120,000 - £129,999	0	0
£130,000 - £139,999	0	0
£140,000 - £149,999	0	0
£150,000 - £159,999	0	0
£160,000 - £169,999	0	0
£170,000 - £179,999	1	1

### 9b. Members Allowances

	2007/2008 £'000	2006/2007 £'000
Total Members Allowances paid in the Year	995	939

## 10. Related Party Transactions

The Statement of Recommended Practice requires the disclosure of any material transactions with related parties to ensure that stakeholders are aware when these transactions take place and the amount and implications of such transactions.

Related party transactions are those transactions with related parties (i.e. bodies or individuals) that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with government departments are set out in a [Note 62](#) to the Cash Flow Statement on [Page 96](#).

All material related party transactions that follow the SORP guidance are disclosed below:

#### Council Members:

In respect of the 2007/2008 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 interest was by way of ownership, or as a director, trustee, or partner. These transactions amounted to payments of £5.545 million made by the Authority in 2007/2008 (£8.113 million for 2006/2007), of which £0.979 million (£0.245 million for 2006/2007) relates to Cabinet Delegation Scheme approved grants in support of the arts, sport, promotions and tourism, £2.618 million (£2.904 million for 2006/2007) payments to companies and £1.948 million (£4.964 million for 2006/2007) 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 public inspection as required by the Local Authority (Members Interests) Regulations (SI 1992/618) laid under section 19 of the Local Government and Housing Act 1989. In addition, the awarding of any contracts by the Authority to individual companies is governed by the Authority's Procurement Procedure Rules approved by the Council. The relevant members must therefore declare an interest (which is minuted) and they do not take part in any discussion or decision relating to the transactions concerned.

#### Chief Officers:

In respect of the 2007/2008 financial year a Chief Officer had a controlling interest in a company, partnership, trust or entity which is considered to have generated a related party transaction with the Authority. The transactions amounted to payments of £0.269 million made by the Authority in 2007/2008 (£Nil million for 2006/2007), of which £0.269 million (£Nil million for 2006/2007) related to delegated powers to award grants to a company in respect of an approved grant scheme to which the chief officer was a board member.

#### Other Relevant Information

Details of the City Council's transactions with Central Government, other Local Authorities, levying bodies, related companies, schools with delegated budgets and employee pension funds are shown in the appropriate sections of the Statement of Accounts. In summary the Council provides support services (including financial support services) to the following related parties:

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

## 11. Minimum Revenue Provision

For 2007/2008 the Minimum Revenue Provision is based upon 4% of the value of the Council's Consolidated Advances and Borrowing Pool as at 1st April 2007 together with any contributions the Council voluntarily makes to this provision. The Accounting Policy on [Page 31](#) provides more details on accounting for MRP and the provisions set out below in order to comply with the requirements of the SORP.

	Percentage	2007/2008 £	2006/2007 £
Statutory MRP	4.00	8,213,232	7,980,002
Voluntary MRP	N/A	687,589	718,581
		8,900,821	8,698,583

## 12. Building Regulations Charging Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities can not be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable (Building Regulation) and non-chargeable (Building Control) activities.

	2007/2008			2006/2007		
	Chargeable Building Regulation £	Non-Chargeable Building Control £	Total Building Control Function £	Chargeable Building Regulation £	Non-Chargeable Building Control £	Total Building Control Function £
<b>Expenditure</b>						
Employee Expenses	515,293	125,395	640,688	541,142	129,254	670,396
Transport Related Expenses	11,252	0	11,252	13,553	0	13,553
Supplies, Services and Other Expenses	86,730	21,408	108,138	47,744	11,936	59,680
Agency and Contracted Services	29,681	0	29,681	38,880	0	38,880
Central and Support Services	181,104	44,703	225,807	107,689	26,922	134,611
<b>Total Expenditure</b>	<b>824,060</b>	<b>191,506</b>	<b>1,015,566</b>	<b>749,008</b>	<b>168,112</b>	<b>917,120</b>
<b>Income</b>						
Building Regulation Charges	(806,293)	0	(806,293)	(658,400)	0	(658,400)
Miscellaneous Income	0	(18,122)	(18,122)	0	(24,109)	(24,109)
<b>Total Income</b>	<b>(806,293)</b>	<b>(18,122)</b>	<b>(824,415)</b>	<b>(658,400)</b>	<b>(24,109)</b>	<b>(682,509)</b>
<b>(Surplus)/Deficit for Year</b>	<b>17,767</b>	<b>173,384</b>	<b>191,151</b>	<b>90,608</b>	<b>144,003</b>	<b>234,611</b>

## 13. 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 to the City Treasurer's Department, Civic Centre, P.O. Box 106, Sunderland, SR2 7DN.

Service	2007/2008 £m	2006/2007 £m
Residential, Nursing and Home Care Provision	45.1	44.6
Fostering and Adoption Services	5.3	4.9
Payments to Voluntary Organisations	5.0	5.5
Health Trust	3.1	3.8
Supporting People Contracts	5.9	5.5
Highways Maintenance	12.8	12.3
Waste Disposal	7.1	6.7
Grounds Maintenance Contracts	0.2	0.2
Housing Services Provided by Sunderland Housing Group	0.0	0.9
Council Services Provided to Schools Delegated Budgets	3.2	3.1
School Meals Contracts provided to Schools	5.7	6.9
School Placements for Special Education in Other Authorities	1.3	1.3
Museums Service - Joint Authority	0.9	0.9
Other Payments	9.9	8.4
<b>Total Agency Payments</b>	<b>105.5</b>	<b>105.0</b>

## 14. Long Term Contracts - Private Finance Initiative (PFI)

The Council's first PFI scheme, Sandhill View Community and Learning Centre, became operational in September 2002 and the SORP requires the Council to provide details about the contract and the committed revenue resources for future financial years. The Authority accounts for the net amount of the unitary charge for the PFI contract but reduces this amount by the effect of the PFI Government grant support received in the financial year to which it relates and is included on the Education Services line within the income and expenditure account.

The Council, however, is also committed to making further payments estimated at £56.358 million over the remaining term of the 25 year contract but this figure is reduced by the impact of the PFI Government Grants which is estimated at £30.131 million over the same period of the contract. This then leaves an estimated remaining cost of the PFI scheme for future years to the Council of £26.227 million as at 31st March 2008. It is also important to note that the additional costs of the scheme must also take into account budgets which previously covered some of the facilities now provided at the new Sandhill View facility e.g. Sandhill View School and Grindon Library and that more facilities are also provided than were previously available.

The Council also entered into a PFI contract, on 12th August 2003, with Balfour Beatty Power Networks Ltd to provide replacement highway signs and street lighting, which includes ongoing maintenance, over a period of 25 years. The contract began on 1st September 2003 and will run until 31st August 2028. The Authority accounts for the net amount of the unitary charge for the PFI contract but this amount is reduced by the effect of the PFI Government grant support received in the financial year to which it relates and is included on the Highways, Roads and Transport service line within the income and expenditure account.

The Council, however, is also committed to making further payments estimated at £169.822 million over the remaining term of the 25 year contract but this figure is reduced by the impact of the PFI Government Grant support which is estimated at £44.524 million over the same period of the contract. This then leaves an estimated remaining cost of the PFI scheme for future years to the Council of £125.298 million as at 31st March 2008. It is also important to note that the additional costs of the scheme must also take into account budgets which previously covered the facilities now provided and also the fact that all street lighting and traffic signs have been fully replaced and modernised as part of the contract.

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

14. As part of the reforms to Local Authority PFI Grant announced by the former Office of the Deputy Prime Minister (ODPM) now the Department for Communities and Local Government (DCLG), the Authority took advantage of the opportunity offered in relation to both Sandhill View and the Street Lighting Schemes to move to the annuity method of calculation of grant entitlement. This method of calculation became effective from the 1st April 2005 and the figures set out in the table below reflect this change to Government Grant receivable.

Period	Unitary Payments	PFI Government Grant	Net Cost
	£m	£m	£m
2008/2009	9.650	3.733	5.917
2009/2010 - 2012/2013	40.142	14.935	25.207
2013/2014 - 2017/2018	53.701	18.669	35.032
2018/2019 - 2022/2023	57.948	18.669	39.279
2023/2024 - 2027/2028	60.779	17.829	42.950
2028/2029	3.960	0.820	3.140
<b>Totals</b>	<b>226.180</b>	<b>74.655</b>	<b>151.525</b>

#### 15. 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 consolidated 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.

Gross Funding	2007/2008 £000	2006/2007 £000
Sunderland City Council	(970)	(945)
Sunderland STPCT	(1,239)	(1,206)
<b>Total Funding</b>	<b>(2,209)</b>	<b>(2,151)</b>
<b>Gross Expenditure</b>	<b>2,228</b>	<b>2,231</b>
<b>Net (Surplus)/Expenditure</b>	<b>19</b>	<b>80</b>

##### 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.

Gross Funding	2007/2008 £000	2006/2007 £000
Sunderland City Council	(850)	(829)
Sunderland STPCT	(1,325)	(1,292)
Learning Disabilities Development Fund	(368)	(418)
<b>Total Funding</b>	<b>(2,543)</b>	<b>(2,539)</b>
<b>Gross Expenditure</b>	<b>2,433</b>	<b>2,451</b>
<b>Net (Surplus)/Expenditure</b>	<b>(110)</b>	<b>(88)</b>

##### Intermediate Care

The aim of this service is the improvement of 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.

Gross Funding	2007/2008 £000	2006/2007 £000
Sunderland City Council	(1,160)	(1,011)
Sunderland STPCT	(930)	(805)
Sunderland City Council Non-Recurring Contribution	0	0
<b>Total Funding</b>	<b>(2,090)</b>	<b>(1,816)</b>
<b>Gross Expenditure</b>	<b>2,002</b>	<b>1,949</b>
<b>Net (Surplus)/Expenditure</b>	<b>(88)</b>	<b>133</b>

#### 16. Audit Costs

In 2007/2008 Sunderland City Council incurred the following fees relating to external audit and inspection:

	2007/2008 £	2006/2007 £
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	378,819	262,243
Fees payable to the Audit Commission in respect of statutory inspection	0	91,250
Fees payable to the Audit Commission for the certification of grant claims and returns	72,094	113,067
Fees payable in respect of other services provided by the appointed auditor	0	21,985
	<b>450,913</b>	<b>488,545</b>

## 17. Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2007/2008 are as follows:

	Schools Budget Funded by DSG		
	Central Expenditure	Individual Schools Budget (ISB)	Total
	£000	£000	£000
Original grant allocation to Schools Budget for the current year in the authority's budget	10,371,171	148,204,829	158,576,000
Adjustment to finalised grant allocation	0	0	0
DSG receivable for the year	10,371,171	148,204,829	158,576,000
Actual expenditure for the year	9,457,002	149,118,998	158,576,000
(Over)/underspend for the year	914,169	(914,169)	0
Planned top-up funding of ISB from Council resources	0	0	0
Planned top-up funding of Central Expenditure from Council resources	264,458	0	264,458
Transfer of contingencies to ISB	(914,169)	914,169	0
(Over)/underspend from prior year	0	0	0
(Over)/underspend carried forward to 2008/2009	264,458	0	264,458

From 2006/2007, the arrangements for government support for the funding of schools changed. Previously funds were provided as part of the Council's overall Revenue Support Grant, however the Council now receives a specific grant known as the Dedicated Schools Grant (DSG) in its place. For 2006/2007 £152.385m was received in DSG compared to £158.576m received for 2007/2008. This grant continues to be credited directly against the Education Service (Net cost of service line) on the Income and Expenditure Account (page 46).

The school contingency figure is approved by the Schools' Forum at the beginning of each financial year and then is allocated to schools as necessary. The main transfers in 2007/2008 were £311,565 for statemented pupils and £608,000 for the 14-19 Skills Centres. There were a number of smaller transfers which saw a net return of £5,396 in 2007/2008.

### Note to the Statement of Movement on the General Fund Balance

#### 18. Statement of Movement on the General Fund Balance

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The Income and Expenditure Account however shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. The SORP requires the Authority to reconcile the Income and Expenditure Account with the Movement on the General Fund Balance, (which is based on a different accounting basis). The main accounting differences are set below:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from usable capital receipts rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The reconciliation statement therefore summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.



19. Note of Reconciling Items for the Statement of Movement on the General Fund

	2007/2008		2006/2007	
	£	£	£	£
<b>Amounts included in the Income and Expenditure Account but not required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>				
Amortisation of intangible fixed assets	(118,694)		(86,069)	
Depreciation and impairment of fixed assets	(67,390,749)		(22,077,621)	
Government Grants Deferred amortisation	15,824,773		3,728,897	
Write downs of deferred charges to be financed from capital resources	(5,685,085)		(6,210,246)	
Net Gain/(loss) on sale of fixed assets	(39,318,000)		0	
Differences between amounts debited/credited to the income and expenditure account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	(56,683)		(323,774)	
Net charges made for retirement benefits in accordance with FRS17 (Note 8c)	(42,670,000)	(139,414,438)	(34,299,000)	(59,267,813)
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>				
Minimum revenue provision for capital financing (Note 11)	8,213,232		7,980,002	
Capital expenditure charged in-year to the General Fund Balance	4,804,222		14,182,622	
Reversal of capital de minimis expenditure charged to cost of services	(1,207,415)		(1,052,272)	
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(62,577)		(141,570)	
Employer's contributions payable to the Tyne and Wear Pension Fund and retirement benefits payable direct to pensioners (Note 8c)	34,730,000	46,477,462	32,229,000	53,197,782
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>				
Voluntary revenue provision for capital financing (Note 11)		687,589		718,581
<b>Transfer to or from Earmarked Reserves</b>				
Surplus transferred (from) / to Connexions Balances	(248,571)		83,436	
Connexions Pension Reserve	0		(117,846)	
Social Services - Furniture and Equipment Reserve	70,500		71,000	
General Capital Reserves	3,798,454		1,070,076	
General Revenue Reserves	83,346		(138,602)	
General Revenue Reserves - Port	380,232		(167,500)	
School Meal Reserve	0		180,000	
CCS Revenue Reserve	0		1,781	
Inward Investment Reserve	(199,312)		(253,891)	
Play Areas	1,703,331		0	
Amenity Areas	763,749		0	
SAP Development Reserve	379,869		0	
Apprentice Backpay Reserve	217,609		0	
Strategic Investment Reserve	5,318,566		15,505,979	
Service Pressures and Priorities Reserve	(774,056)		850,878	
Economic Development Reserve	1,225,000		0	
Repairs and Renewals Reserve	1,288,465		0	
Waste Disposal Reserve	345,000		0	
Energy Costs Reserve	1,000,000		0	
Commutated Sums	1,814,404		0	
Commutated Sums in respect of S38 Reserve	84,535		0	
Pilotage Cutter Replacement Reserve	119,854		0	
Strategic Investment Plan Reserve	6,747,000		0	
Insurance Reserve	350,192		(2,313,457)	
School Meals Consortium Reserve	(58,288)		(94,338)	
Standard Fund Reserve	(5,704,722)		(635,112)	
Landfill Allowance Trading Scheme (LATS) Reserve	(350,699)		321,679	
PFI Appropriations Account	(286,076)		(286,076)	
PFI Residual Interest Account	225,319		177,716	
Sandhill View PFI Smoothing Reserve	353,522		136,313	
Derwent Hill Investment Reserve	(12,558)		(80,442)	
School Community Activity Reserve	2,322,627		268,887	
Edit Reserve	0		19,000	
Street Lighting PFI Smoothing Reserve	700,020		887,269	
Children's Services Modernisation Reserve	(107,000)		0	
Children's External Placements Reserve	250,000		0	
Youth Offending Service Building Reserve	74,116		0	
Schools Redundancy Reserve	133,230		0	
Connexions Hub Tyne and Wear Reserve	517,313		0	
Connexions Hub Reserve	380,608		0	
Delegated Budget Surplus	(46,477)		802,726	
Delegated Budget Surplus - Social Services Pooled Budgets	84,864		3,294	
Delegated Budget Surplus - Supporting People	82,156	23,026,122	501,786	16,794,556
<b>Net additional amount required to be credited to the General Fund Balance for the year</b>		(69,223,265)		11,443,106

## Notes to the Statement of Total Recognised Gains and Losses (STRGL)

### 20. Movement on the Pensions Reserve and Details of the Actuarial Gains or Losses

#### 20a. Movement on the Pensions Reserve

	Balance at 1 April 2006 £	Movement 2006/2007 £	Balance at 1 April 2007 £	Movement 2007/2008 £	Balance at 31 March 2008 £
<b>Pensions Reserve</b> (Please see Note 40 for further details)	(316,740,000)	(2,890,000)	(319,630,000)	<b>78,010,000</b>	<b>(241,620,000)</b>

#### 20b. Actuarial Gains / Losses included in the STRGL

The actuarial gains or losses identified as part of the movement on the Pensions Reserve for 2007/2008 showed a gain of £85,950,000 (£820,000 loss in 2006/2007), this can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31st March of each year. This information is provided by the Actuary as part of the FRS17 process and means this is independently verified by specialist pensions advice.

	2005/2006		2006/2007		2007/2008	
	Amount £m	% of Scheme Assets/ Liabilities	Amount £m	% of Scheme Assets/ Liabilities	Amount £m	% of Scheme Assets/ Liabilities
a) Actual return less expected return on assets	89.500	14.5% Assets	(3.950)	(0.6)% Assets	<b>(81.920)</b>	<b>17.9% Liabilities</b>
b) Changes in the assumptions underlying the present value of pension liabilities	(69.500)	7.4% Liabilities	5.200	0.5% Liabilities	<b>158.050</b>	<b>1.1% Liabilities</b>
c) Experience gains and losses on pension liabilities	0.500	0.1% Assets	(2.070)	0.2% Liabilities	<b>9.820</b>	<b>(12.7%) Assets</b>
<b>Total Gains / (Losses) included in the STRGL</b>	<b>20.500</b>		<b>(0.820)</b>		<b>85.950</b>	

#### Volatility of results of FRS17 and reasons for variations

The results reported under FRS17 reporting standard can change dramatically depending upon market conditions. The liabilities are linked to yields on AA-rated corporate bonds whereas the majority of the assets of the fund are invested in equities. This leads to volatility in the net pension asset on the Balance Sheet and to a lesser extent in the Statement of Recognised Gains and (Losses) statement - the reasons for the variations are set out below.

a) During the year ended 31st March 2008 the investment return on fund assets was lower than assumed at the start of the year. This led to a loss in the 'Actual return less expected return on assets' section of the Total Actuarial Gain / (Loss). In addition the results of the valuation as at 31st March also had impact on this item.

b) The financial assumptions underlying the calculation of the liabilities used by the Actuary differed between the two financial years with the effect that the liabilities have reduced in value. The demographic assumptions used have also changed from those used last year and are more consistent with those used for the most recent actuarial valuation of the fund as at 31st March 2007. This has increased the value placed on the liabilities. The overall impact of these changes has placed a lower than anticipated value on the liabilities resulting in a gain in the 'Change in assumptions' section of the Total Actuarial Gain / (Loss).

c) Finally the results of the new actuarial valuation as at 31st March 2007 have been compared to the differences between actual experience since the previous valuation (2004), and that assumed for FRS17 purposes in previous years, (when a rolled forward method was used) which has better informed the gains and losses on liabilities. This has meant that an observed gain on liabilities within the 'Experience gains and losses on pensions liabilities' section of the Total Actuarial Gain / (Loss).

### 21. Movements in Unrealised Value of Fixed Assets showing Surplus arising on the revaluation of fixed assets

	2007/2008 Fixed Asset Restatement Account £	2006/2007 Fixed Asset Restatement Account £
Gains on revaluation of fixed assets in year	<b>237,206,238</b>	21,103,813
Impairment losses on fixed assets not charged to income and expenditure account	<b>0</b>	(16,856,610)
<b>Surplus arising on the revaluation of fixed assets as reported as part of the STRGL</b>	<b>237,206,238</b>	4,247,203
Impairment losses on fixed assets charged to income and expenditure account	<b>(41,261,001)</b>	0
Build up of residual interest in PFI schemes	<b>225,319</b>	177,716
<b>Total increase/(decrease) in unrealised capital resources in year</b>	<b>196,170,556</b>	4,424,919

This shows the extent to which the value of the authority's asset portfolio has changed in the year, made up of:

- Increases in the fixed asset balance arising from revaluations
- Reductions in the fixed asset balance arising from impairments

Impairments in 2006/2007 not arising from a clear consumption of economic benefit were charged to the Fixed Assets Restatement Account and had no impact on the council's Income and Expenditure for the year. Following SORP 2007 requirements to create a Revaluation Reserve at 1st April 2007 with a nil balance, all impairments through a reduction in asset values in 2007/2008 have been charged to the Income and Expenditure Account, there being no balance contained in the Revaluation Reserve to offset decreases in asset values. The impairments have no impact on council tax levels as they are transferred to the Capital Adjustment and are part of the reconciling items shown in the Note of Reconciling Items for the Statement of Movement on the General Fund.

## 22. Analysis of other Gains / Losses

	2007/2008 £	2006/2007 £
Movement in the Collection Fund	366,428	(355,472)
Other - Deferred Credits Annuity Arrangement in Long Term Debtors	0	(790,537)
Airport Shareholding revaluation (see Note 26a for further details)	0	(6,447,353)
<b>Total movement in year</b>	<b>366,428</b>	<b>(7,593,362)</b>

### Notes to the Balance Sheet

## 23. Movement of Fixed Assets

	Operational Land & Buildings £	Infra- Structure £	Vehicles, Furniture, Plant & Equipment £	Investment Properties £	Assets Under Construction £	Assets held for disposal £	Total £
Gross Book Value 31 March 2006	634,641,314	193,464,711	40,522,915	44,579,437	58,346,329	102,888,576	1,074,443,282
<b>Reclassification</b>	<b>27,401,359</b>	<b>27,041,799</b>	<b>108,624</b>	<b>(395,680)</b>	<b>(48,544,901)</b>	<b>(5,611,201)</b>	<b>0</b>
<b>Additions (Capital Expenditure)</b>	<b>20,162,075</b>	<b>12,090,107</b>	<b>5,654,355</b>	<b>0</b>	<b>16,382,178</b>	<b>364,524</b>	<b>54,653,239</b>
<b>Disposals (Sales)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(488,350)</b>	<b>0</b>	<b>(3,591,099)</b>	<b>(4,079,449)</b>
<b>Transfer of Assets</b>	<b>(38,350,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(968,000)</b>	<b>(39,318,000)</b>
<b>Revaluations</b>	<b>191,776,833</b>	<b>0</b>	<b>0</b>	<b>1,099,896</b>	<b>2,096,250</b>	<b>14,765,503</b>	<b>209,738,482</b>
<b>Impairments</b>	<b>(38,086,799)</b>	<b>0</b>	<b>(14,013)</b>	<b>(48,000)</b>	<b>(585,390)</b>	<b>(8,114,202)</b>	<b>(46,848,404)</b>
<b>Gross Book Value 31 March 2008</b>	<b>797,544,782</b>	<b>232,596,617</b>	<b>46,271,881</b>	<b>44,747,303</b>	<b>27,694,466</b>	<b>99,734,101</b>	<b>1,248,589,150</b>
<b>Accumulated Depreciation and Impairment</b>	<b>41,207,681</b>	<b>40,479,676</b>	<b>16,247,793</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>97,935,150</b>
<b>Depreciation on Revalued Assets</b>	<b>(33,048,152)</b>	<b>0</b>	<b>(7,006)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(33,055,158)</b>
<b>Depreciation for Year</b>	<b>17,538,446</b>	<b>4,869,386</b>	<b>3,721,916</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,129,748</b>
<b>Depreciation Carried Forward</b>	<b>25,697,975</b>	<b>45,349,062</b>	<b>19,962,703</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>91,009,740</b>
Net Book Value 31 March 2007	593,433,633	152,985,035	24,275,122	44,579,437	58,346,329	102,888,576	976,508,132
<b>Net Book Value 31 March 2008</b>	<b>771,846,807</b>	<b>187,247,555</b>	<b>26,309,178</b>	<b>44,747,303</b>	<b>27,694,466</b>	<b>99,734,101</b>	<b>1,157,579,410</b>

The Council holds a number of community assets such as parks which are not used in the direct provision of services and are intended to be held in perpetuity. As such these assets have been assessed as having no financial value to the council.

Capital expenditure by Service was as follows:

	2007/2008 £	2006/2007 £
<b>Capital Expenditure:</b>		
Leader/Deputy Leader	3,463,076	5,782,720
Resources	2,788,145	5,071,169
Children's Services	20,121,929	29,085,608
Adult Services	1,799,151	541,463
Planning and Transportation	14,995,980	23,685,836
Housing and Public Health	5,640,943	3,930,465
Neighbourhood and Street Services	768,430	1,130,207
Regeneration and Community Cohesion	9,552,333	3,790,327
Culture and Leisure	14,312,116	11,088,625
Connexions	0	44,078
	<b>73,442,103</b>	<b>84,150,498</b>
<b>Sources of Finance:</b>		
Loans	9,347,927	13,474,767
Capital Receipts	13,055,202	6,026,722
Government Grants	38,131,826	45,627,537
Other Grants and Miscellaneous	8,102,928	4,838,850
Revenue	4,066,165	4,773,905
Reserves	738,055	9,408,717
	<b>73,442,103</b>	<b>84,150,498</b>

Expenditure on fixed assets for 2007/2008 was £54.653m (£71.654m in 2006/2007) expenditure on Intangible assets was £0.207m (£0.283m in 2006/2007) and the remainder £18.582m (£12.213m in 2006/2007) represented grants, advances to other organisation for capital purposes, de minimis expenditure transferred to revenue and expenditure on property not owned by the Authority.

### 23. Movement of Fixed Assets (continued)

	2007/2008 £	2006/2007 £
Opening Capital Financing Requirement at 1 April	204,276,226	199,500,045
<b>Capital Investment</b>		
Operational Assets	51,771,294	70,873,299
Non Operational Assets	2,881,945	781,322
Intangible Assets	206,558	282,991
Deferred Charges	18,582,306	12,212,883
<b>Sources of Finance</b>		
Capital Receipts	(13,055,202)	(6,026,722)
Government Grants and Other Contributions	(46,234,754)	(50,466,387)
Direct Revenue Financing (includes minimum revenue provision)	(13,705,041)	(22,881,205)
<b>Closing Capital Financing Requirement at 31 March</b>	<b>204,723,332</b>	<b>204,276,226</b>
<b>Explanation of Movements in Capital Financing Requirement</b>		
Decrease in Underlying Need to Borrow (Supported by Government Financial Assistance)	(190,790)	4,374,128
Increase in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	637,896	402,053
<b>Movement in Capital Financing Requirement</b>	<b>447,106</b>	<b>4,776,181</b>

The Local Government Act 2003 provided a new prudential regime for the control of Local Authority capital expenditure. Under the prudential framework local authorities are free to borrow without specific government consent if they can afford to service the debt without extra government support. The basic principle is that authorities will be free to invest in capital expenditure as long as the plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council before the start of the relevant financial year as part of the budget setting process. These indicators are then regularly monitored throughout the year.

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

The Authority had no difficulty meeting this requirement in 2007/2008, nor are any difficulties envisaged for future years. All unsupported borrowing is undertaken following a capital appraisal process. The council makes a minimum revenue provision to repay borrowing over time. This measure comprises a statutory element (where borrowing is repaid using existing regulation 28 of the Capital Financing regulations of the Local Government Act 2003) and a voluntary element (made to ensure that the council does not provide less resource to repay debt than it would have done under the previous system of capital controls, to ensure that loans for restricted advances are repaid in full, to accelerate loan repayment on invest to save schemes and to accelerate loan repayment where loans have been used to finance capital expenditure previously met from operating leases such that loans outstanding are repaid over the life of the asset).

Valuations of council dwellings, operational land and buildings, community assets and non operational assets have been carried out by N. Wood, qualified Chartered Surveyor (A.R.I.C.S.) of the Council. All other asset categories have been valued by the City Treasurer. Assets are valued and asset categories assessed in accordance with guidance supplied by C.I.P.F.A. and A.R.I.C.S. The Council's capital expenditure is held in non operational assets as an asset under construction and added to the appropriate fixed asset category once a scheme has been completed.

Revaluation of assets takes place as part of a five year rolling programme with a proportion of all assets being revalued each year. The remaining useful life of an asset is assessed at the same time as the individual asset revaluation. Depreciation has been calculated on a straight line basis based on the value of the asset at 1 April 2007, less any residual value, divided by life expectancy. Capital spend on schemes completed in the year is added to the asset value but this spend is not subject to depreciation until the following year. The assets held for disposal are strategic long term assets and represent vacant land and property awaiting either redevelopment for strategic purposes or disposal in future years. Investment properties include assets held for the primary purpose of investment from which a commercial rental income is obtained. Assets under construction include capital works still in progress at 31st March 2008, land and property purchased in advance of capital schemes and land and property awaiting reuse.

Operational buildings are depreciated over the anticipated useful life of the asset, which can be any length of time between 1 and 60 years. Where an asset is assessed as having a life in excess of 50 years depreciation is charged over 60 years. Vehicles, plant, furniture and equipment are depreciated over the anticipated useful life of the asset, generally between 3 and 10 years. Infrastructure assets are depreciated over their anticipated useful lives, generally 40 years. All assets, not subject to depreciation, are assessed each year for any material impairment, by the Council's Valuer, in accordance with FRS 11. All impairment is charged to revenue in the year that it occurred. This is a new requirement for 2007/2008, as previously impairment not arising from a clear consumption of economic benefit was charged to the Fixed Asset Restatement Account. The main areas of impairment in 2007/2008 relate to a school which become non-operational during the year and capital works not adding an equivalent amount in value to the asset. Transfer of assets relate to a foundation school where the asset has been transferred to the school during 2007/2008 and assets transferred as part of the Council's extra care strategy.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets with gross valuations of assets valued at current value shown by year of valuation:

### 23. Movement of Fixed Assets (continued)

	Operational Land & Buildings £	Non- Operational Assets £	Infrastructure £	Vehicles, Furniture & Plant £	Total £
Valued at Historical Cost	8,112,702	19,569,440	232,596,617	46,271,881	306,550,640
Valued at Current Value in					
2003/2004	37,190,000	2,026,840	0	0	39,216,840
2004/2005	24,982,700	96,619,385	0	0	121,602,085
2005/2006	140,330,250	8,511,180	0	0	148,841,430
2006/2007	59,777,500	13,835,000	0	0	73,612,500
2007/2008	527,151,630	31,614,025	0	0	558,765,655
<b>Total as at 31 March 2008</b>	<b>797,544,782</b>	<b>172,175,870</b>	<b>232,596,617</b>	<b>46,271,881</b>	<b>1,248,589,150</b>
Total as at 31 March 2007	634,641,314	205,814,342	193,464,711	40,522,915	1,074,443,282

The table below reflects the categorisation of Council assets. Voluntary Aided schools and Foundation schools are excluded from the analysis as the schools are not reflected in the Council's asset register.

	31 March 2008	31 March 2007		31 March 2008	31 March 2007
Schools	93	94	Multi Storey Car Parks	3	3
Other Education Establishments	5	6	Kilometres of Highway	1,221	1,201
Children's Homes and Day Centres	12	15	Museums and Galleries	4	3
Elderly Person Homes	2	2	Libraries	16	19
Centres/Homes for Physically Disabled	4	4	Leisure Centre (Multi-Purpose)	4	4
Centres/Homes for Learning Disabilities	27	27	Swimming Baths	2	1
Centres/Homes for Mentally ill	23	23	Sports Complexes	7	7
Social Services Multi-Purpose Centre	1	1	Tennis Centre	1	1
Social Services Administrative Offices Etc.	13	13	Crematorium	1	1
Factory Units / E Government Centre	127	135	<b>Community Assets</b>		
Port	1	1	Reclaimed Land (Hectares)	450	501
Pilotage Vessel	2	2	Parks and Open Spaces		
Retail Market	1	1	(Hectares)	1,942	1,942
Civic Centre and Offices	11	11	Country Parks (Hectares)	340	27
Theatre	1	1	Miles of Coastline	6	6
Tourist Information Centre	1	1	Cemeteries	10	10
Off Street Car Parks	30	29	Allotments (Hectares)	83	83

It is estimated that the Council has policy commitments of approximately £102.0m of approved capital spending which may be incurred over the next few years (£82.3m in 2008/2009, and £19.7m in future years). The largest of these commitments are: £57.6m relating to the Building Schools for the Future Programme where contracts for new secondary schools at Washington, Castle View and Pennywell have been approved; £10.3m relating to two new area pools at Hetton and Silksworth; £8.1m relating to replacement primary schools at Hetton Lyons and Southwick, £3.4m relating to the Digital Challenge programme; and £2.6m relating to a new day care unit. It is anticipated the primary schools and day care unit schemes will be completed in 2008/2009 financial year with the others completed in 2009/2010.

### 24. Lease and Hire Purchase Agreements

Conforming to the requirements of SSAP21, Accounting for Leases and Hire Purchase Contracts, the Council has no leases qualifying as finance leases which result in the recognition of an asset in the balance sheet. A summary of transactions during 2007/2008 relating to leases meeting the SSAP21 definition of operating leases is shown below.

#### Finance Leases

No assets were acquired under Financial Leases during the year.

#### Operating Leases - Vehicles, Plant, Furniture and Equipment

The capital value of assets acquired by the council as lessee under operating leases is shown below:

	2007/2008 £	2006/2007 £
<b>Total</b>	<b>637,632</b>	874,668

Total operating lease rentals paid are as follows:

	2007/2008 £	2006/2007 £
<b>Total</b>	<b>992,993</b>	1,031,136

The liability for remaining primary period rentals of operating leases are as follows:

	At 31 March 2008 £	At 31 March 2007 £
<b>Total</b>	<b>1,526,266</b>	1,639,339

The total amount can be analysed as follows:

	At 31 March 2008 £	At 31 March 2007 £
Leasing Expiring in 1 years time	635,825	686,378
Leasing Expiring in 2 to 5 years time	869,752	914,523
Leasing Expiring in 6 years and over	20,689	38,438
<b>Total</b>	<b>1,526,266</b>	1,639,339

## 24. Operating Leases - Land and Buildings

The Council is lessee of a small number of short term property leases. The annual payment is currently £865,846 (2006/2007 was £941,600) relating to the following periods:

	At 31 March 2008 £	At 31 March 2007 £
Leasing Expiring in 1 years time	376,854	6,800
Leasing Expiring in 2 to 5 years time	246,290	594,000
Leasing Expiring in 6 years and over	242,702	340,800
	<b>865,846</b>	<b>941,600</b>

### Lease Rental Income (the Council as lessor)

The Council has granted a number of leases on an operating lease basis, (where the asset in terms of risks and rewards of ownership remains the Council's). Rent income receivable during the year is summarised as follows:

	At 31 March 2008 £	At 31 March 2007 £
Retail Premises (including a market)	1,094,000	1,028,000
Industrial Premises	1,626,000	1,699,000
Other	2,339,000	2,476,000
	<b>5,059,000</b>	<b>5,203,000</b>

## 25. Intangible Assets and Deferred Charges

Deferred Charges represent expenditure which has been properly capitalised but which does not result in tangible fixed assets. They include expenditure on assets not owned by the council, grants and advances to other persons and bodies for capital expenditure purposes. They also represent expenditure on assets which have been sold or demolished and expenditure which would not result in an asset appearing in the Council's balance sheet. These are amortised to revenue in the year the deferred charge is recognised. In accordance with SORP 2006 capital spend on individual schemes below the Council's de minimis level of less than £20,000 are written off to revenue along with the financing of the scheme. These are also included in this analysis.

Intangible assets represent expenditure which does not result in a tangible fixed asset but where the Authority does control the economic benefits arising from the expenditure. FRS 10 requires authorities to capitalise Intangible Assets and amortise the cost of these purchases to revenue over the life of the asset.

Movement in Intangible Assets	Balance at 01/04/2007 £	Expenditure In Year £	Amounts Written Off £	Balance at 31/03/2008 £
Purchased Software Licences	1,057,612	206,558	118,694	1,145,476

Software Licences have been purchased in the year for use on a number of the Council's IT systems. The value of the assets is subject to an amortisation charge to revenue based on the balance at the beginning of the financial year. Amortisation will be over the expected life of the assets which has been assessed on average at 10 years.

Movement in Deferred Charges	Balance at 01/04/2007 £	Expenditure In Year £	Amounts Written Off £	Balance at 31/03/2008 £
<b>Council Funding Related:</b>				
Private and Public Sector Housing	0	5,177,420	(5,177,420)	0
Adult Services Contributions	0	949,501	(949,501)	0
LPSA funded schemes	0	638,046	(638,046)	0
Environmental Grants	0	832,844	(832,844)	0
Grants to Industry	0	784,496	(784,496)	0
Expenditure on Voluntary Aided Schools	0	415,718	(415,718)	0
Building Schools for the Future	0	2,868,648	(2,868,648)	0
Port Regeneration	0	202,476	(202,476)	0
Other Schemes	0	1,785,283	(1,785,283)	0
<b>Total for Council Funding</b>	0	<b>13,654,432</b>	<b>(13,654,432)</b>	0
Capital Spend below de minimis level	0	1,177,368	(1,177,368)	0
<b>Other Funding Related:</b>				
Urban Programme Grants	0	221,917	(221,917)	0
Neighbourhood Renewal Fund Grants	0	52,614	(52,614)	0
New Deal for the Community Grants	0	3,475,975	(3,475,975)	0
<b>Total for Other Funding Arrangements</b>	0	<b>3,750,506</b>	<b>(3,750,506)</b>	0
<b>Total for Year</b>	0	<b>18,582,306</b>	<b>(18,582,306)</b>	0

## 26. Investments

### 26a. Long Term Investments

The Authority invests the majority of its funds internally in the Consolidated Advances and Borrowing Pool (CABP), most of which are short term investments and as such are not reflected in the analysis below. The CABP had £5,000,000 of long term investments at 31st March 2008 which are shown below. These are investments held with various Financial Institutions have been taken out for a period over 365 days. The Council has shares in Newcastle International Airport Ltd., in addition to other shares and unit trusts which were transferred to the Council with the transfer of responsibility for Sunderland Pilotage Authority on 1st October 1988.

	31/03/2008 £	31/03/2007 £
Government Securities	5,240	5,240
NIAL Holdings PLC (Newcastle International Airport Ltd)	12,608,730	12,608,730
Newcastle Airport LA Holding Co Ltd	1,845	1,845
Other Shares/Unit Trusts	14,301	14,301
Other Long Term Investments	5,000,000	58,000,000
	<b>17,630,116</b>	<b>70,630,116</b>

The market value of Government securities for 2007/2008 is £8,272 (2006/2007 was £8,787) and of Other Shares and Unit Trusts for 2007/2008 is £86,231 (2006/2007 was £101,075).

Under the Airports Act 1986 the Newcastle International Airport became an Airport Company on 1st April 1987, and all properties, rights and liabilities of the constituent local authorities were transferred to it. In consideration of this transfer the Council received an allocation of £6,161,377 worth of shares which represented 18.45% of the called up share capital of the Company.

On 4th May 2001 however, the seven local authority shareholders of Newcastle International Airport Limited (NIAL), entered into a strategic partnership with Copenhagen Airports Ltd. This involved the creation of a new company NIAL Holdings Ltd, to own 100% of the shares in Newcastle International Airport Ltd, 51% of the shareholding of NIAL Holdings Ltd is held by the original local authority shareholders and a further 49% is held by Copenhagen Airports Ltd. The shareholding of the Council in 2001/2002 remained at 6,161,377 but this shareholding together with the other local authorities now represents only 51% (33,395,000) of the revised share capital in the new company of £65,480,000 with 49% of the revised share capital in the new Holding Company having been acquired by Copenhagen Airports Ltd (32,085,000). The value of the shares (6,161,377) held by the Council have been revalued to more closely reflect the valuation of the Holding company when it was created in 2001 in line with other shareholders. The shares are now shown as having a revised nominal value of £12,608,730 reflecting the 9.41% share of the total worth of the company which was valued at £134.0m at that time.

The strong performance of the business in recent years allowed the airport to revisit its capital structure and as a result the group's finances were restructured in December 2006 with the repayment of the £85m Bond with new senior debt loan of £302m and facilities for capital expenditure and working capital totalling £75m. This refinancing also resulted in a restructuring of the group with the addition of a new finance company, NIAL Finance Ltd and a new parent company, NIAL Group Ltd. The Council continues to retain the same shares and interests in these new companies by holding a 9.41% stake in each company.

The holding company for the local authority interests is Newcastle Airport Local Authority Holding Company Limited, (NALAHCL), which is wholly owned by the seven local authorities (LA7) and owns 51% of NIAL Holdings PLC. The Council owns 1,845 shares in NALAHCL which is equivalent to 18.45% ownership of this company.

The local authority shareholders received £94.9 million in 2001/2002 in cash from Copenhagen Airports Ltd as the first of three payments, which in total amounted to £194.9 million, in exchange for their 49% shareholding in NIAL. The Council received £17.221 million of the first tranche of the £94.9 million total. In addition, NIAL Holdings PLC issued £25.0 million of long term loan notes to the local authority shareholders in recognition of the value built up in Newcastle International Airport Ltd over many years and these were 'allocated' to each Authority based on its shareholding value. It also issued short term loan notes to the value of £75.0 million which were repaid in April 2002 of which this Council received £13.655 million in 2002/2003. The third tranche relates to the repayment of the £25 million of long term loan notes which commenced in 2003/2004 and will continue until the loan notes are fully repaid in 2012/2013.

The Council's share of the loan notes amount to £4.552m and this balance has reduced to £2.277m as at 31st March 2008 because the Council has received five annual repayment instalments to date totalling £2.275m. Interest on the remaining loan notes held is also received by the Council each year. (Note 52 on Pages 92 and 93 provides more details of the financial arrangements in place).

For the year ended 31st December 2007, NALAHCL, has not declared a dividend, (2006/2007 £83.265 million), which was expected as a result of the previous years revised company structure and its refinancing of its senior debt. In 2006/2007 the Council received a share of the refinancing receipt, which included a gross dividend for 2006 of £0.738m and its share of the refinancing income of £14.575m, which totalled £15.313m for the year in total. The airport however comfortably met its senior debt repayments for 2007/2008 and dividends will be made in future years as the airport increases trade and becomes more profitable. (Note 52 on Page 92 and 93) provides more details of the existing financial arrangements in place.

### 26b. Short Term Investments

The Council has short term investments of £189,406,351 as at 31st March 2008 (£92,503,115 restated at 31st March 2007) comprising of £119,560,251 (£50,141,079 for 2006/2007) invested with Banks and £69,846,097 (£42,362,036 for 2006/2007) with Building Societies. Of the short term investments held by the Council, £871,603 (£108,330 for 2006/2007) relates to sums held on behalf of contractors' guarantee bonds which are held and invested by the Council until such time as the work commissioned is completed to the satisfaction of the Council. The Bond is then repaid to the contractor with the appropriate interest. (See Note 42, Page 81 for details).

**27. Long Term Debtors - Mortgages**

This represents principal outstanding on mortgage advances under the Housing Acts to Housing Associations and members of the public and advances for industrial development purposes.

	Outstanding 01/04/2007 £	Add New Advances £	Less Repayments £	Outstanding 31/03/2008 £
Housing Associations, Housing Purchase, Improvements etc.	308,881	0	(83,926)	224,955
Industrialists (for details see Note 6, Page 63)	46,977	0	(46,977)	0
	355,858	0	(130,903)	224,955
Less: Provision for Bad Debts	46,977	0	(46,977)	0
	308,881	0	(83,926)	224,955

The amounts outstanding at 31st March include the following sums in respect of arrears of principal:

31 March 2008 £	31 March 2007 £
3,242	4,475

**28. Long Term Debtor - Long Term Loan Notes**

This represents principal outstanding on long term loan notes received from Copenhagen Airports Ltd as part of the consideration of the sale of the Council's share (49%) in Newcastle International Airport Ltd in May 2001. Under the terms of the sale agreement the loan notes are repayable in equal instalments over 10 years starting in 2003/2004.

	Outstanding 01/04/2007 £	Add New Advances £	Less Repayments £	Outstanding 31/03/2008 £
Long Term Loan Notes - Newcastle Airport	2,731,788	0	(455,178)	2,276,610

**29. Long Term Debtors - Residual Interest in PFI Scheme**

The Council entered into a PFI scheme for the provision of Sandhill View Community Learning Centre. The contract expires in September 2027. The Council has also entered into a PFI contract to provide replacement highway signs and street lighting which includes ongoing maintenance. The contract for this expires in August 2028. A long term debtor has been established which will be used to build up the residual interest in the facilities so that by the end of the contract term the residual interest is recorded as an asset at its expected fair value. A notional interest rate for fixed assets of 3.5%, as recommended by CIPFA, has been used to determine the profiling for each years accounting entries.

	Amount as at 01/04/2007 £	Add New Provision £	Less Repayments £	Amount as at 31/03/2008 £
Sandhill View PFI Residual Interest	679,315	206,726	0	886,041
Street Lighting & Highway Signs PFI Residual Interest	62,767	18,593	0	81,360
	742,082	225,319	0	967,401

**30. Long Term Debtors - Loans to Other Public Bodies**

These represent the debt outstanding on assets transferred to other public bodies. Since 1st April 1986 the City Council has provided advances from its Loans Fund to the Tyne and Wear Fire and Rescue Authority to finance its capital expenditure.

As a consequence of the demise of Cleveland County Council, the financial administration of the Beamish North of England Open Air Museum was transferred to Sunderland City Council during 1995/1996.

The table below analyses the movements in Long Term Debtors - Loans to Other Public Bodies.

	Debt Outstanding 01/04/2007 £	Add Advances During Year £	Less Repayments During Year £	Debt Outstanding 31/03/2008 £
Tyne and Wear Fire and Rescue Authority	19,223,146	639,038	(768,926)	19,093,258
Beamish Open Air Museum	242,011	0	(9,680)	232,331
	19,465,157	639,038	(778,606)	19,325,589

**31. Long Term Debtors - Car Loan Advances**

This represents the debt outstanding on car loans made to employees

	Debt Outstanding 01/04/2007 £	Add Advances During Year £	Less Repayments During Year £	Debt Outstanding 31/03/2008 £
Car Loan Advances	14,746	15,904	(13,919)	16,731

**32. Other Long Term Debtors**

This represents debtors over one year old and mainly relates to various grants outstanding where claims have been made or where the Council has been provided with a notice of intention to pay the debt.

	Debt Outstanding 01/04/2007 £	Add Advances During Year £	Less Repayments During Year £	Debt Outstanding 31/03/2008 £
Other Long Term Debtors	1,290,225	0	(529,734)	760,491



### 33. Stocks and Stores

All stocks and stores at the year-end are valued at cost price, with the exception of stores located at the Building and Highways Maintenance Divisions within the Community and Cultural Services Directorate and salt stock, which are valued at latest price.

	31 March 2008 £	31 March 2007 £
Direct Labour Organisations - Stores	173,382	154,153
Central Purchasing - Stores	306,434	520,627
Cleaning Stores	48,418	58,375
Winter Maintenance - Road Salt	232,776	209,093
School Catering	149,313	129,106
ILC Equipment	204,244	218,765
Other Stock in Hand	242,463	220,488
	<b>1,357,030</b>	<b>1,510,607</b>

### 34. Debtors

	31 March 2008		Restated 31 March 2007	
	£	£	£	£
Government Grants		1,566,950		11,176,521
Revenue and Customs (VAT)		5,292,074		5,476,422
Tyne and Wear Connexions		1,540,270		1,631,828
Council Taxpayers Arrears		11,296,893		9,871,913
National Non Domestic Ratepayers Arrears		850,438		652,479
NNDR Pool Contribution		285,272		2,613,788
Sunderland Teaching Primary Care Trust		1,822,284		1,968,112
Sundry Debtors		17,795,364		19,088,106
		<b>40,449,545</b>		<b>52,479,169</b>
<b>Other Debtor Related Items</b> (* see footnote below)				
Deferred PFI for Street Lighting and Highway Signs	2,264,603		2,375,487	
Deferred PFI and Sandhill View	3,412,884	5,677,487	3,588,076	5,963,563
		<b>46,127,032</b>		<b>58,442,732</b>
<b>Less: Provision for Bad Debts</b>				
Council Tax	(5,579,742)		(4,994,512)	
National Non Domestic Rates	(22,133)		(20,358)	
Housing Benefits	(541,078)		(613,059)	
Miscellaneous	(407,497)	(6,550,450)	(420,769)	(6,048,698)
		<b>39,576,582</b>		<b>52,394,034</b>

\* It should be noted that the above items under this heading are treated as prepayments and categorised as Debtors according to SORP but they are not specifically true debtors as they are accounting entries required to properly account for the impact of PFI schemes which the Council has entered into.

### 35. Landfill Usage Allowance and Liability to DEFRA - Landfill Usage

The accounting entries relate to the new system introduced by the government in respect of the Landfill Allowance Trading Scheme (LATS). This is a 'cap and trade' scheme which will run for the next 15 years, from 1st April 2005 to 31st March 2020. Under the scheme each responsible local authority, known as the Waste Disposal Authority (WDA), has been allocated landfill trading allowances for each year of the scheme and also targets (cap) to reduce their Biodegradable Municipal Waste (BMW). The allowances can be traded by authorities to ensure that they meet their Biodegradable Municipal Waste (BMW) targets each year. This means that an Authority that has achieved its target can sell excess allowances to other authorities or retain them to enable them to achieve future targets. Authorities below their target face a fine of £150 per tonne for every tonne above their target and will seek to purchase other WDA's available allowances.

The value of the Landfill Usage Allowances of £444,790 for 2007/2008, (£1,762,310 for 2006/2007), reflects the 2007/2008 market value of the allowances of £5.00, (in 2006/2007 this value was provided at a price of £17.98 per allowance in accordance with DEFRA advice). The accounting treatment complies fully with the SORP.

The value of the liability to DEFRA of £378,065 for 2007/2008, (2006/2007 £1,412,437), also reflects the value of the allowances used by the Authority in 2007/2008 at the market value of £5.00, (in 2006/2007 this value was agreed at £17.98 per allowance in accordance with DEFRA advice). The accounting entries are in accordance with SORP and the surplus allowances are valued at the market price as at 31st March 2008 of £227,520 (value as at 31st March 2007 was £578,219) and is currently reflected in general balances in the form of an earmarked reserve.

As the value of the allowances held at the beginning of the year, (32,159 in total), fell in value from £17.98 to £5.00 during the year the loss on value of £417,424 (known as impairment) has been accounted for in the Income and Expenditure Account in accordance with the SORP. The table below shows the summary position:

	Landfill Usage Allowances Allocated £	Less Used During Year £	LATS Earmarked Reserve £
Opening Balances as at 1st April, 2007	3,851,238	3,273,019	578,219
Impairment of allowances during the year	(417,424)	0	(417,424)
Transactions during the year	444,790	378,065	66,725
<b>Closing Balances as at 31st April, 2008</b>	<b>3,878,604</b>	<b>3,651,084</b>	<b>227,520</b>

### 36. Creditors

	31 March 2008		Restated 31 March 2007	
	£	£	£	£
Sundry Creditors		(40,156,779)		(36,524,814)
Tyne and Wear Single Programme (TWSP):				
Newcastle CC	(2,495,935)		(3,534,077)	
South Tyneside MBC	(1,037,091)		(1,906,679)	
North Tyneside MBC	(972,813)		(399,085)	
Gateshead Council	(1,145,344)		(1,171,430)	
Learning and Skills Council	(2,856,152)		(1,381,475)	
Tyne and Wear Small Business Service	0		(446,580)	
Other External TWSP Creditors	0	(8,507,335)	(59,343)	(8,898,669)
Receipts in Advance		(6,748,443)		(6,799,136)
Connexions		(2,340,729)		(2,831,595)
Government Grants Received in Advance		(26,751,791)		(7,450,975)
		<b>(84,505,077)</b>		<b>(62,505,189)</b>

### 37. Cash Overdrawn

The actual cash overdrawn at the bank at 31st March 2008 was £0.156 million (£0.315 million as at 31st March 2007), well within the £1.500 million overdraft limit agreed with the bank.

The Council manages effectively the cash flow of its funds and has an excellent track record on treasury management services of which the bank balance is but one of a number of elements within this area. The accounts for 2007/2008 show an overdrawn cash balance of £17.086 million (2006/2007 was £15.666 million), reflecting the bank balance that would exist as at 31st March if all cheques drawn before 31st March were presented and all known late bankings were made at the year end date. In reality this situation would never arise as the Council would take the necessary day to day treasury management action to either lend or borrow temporary funds appropriately.

### 38. Loans Outstanding - Long Term Borrowing

The table below shows the source and maturity analysis of loans outstanding.

	Total Outstanding 31 March 2008 £	Total Outstanding 31 March 2007 £
<b>Source of Loan</b>		
Public Works Loan Board	128,500,000	128,500,000
Mortgage Loans	40,546,590	39,984,494
11 3/4% Stock	0	5,552,575
3% Funded Debt	126,063	128,563
	<b>169,172,653</b>	<b>174,165,632</b>
<b>An Analysis of Loans by Maturity is:</b>		
Maturing in 1-2 years	19,573	5,569,352
Maturing in 2-5 years	100,550	55,399
Maturing in 5-10 years	118,408	5,323,830
Maturing in more than 10 years	168,934,122	163,217,051
	<b>169,172,653</b>	<b>174,165,632</b>

At 31st March 2008 £39,500,000 of the mortgage loans related to money market LOBO (Lender Option Borrower Option) loans. Originally these loans had a stepped interest rate structure but £34,500,000 of these loans were renegotiated to flat interest rate loans. Accounting regulations require the interest on all these loans to be averaged over the contractual life of the loans. This meant that an interest equalisation fund had to be established to even out the interest charged to each financial year.

The value of these LOBO loans together with the Interest Equalisation Fund at 31st March 2008 is £40.241m (£39.711m at 31st March 2007), which are included in the 10 year plus figures.

### 39. Grants and Contributions Deferred Account

The Government Grants Deferred account represents amounts of capital grant received, which are being deferred to offset the depreciation on the asset the grant was paid for.

	2007/2008 Government Grants Deferred £	2006/2007 Government Grants Deferred £
Balance brought forward at 1 April	146,368,600	104,581,475
Grants applied to capital investment in year	34,514,902	45,516,022
Amounts credited to the Income and Expenditure Account	(15,824,773)	(3,728,897)
Total movement on Government Grants Deferred Account	165,058,729	146,368,600
Balance carried forward at 31 March	165,058,729	146,368,600

The balance of £165.179 million as at 31st March 2008, (£146.369 million as at 31st March 2007) on this account represents the value of capital grants and contributions which have been applied to finance the acquisition or enhancement of fixed assets held in the asset register. In accordance with the SORP the balance on this account is released to revenue in line with the depreciation of the asset. Where there has been any impairment to an asset the balance on this account is released to revenue in proportion to the assets impairment charged

#### 40. Liability Related to Defined Pension Scheme and Pensions Reserve

##### 40a. Local Government Pension Scheme

Note 8c, Page 65 to the income and expenditure account contains details of the Authority's participation in the Local Government Pension Scheme (administered by South Tyneside MBC) and the associated retirement benefits.

With regard to the Local Government Pensions Scheme, there were no contributions remaining payable at the year end.

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31st March are as follows:

	31 March 2008 £m	31 March 2007 £m
Estimated funded liabilities in scheme	(839.6)	(938.0)
Estimated unfunded liabilities in scheme	(45.0)	(48.2)
Estimated assets in scheme	643.0	666.6
Net Asset / (Liability)	(241.6)	(319.6)

The movement in the Pensions Reserve was as follows:

	31 March 2008 £m	31 March 2007 £m
Opening Balance	(319.6)	(316.7)
Contributions	34.7	32.4
Current Service Costs	(27.1)	(27.4)
Past Service Costs	(9.6)	(1.8)
Other finance income	(6.0)	(5.3)
Actuarial Gains / (losses) included in the STRGL (page 48 and Note 20)	86.0	(0.8)
Closing Balance	(241.6)	(319.6)

##### Liability:

The retirement benefits that have been promised under the formal terms of a pension scheme, (plus any constructive obligation for further benefits where the Authority has given employees valid expectations that such benefits will be granted), measured on an actuarial basis, estimating the future cash flows that will arise from liabilities (based on such things as mortality rates, employees turnover rates and salary growth), discounted to present values.

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total liability of £241.6 million as at 31st March 2008, (£319.6 million as at 31st March 2007) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme's actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liabilities have been assessed by Hewitt, Bacon and Woodrow Limited, an independent firm of actuaries, estimates for the Tyne and Wear Pension Fund being based on the latest full valuation of the scheme as at 31st March 2004. The main assumptions used in their calculations have been:

	31 March 2008 %	31 March 2007 %
Rate of inflation	3.7	3.2
Rate of increase in salaries	5.2	4.7
Rate of increase in pensions	3.7	3.2
Rate of increase in deferred pensions	3.7	3.2
Rate of discounting scheme liabilities *	6.8	5.3

\* The basis on which pension liabilities are valued is now based upon the yields of AA-rated corporate bonds whereas the majority of the assets of the fund are invested in equities. This will inevitably lead to volatility in the net pension asset on the balance sheet and to a lesser extent, in the statement of total movement in reserves.

The above figures have been provided by Hewitt Associates Limited, (formerly Hewitt, Bacon and Woodrow Limited), actuaries to the Local Government Pension Scheme (administered by South Tyneside MBC) using information provided by the scheme and assumptions determined by the Council in conjunction with the Actuary. Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

##### Reserve:

The Authority's attributable share of the investments held in the pension scheme to cover liabilities.

Assets in the scheme are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	31 March 2008		31 March 2007	
	Long Term Return %	Fund Assets %	Long Term Return %	Fund Assets %
Equity Investments	7.6	63.7	7.7	67.1
Bonds				
Government	4.6	10.9	4.7	13.5
Other	6.8	8.9	5.3	7.6
Property	6.6	10.5	6.7	10.1
Other Assets	6.0	6.0	5.6	1.7
Average Long Term Expected Rate of Return	31.6	100.0	30.0	100.0

#### 40b. Teachers' Pension Scheme

With regard to the Teachers Pension Scheme, there were no contributions remaining payable at the year end.

The pension costs relating to Teachers is classified as a Defined Contribution Scheme which is an 'un-funded' scheme administered nationally by the Teachers Pension Agency (TPA). The TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by each local authority. As such it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of the accounts it is therefore accounted for on the same basis as a Defined Contribution Scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the standard terms of the Teachers Scheme. These benefits are fully accrued and included in the pensions liability provided by the Actuary.

#### 41. Insurance Provision

The provision was set up in March 1992 to finance costs associated with insurable risks. The main cover provided by the fund is:

- damage to Council property in the event of fire, lightning, explosion, aircraft or terrorism;
- certain legal liability claims involving negligence made against the City Council.

	£	£
Balance at 1 April 2007		(4,434,900)
Expenditure during the year		
Premia and expenses		1,334,628
Settlement of claims		(3,100,272)
Income during the year		
Charges to Service Committees	(1,425,506)	
Interest	(247,743)	(1,673,249)
		(4,773,521)
Less:		
Transfer to Earmarked Reserves		1,284,615
<b>Balance at 31 March 2008</b>		<b>(3,488,906)</b>

The most recent valuation of this provision was carried out in March 2007, by independent valuers, who have confirmed that the provision is adequate to meet its assessed liabilities. A1860

#### 42. Other Provisions

The accounts include provisions for a number of specific purposes. The following is an analysis which details the provisions made and the movement on these provisions. The provisions which are considered significant are also described in more detail in the notes below. All provisions are also reviewed each year to ensure they are required and sufficient to meet future anticipated costs and are also fully compliant with the requirements of FRS12. A number of provisions have also been transferred to Reserves as a result of this review during 2007/2008.

	At 1 April 2007 £	Deduct Expenditure During Year £	Add Income During Year £	At 31 March 2008 £
* Guarantee Bonds	(108,330)	51,344	(814,617)	<b>(871,603)</b>
Former DLO Trading Areas - Apprentice Back Pay	(217,609)	217,609	0	0
Maintenance of Graves Fund	(77,181)	77,181	0	0
Maintenance of Amenity Areas	(1,596,374)	1,596,374	0	0
Play Equipment	(1,342,607)	1,342,607	0	0
City Building Services Provision for Protective Clothing	(8,443)	8,443	0	0
Community Related Assets	(17,094)	17,094	0	0
Pilotage Vessel Replacement	(117,038)	117,038	0	0
Miscellaneous	(105,554)	105,554	0	0
Tyne and Wear Development Corporation - Commuted Sum	(1,003,402)	1,003,402	0	0
Gas/Electric Refunds	(171,437)	171,437	0	0
Industrial Units Provision	(783,963)	783,963	0	0
* Back on the Map	(2,516,584)	0	(1,002,776)	<b>(3,519,360)</b>
Ground Rent Provision	(202,180)	202,180	0	0
Tyne and Wear Care Alliance Transitional Costs Provision	(90,000)	90,000	0	0
Human Resources/Payroll System	(379,869)	379,869	0	0
* Equal Pay Probable Payments	(748,631)	704,919	0	<b>(43,712)</b>
TWPP Potential Liabilities	(75,000)	75,000	0	0
Herrington Country Park	(24,000)	24,000	0	0
School Based Redundancies	(400,000)	400,000	0	0
	<b>(9,985,296)</b>	<b>7,368,014</b>	<b>(1,817,393)</b>	<b>(4,434,675)</b>

\* These are further detailed below:

#### Notes to Other Provisions

##### \* Guarantee Bonds

These are generally paid to the Council by contractors carrying out work on behalf of the Council. These funds are then invested and repaid as and when the contractor fulfils work done under contract. The expected timing of any economic benefit to the Council results when the contract is completed to the Council's satisfaction. The only uncertainty surrounds the date at which point the contractor fulfils the contractual obligations to the satisfaction of the Council.

##### \* Back on the Map (BoTM)

The provision relates to grant funding held by the Council in anticipation of future schemes being brought forward by the BoTM which meets the grant criteria in operation. The funding is time limited to 31st March 2011, being the deadline date the government has set BoTM to utilise this funding. Any balance after this point in time is to be returned to central government.

##### \* Equal Pay Probable Payments

The Council has received a number of equal pay claims that may have to be met and these have been assessed for each different type of claim. These claims are by their very nature both difficult to predict the outcome of in terms of both the amount to be paid and also when the payments will become due. The Council has thus prudently set aside a provision based on the best information available to meet this potential liability.

The level of the provision was reviewed and £305,465 was transferred to reserves in 2007/2008. This figure forms part of the total expenditure made in 2007/2008 of £704,919 in respect of the equal pay claims provision.

#### 43. Revaluation Reserve

The Revaluation Reserve is a new reserve created in 2007/2008 to record the accumulated gains on the fixed assets held by the authority arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

The Reserve is also debited with amounts equal to the part of depreciation charges on assets that has been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

Whilst these gains arising from revaluations increases the net worth of the authority they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

	2007/2008 £
Balance as at 1 April 2007	0
Add: Upwards Revaluations	237,206,238
	237,206,238
Less: Excess of current cost over historic cost depreciation	(2,488,598)
Revaluation gain transfer following downwards revaluation	(4,770,292)
Revaluation gain written off following disposal and transfers	(26,334,798)
<b>Balance as at 31 March 2008</b>	<b>203,612,550</b>

#### 44. Capital Adjustment Account.

The Capital Adjustment Account is a new account created in 2007/2008. The balance as at 1st April 2007 has been created from the balances that existed on the now defunct Fixed Asset Revaluation Account and the Capital Financing Account. The Capital Adjustment Account accumulates debits the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal and it accumulates as credits the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition such as deferred charges. The balance on the account represents the timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

	£	£
Balance as at 1 April 2007		633,626,563
Add: Capital Financing:	0	
Capital Receipts Applied	13,055,202	
Revenue	4,066,165	
Government Grants	38,131,826	
Other Grants and Contributions	8,102,928	
Use of Capital Reserves	738,055	64,094,176
Excess of current cost over historic cost depreciation		2,488,598
Revaluation gain transfer following downwards revaluation		4,770,292
Revaluation gain written off following disposals and transfers		26,334,798
Build Up of Residual Interest in PFI schemes		225,319
Government Grants Deferred Applied to Revenue		15,824,773
Minimum Revenue Provision		8,900,821
		756,265,340
Less: Deferred Charges written down (See <a href="#">Note 25, Page 75</a> )	(18,582,306)	
Deferred PFI Debtors	(286,076)	
Depreciation Applied to Revenue	(26,129,748)	
Amortisation Applied to Revenue	(118,694)	
Impairment Applied to Revenue	(41,261,001)	
Carrying amount of fixed assets following disposals and transfers	(43,397,449)	
Addition to Government Grants Deferred	(34,514,902)	(164,290,176)
<b>Balance as at 31 March 2008</b>		<b>591,975,164</b>

#### 45. Deferred Credits

Deferred capital receipts arise from the repayment of loans granted to individuals for the purchase of council houses and other dwellings, and from receipts due in respect of long term notes received as part of the consideration from the sale of 49% of the Council's share in Newcastle airport.

	31st March 2008 £	31st March 2007 £
Deferred Capital Receipts	3,243,288	3,811,949

**46. Usable Capital Receipts Reserve (available for Capital Purposes)**

Under regulations contained in the Local Government Act 2003, for non-housing authorities capital receipts are held by the Authority and can be used to pay for any kind of capital expenditure, to repay debt, to meet premiums on early debt repayments and to meet liabilities under credit arrangements. The government determined in 2005/2006 that a proportion of Capital Receipts from mortgage repayments relating to properties contained within the Council's Housing Revenue Account prior to the Large Scale Voluntary Transfer (LSVT) of property to Sunderland Housing Group (now called Gentoo) is paid over to the government and redistributed to authorities as part of capital grant settlements. The payment of Pooled Housing receipts relates to mortgage repayments received in 2007/2008. This amount is also shown in the income and expenditure account (Page 37) as required by the SORP. A sum £6.515m included in the usable capital receipts balance relates to the receipt of £13.655m from the LSVT. This amount has been allocated to and earmarked within the Council's Strategic Investment Reserve.

	2007/2008 £	2006/2007 £
Balance of Usable Receipts at 1 April 2007	<b>21,296,548</b>	16,471,645
Less: Sources of Capital Receipts during year *	<b>4,618,063</b>	10,993,195
Pooled Housing Receipts	<b>25,914,611</b>	27,464,840
Less: Pooled Housing receipts	<b>(62,577)</b>	(141,570)
Financing Capital Expenditure	<b>(13,055,202)</b>	(6,026,722)
<b>Balance of Usable Receipts at 31 March 2008</b>	<b>12,796,832</b>	21,296,548
* The amounts receivable in year included:	£	£
Capital Receipts	<b>4,079,449</b>	10,349,259
Mortgages repaid	<b>83,436</b>	188,758
Long Term Loan Notes repaid	<b>455,178</b>	455,178
<b>Total</b>	<b>4,618,063</b>	10,993,195

In 2007/2008 capital receipts of £4,079,449 (2006/2007 £10,349,259) were generated mainly due to the sale of land at the former Wellbank school site and the sale of assets to aid regeneration at Washington, Hendon, and High Street West (the major disposals in 2006/2007 related to land at the former Davenport and Washington Village Schools and sale of 1 and 2 The Esplanade).

During 2007/2008 the council transferred Houghton Kepier school to the governing body responsible for the running of the foundation school and the council transferred Leonard House, Silksworth and Silksworth Library to Housing 21 for a nominal sum as part of its extra care housing strategy.

#### 47. General Fund Balances

General Fund Balances as reported in the Statement of Accounts on Page 46 shows the amount of General Fund Balance available to the Council and the level of balances ring fenced to schools under the Scheme of Local Management of Schools in order to comply with the SORP 2006. The analysis below sets out and explains the movement in these balances during 2007/2008.

	31 March 2008 £	Restated 31 March 2007 £
Schools Locally Managed - Reserve	5,601,315	4,172,301
General Reserve	12,007,630	15,404,604
<b>Total General Fund Balances</b>	<b>17,608,945</b>	<b>19,576,905</b>

##### General Reserve

When the 2008/2009 original budget was set, balances were estimated to reduce by £6.535 million as a result of contributions of £2.550 million to the revenue budget and £4.050 million to the Capital Programme and repayment of temporary financing amounting to £0.065million.

As part of the budget setting exercise process for 2008/2009 a review of the 2007/2008 contingencies and non delegated budgets was undertaken and balances were estimated to increase by £3.349 million at that time. This took into account:

- Savings on debt charges, interest on balances and contingencies of £9.790 million.
- Additional income of £0.306 million in respect of income received from the Local Authority Business Growth Initiative.
- Transfer of £6.747 million to reserves to support equal pay and single status costs, capital programme pressures and strategic plans and priorities.

The final general balances position of £12.008 million is as forecast at the revised estimate stage after taking account of a number of items reported to Cabinet as part of the outturn report.

The Foreword by the City Treasurer set out on Pages 7 and 10 provides more detail on the variations set out above and commitments against these balances.

##### Schools Locally Managed - Reserve

In accordance with the Education Reform Act 1988, the Scheme of Local Management of Schools provides for the carry forward of individual school surpluses. These are earmarked reserves and are not available to the Council for general use but now form part of the General fund Balance in accordance with the SORP. The net surplus at 31st March 2008 comprised individual surpluses totalling £5.988m, (£5.503m for 2006/2007) and deficits totalling £1.283m, (£1.640m for 2006/2007). Centrally held contingencies due to be redistributed to schools in 2007/2008 total £0.896m, (2006/2007 was £0.309m). The net surplus at 31st March 2008 totals £5.601m (2006/2007 was £4.172m).

#### 48. Delegated Budgets Reserve

	31 March 2008 £	31 March 2007 £
Delegated Budgets - General	7,194,979	6,988,636
Delegated Budgets - Other	679,445	765,246
<b>Total Delegated Budgets Reserve</b>	<b>7,874,424</b>	<b>7,753,882</b>

The amount of Delegated Budgets - General has increased during 2007/2008 by a net movement of £0.206m and represents service budget spending financed from both previous years under spendings carried forward and in year generated surpluses, as reported to Cabinet on 26th June 2008. The use of surpluses in the year also complies with the criteria set out for delegated budgets, where delegated surpluses can be carried forward and used to meet future service spending commitments. Of the total amount of delegated budgets £7.195m carried forward, a significant amount has been earmarked for use in 2008/2009, in many instances for the same purposes as existed and were planned for 2007/2008.

The amount of Delegated Budgets - Other has reduced during 2007/2008 by a net movement of £0.086m, (in 2006/2007 there was a net reduction in surplus of £0.118m). This mainly represents the planned use of the former Careers Service budget surplus of £0.265m during 2007/2008. The level of surplus relating to the Careers Service budget is stands at £0.297m however there remain a number of commitments against this surplus, (2006/2007 was £0.562m) and the Tyne Wear Partnership (TWP) surplus which has increased by £0.179m to a level of £0.382m in 2007/2008, (2006/2007 £0.203m).

#### 49. Financial Instruments - Assets and Liabilities

Accounting regulations require the 'financial instruments' (investments, lending and borrowing of the Council) shown on the balance sheet to be further analysed in various defined categories. The investments, lending & borrowing disclosed in the balance sheet are made up of the following categories of 'financial instruments'.

##### Financial Instrument Balances

	Long Term		Current		Total	
	31 March 2008 £'000	31 March 2007 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2008 £'000	31 March 2007 £'000
<b>Borrowings</b>						
Financial liabilities at amortised cost	176,835	0	44,527	0	221,362	0
<b>Total Borrowings</b>	<b>176,835</b>	<b>0</b>	<b>44,527</b>	<b>0</b>	<b>221,362</b>	<b>0</b>
<b>Investments</b>						
Available for Sale Assets	12,630	0	0	0	12,630	0
Loans and receivables	5,000	0	189,406	0	194,406	0
<b>Total Investments</b>	<b>17,630</b>	<b>0</b>	<b>189,406</b>	<b>0</b>	<b>207,036</b>	<b>0</b>

##### Notes

1. Since the balance at 31st March 2007 is not re-classified into the SORP2007 categories only the total borrowing and investment figures for 31st March 2008 are shown in the above table.

2. LOBO's of £19.5m have been included in long term borrowing but have a call date within the next 12 months. The above long term figures are based on SORP2007 which states that in undertaking effective interest rate calculations the maturity period for a LOBO should be taken as being the contractual period to maturity a period much greater than the call date of 12 months.

##### Gains and Losses on Financial Instruments

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows

	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £	Loans and receivables £	Available For sale assets £	£
Interest expense	(9,720)	0	0	(9,720)
<b>Interest payable and similar charges</b>	<b>(9,720)</b>	<b>0</b>	<b>0</b>	<b>(9,720)</b>
Interest Income	0	10,883	0	10,883
<b>Interest and investment income</b>	<b>0</b>	<b>10,883</b>	<b>0</b>	<b>10,883</b>
<b>Net gain / (loss) for the year</b>	<b>(9,720)</b>	<b>10,883</b>	<b>0</b>	<b>1,163</b>

Comparable figures are not available for 2006/2007 due to the change in accounting standards.

##### Fair Value of Assets and Liabilities carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below. In line with CIPFA guidance we have not calculated fair values at 31st March 2007.

##### Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rates applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March 2008, using bid prices were applicable.

The calculations are made with the following assumptions:

- \* For PWLB debt, the discount rate used is the premature repayment rates as per rate sheet number 064/08.
- \* For other market debt and investments the discount rate used is the rates 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 value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:



**49. Financial Instruments - Assets and Liabilities**  
**Fair Value of Liabilities carried at Amortised Cost**

	31 March 2008		31 March 2007	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
PWLB	130,003	132,273	130,006	0
LOBO's	40,595	43,132	40,536	0
Stock	5,914	6,118	5,920	0
Other	329	365	339	0
Bank overdraft	17,087	17,086	15,666	0
Short term borrowing	27,441	27,441	25,961	0
<b>Financial Liabilities</b>	<b>221,369</b>	<b>226,415</b>	<b>218,428</b>	<b>0</b>

**Notes:**

As a result of the changes in accounting policy, premiums and discounts existing as at 31st March 2007 were re-examined and £1,995,833 of premiums and £2,409,835 of discounts were adjusted and included in the carrying value of the relevant instruments, resulting in a net increase in the Total Balance Sheet value at 1st April 2007 of £414,002. The carrying amount of financial liabilities as at 31st March 2008 was £221,369,171.

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. Financial Liabilities at fair value reflects a change in accounting standards therefore prior year comparative figures are unavailable.

**Fair Value of Assets carried at Amortised Cost**

	31 March 2008		31 March 2007	
	Carrying Amount £	Fair Value £	Amount £	Fair Value £
Deposits with banks and building societies	194,406	194,487	161,550	0
<b>Financial Assets</b>	<b>194,406</b>	<b>194,487</b>	<b>161,550</b>	<b>0</b>

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. Financial Assets at fair value reflects a change in accounting standards therefore prior year comparative figures are unavailable.

**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.

**1. 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 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 2008 £000	Historical Experience of default	Historical Experience adjusted for market conditions as at 31 March 2008 £000	Estimated maximum exposure to default and uncollectability £000
Deposits with banks and other financial institutions	194,406	0.00%	0	0
Bonds and other securities	0	0.00%	0	0
Customers	39,577	0.32%	0	127
<b>Total</b>	<b>233,983</b>			<b>127</b>

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

## 49. Financial Instruments - Assets and Liabilities

### 2. 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.

	31 March 2008 £000	31 March 2007 £000
<b>Loans Outstanding</b>		
Public Works Loans Board	130,003	130,007
Market Debt	40,595	40,011
Stock	5,914	5,915
Temporary Borrowing	27,441	25,961
Local Bonds	54	52
Other	275	288
<b>Total</b>	<b>204,282</b>	<b>202,234</b>
Less than 1 year	35,110	28,068
Between 1 and 2 years	19	5,569
Between 2 and 5 years	101	55
Between 5 and 10 years	118	5,324
More than 10 years	168,934	163,218
<b>Total</b>	<b>204,282</b>	<b>202,234</b>

In the more than 10 years category there are £19.5 m of LOBOs which have a call date in the next 12 months.

### 3. 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 Account
- \* Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- \* The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the STRGL.
- \* The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

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

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

According to this assessment strategy, at 31st March 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£
Increase in interest payable on variable rate borrowings	330,202
Increase in interest received on variable rate borrowings	1,892,580
Increase in government grant receivable for financing costs *	N/A
<b>Impact on Income and Expenditure Account</b>	<b>2,222,782</b>
Decrease in fair value of 'available for sale' investment assets	0
<b>Impact on STRGL</b>	<b>2,222,782</b>
<b>Decrease in fair valuer of fixed rate investment assets (no impact on I&amp;E account of STRGL)</b>	<b>(627,847)</b>
<b>Decrease in fair valuer of fixed rate borrowing liabilities (no impact on I&amp;E account of STRGL)</b>	<b>(29,889,949)</b>

\* Not Available as this figure can not be derived from the grant allocated

## 49. Financial Instruments - Assets and Liabilities

### 4. Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £12,610,575 in Newcastle Airport which is not listed on the stock exchange. The authority is consequently only exposed to losses arising from movements in the price of these shares if a revaluation of the company showed a fall in its overall valuation.

The Council holds a small number of various gilts and unit trusts with a value at cost of £19,541 which are classified as 'available for sale', meaning that all movements in price, would if considered material (loss of £7,359), impact on the gains and losses recognised in the STRGL. The market value of these holdings as at 31st March 2008 was only £94,503 in total (the value at 31st March 2007 was £109,862).

### 5. 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.

#### Soft Loans

SORP 2007 requires local authorities that grant loans to third parties at below market rate to account for them on a fair value basis. The fair value is the present value of all future cash receipts discounted using the prevailing market interest rate for a similar instrument and for an organisation with a similar credit rating. LAAP Bulletin 73 confirms that materiality needs to be taken into consideration and where the value is not material the new accounting adjustments need not be followed.

The SORP requires that the difference between cash lent and fair value be recognised immediately in the Income and Expenditure Account. The fair value of a soft loan will increase over the term of the loan, because the amount of interest forfeited will reduce. This is reflected by increasing the carrying value of the loan to reflect the unwinding of the discount. The resulting increase in value is recognised in the Income and Expenditure Account. The impact of a soft loan upon the Income & Expenditure account has therefore not been adjusted.

The value of soft loans given by the City of Sunderland amounted to £16,731 representing the value of car loan advances outstanding as at 31.03.2008. The difference between the carrying amount and the fair value of the soft loans is considered to be immaterial and the income and expenditure account has therefore not been adjusted.

#### Financial Guarantees

SORP 2007 requires local authorities to account for financial guarantees given to third parties when they are given, rather than when it is probable that the guarantee will be called. The guarantee will be recognised at fair value and charged to the income and expenditure account and then amortised over its life.

The City of Sunderland acts as guarantor for a number of funds and organisations all of which are described in detail in Note 56. The total value of financial guarantees outstanding at 31 March 2008 has been considered to be immaterial and as such no accounting adjustments have been made.

## 50. Financial Instrument Adjustment Account

SORP 2007 requires that financial assets are carried at fair value unless they have fixed or determinable payments but are not quoted in an active market. The outcome of proper accounting practice is different from that required in assessing the impact on local taxes. The Financial Instruments Adjustment Account helps manage this process by providing a balancing mechanism between the different rates at which gains and losses, such as premiums and discounts on the early repayment of debt are recognised under SORP 2007 and are required by statute to be met from the General Fund.

	£000	£000
Balance at 1 April 2007		323,774
Premiums	(186,850)	
Discounts	239,579	
LOBO's	3,954	56,683
<b>Balance at 31 March 2008</b>		<b>380,457</b>

**51. Analysis of Capital and Revenue Reserves**

The SORP requires the Council to provide details of all of its Capital Reserves and Revenue Reserves on the Balance Sheet (Page 49). This note shows in more detail the make up of these balances which relate to various earmarked reserves established and agreed by the Council. These are amounts of money set aside for a specific purpose, the amount and timing of which is not yet known but where there is a clear liability or spending pressure to be addressed in the future.

<b>Capital Reserves:</b>	<b>2007/2008 £</b>	<b>2006/2007 £</b>	<b>Purpose of the Reserve</b>
Strategic Investment Reserve	<b>52,148,682</b>	46,830,115	A reserve established with the proceeds of the Housing Stock Transfer and Airport Share Sale to allow capital investment to be funded to address the Council's Strategic Priorities. All of this reserve is earmarked for specific approved purposes, with the exception of part of the receipt received in respect of the recent refinancing of Newcastle Airport.
Unutilised RCCO Reserve	<b>5,897,962</b>	2,090,691	The reserve consists of unutilised direct revenue financing and is fully earmarked to fund future capital expenditure.
Children's Social Care Capital Reserves	<b>335,307</b>	312,308	Reserve earmarked for ICT development and a sinking fund for the Hendon Centre.
Strategic Investment Plan Reserve	<b>6,747,000</b>	0	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	<b>3,336,163</b>	3,367,980	Usable capital receipts set aside to fund future capital expenditure.
<b>Total Capital Reserves</b>	<b>68,465,114</b>	52,601,094	

51. Analysis of Capital and Revenue Reserves

Revenue Reserves:	2007/2008 £	2006/2007 £	Purpose of the Reserve
Standards Fund Reserve	0	5,704,722	The reserve was fully utilised on school expenditure in the year in line with government regulations.
Street Lighting PFI Smoothing Reserve	7,607,044	6,907,024	The reserve was established to smooth the financial impact of the contract across 25 years of the contract life. In the early years of the contract surpluses are achieved as the full level of unitary charge is not incurred until the core investment programme for the installation of the new street lighting and highways signs is completed. Additionally under the reducing balance methodology of receiving grant, higher levels of grant would be received in early years with this amount reducing over time. From 1st April 2005 Government changed to the annuity method of paying PFI grant where the amount is consistent across the contract life.
Sandhill Centre PFI Smoothing Reserve	2,773,605	2,420,083	The reserve was established to smooth the financial impact of the contract across 25 years of the contract life. Under the reducing balance methodology of receiving grant, higher levels of grant would be received in early years with this amount reducing over time. From 1st April 2005 Government changed to the annuity method of paying PFI grant where the amount is consistent across the contract life.
Service Pressures and Priorities Reserve	2,888,298	3,662,362	Reserve established to deal with service pressures and priorities.
Education Meals Consortium Reserve	343,004	401,292	The reserve was set up for schools within the School meals consortium where meals are purchased through Cultural and Community Services. The balance is to be held pending the outcome of the review of school meal charging arrangements and trading performance in 2008/2009.
Other Miscellaneous Reserves	455,243	515,778	Numerous small revenue reserves set up for specific purposes.
Inward Investment Reserve	390,940	590,253	A reserve to enable the development of a series of events over a 3 year period to increase tourism and to assist in improving the economic prosperity of the City.
Landfill Allowance Trading Allowance Reserve	227,520	578,219	This reserve is required by regulation and will only have a real value if the Council can trade its surplus allowances before 31st March 2009 - please see Note 35, page 78 for further details.
Derwent Hill Reserve	0	12,558	The reserve was fully utilised in the year to address improvements to outdoor equipment at Derwent Hill.
School Community Reserve	2,723,913	401,287	The reserve holds the surpluses on community schemes at schools. Reserve to be held until all schemes are closed.
School Meals Reserve	180,000	180,000	This reserve was established to fund a potential deficit in the provision of school meals.
Children's Services Modernisation Reserve	31,875	138,875	The reserve is being used to fund one-off transitional costs associated with the Children's Social Services Modernisation Programme.
Adult Services Modernisation Reserve	416,032	416,032	The reserve was set up to fund the one off transitional costs associated with the Adult Services Modernisation Programme.
Port General Reserve	744,894	364,662	The reserve is intended to meet the potential costs associated with the future investment needs and liabilities of the Port.
Repairs and Renewals Reserve	1,288,465	0	The reserve is used to fund repairs and renewals associated with council buildings and work associated with the Disability Discrimination Act.
Economic Development Reserve	1,225,000	0	This reserve was established to fund future economic development grants.

**51. Analysis of Capital and Revenue Reserves**

	2007/2008 £	2006/2007 £	Purpose of the Reserve
Play Areas Reserve	1,703,331		0 The reserve relates to monies paid over by the developers of new housing estates, under Section 106 Town and Country Planning Act 1990. On completion of the development the contributions are used to provide play equipment on housing developments.
Amenity Areas Reserve	763,749		0 This reserve is set up to deal with maintenance requirements of amenity areas.
Commuted Sums Reserve	1,898,939		0 The reserve was set up to reflect the monies developers of new housing estates pay to the Council for maintaining the upkeep of grassed areas and areas of common ground for which the Council has responsibility. The funds are invested and earn interest and are drawn upon to fund the grounds maintenance carried out each year.
Connexions Related Reserves	897,922		0 The reserve was set up for two specific purposes. Firstly, to fund overhanging costs / liabilities arising from the transfer of the Tyne & Wear Connexions service to individual local authorities. Secondly, to facilitate investment and fund transitional costs over an initial three year period in the newly formed Tyne & Wear Hub service.
External Placements Reserve	250,000		0 The reserve was established to manage the costs of external placements which fluctuate year on year and will minimise the in year impact on the Childrens Services Directorate Budget.
Education Redundancies Reserve	133,230		0 The reserve was established to meet the anticipated costs of voluntary redundancies at schools as a result of falling pupil roles within the Authority's schools.
Residential Homes Reserve	288,500		0 The purpose of the reserve is to replace furniture in the Council's small homes for people with learning disabilities.
Replacement Port Vessel Reserve	119,854		0 Established with contributions from ship owners in 1987/1988 towards the eventual replacement of the pilot cutter vessels.
SAP Development Reserve	379,869		0 Reserve established to fund future developments to the SAP system.
Apprentices Back Pay Reserve	217,609		0 Reserve established to fund potential back pay claims from apprentices.
Waste Disposal Reserve	345,000		0 Reserve established to meet the preparatory costs associated with the long term strategic waste disposal solution.
Energy Costs Reserve	1,000,000		0 Reserve established to meet the anticipated increase in energy costs additional to the provision included in the 2008/2009 budget.
<b>Total Revenue Reserves</b>	<b>29,293,836</b>	22,293,147	

## 52. Related Companies and Organisations

### **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.

The Company's objectives are:

- i) The assistance, promotion, encouragement and security of the economic development and regeneration of Tyne and Wear, of new industry and commerce, and employment opportunities within Tyne and Wear;
- ii) The investigation of the needs of industry and commerce, and the advertising and promotion of the benefits of Tyne and Wear as a location for the expansion and promotion of industry and commerce;
- iii) The promotion of the interests of industry and commerce in all circles of local and central government and administration.

Members of the Company have a limited guarantee of £1. If, however, the Company was ever wound up or dissolved, by the agreement of at least a majority of its members, then all liabilities and debts would have to be satisfied before any remaining interests in land of the Company could be transferred to the Council in which they are located. Any other funds and property not so covered (in the memorandum of association) would be distributed in proportion to the populations of each constituent Council's area. As the portfolio of assets of the Company is considerable and its residual liabilities are not considered to be significant then the Council would anticipate a distribution of net assets/proceeds should this event occur at any time.

To gauge the scale of its business the financial results of the company for 2006/2007 showed a consolidated trading loss after taxation of £0.260 million and had net assets worth £14.864 million. The company's audited accounts for 2007/2008 will be made available once approved by the board at its AGM in January 2009.

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. The accounts which have a 31st March year end date are available once agreed at the AGM held by the Company in the following January. Copies of the accounts can then be acquired upon application to the Manager, Tyne and Wear Development Company Limited, Investor House, Colima Avenue, Sunderland Enterprise Park, Sunderland SR5 3XB.

### **Newcastle International Airport Ltd / NIAL Holdings Ltd / NIAL Group Ltd**

Under the Airports Act 1986 Newcastle International Airport became an Airport Company on 1st April 1987 and properties, rights and liabilities of the constituent local authorities were transferred to it. In consideration of this transaction the Council received an allocation of 6,161,377 £1 shares out of a total share capital of 33,395,000 with a book value of £6,161,377. As already mentioned in **Note 26a** to the Balance Sheet, the Council sold 49% of its shareholding to Copenhagen Airports Ltd and has retained 51% of its previous shareholding with a revised book value of £12,608,730, as this shareholding now represents 51% of NIAL Holdings Ltd share holding total of 65,480,000 which was valued at £134.0 million at that time. The valuation of NIAL Holdings Limited is reviewed annually and any movement in the value or our shareholding is reflected in the Newcastle Airport Reserve.

A new Company known as NIAL Holdings Ltd was then established to hold all shares in Newcastle Airport Ltd and distributes 49% of any dividend to Copenhagen Airports (32,085,000 shares) and the remaining 51% to the constituent local authorities (33,395,000 shares) who collectively own a separate Company known as the Newcastle Airport Local Authority Holdings Ltd. The Council holds a 18.45% shareholding in the Newcastle Airport Local Authority Holdings Company which equates to a 9.41% shareholding in NIAL Holdings Ltd and from 2007 the other group company NIAL Group Limited .

The principal activity of Newcastle International Airport Ltd (registered 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. There have been no dividends declared for 2007 (£2006 £4.000 million total dividend) - this formed part of the £83.000m received by the LA7 Councils last year. There are no outstanding balances owed to or from NIAL at the year end. NIAL Group Limited made a loss before tax of £0.605 million and a profit after tax of £2.171 million.

A request for a copy of NIAL Group Limited accounts should be made in writing to the following address:  
Head of Finance, South Tyneside Council, Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear NE33 2RL

## 52. Newcastle Airport Local Authority Holdings Company Ltd.

The Council's liability in this arrangement is explained below in the notes in respect of the Newcastle Airport Local Authority Holding Company Limited (NALAHCL) which retains the majority shareholding of 51%.

The Company has a share capital of £10,000 of which the Council's holding is £1,845 or 18.45% of the total. The purpose of the company is mainly to distribute the surplus generated from NIAL Holdings Ltd and the Council's share amounts to 18.45% of the distributable amounts. These shares were purchased during 2002/2003 to reflect this shareholding, this forms part of **Note 26a, Page 76** to the Balance Sheet. No losses / deficits are anticipated as these will be dealt with within the above PLC arrangements. The accounts are now prepared on a year end of 31st December to allow full consolidation with the Newcastle Airport accounts mentioned above. The accounts have been drafted but have not yet been finalised or audited.

The results of the Newcastle Airport Local Authority Holding Company Limited show that there will be no dividend paid in respect of 2007, as compared to the total net amount shareholders received for 2006 of £83.000 million. Sunderland's share of this amount comprised of a dividend of £0.738 million for 2006 and in addition it also received refinancing income of a further £14.575 million. The fact that no dividend is to be received for 2007 was not unexpected as this is a direct result of the refinancing exercise carried out in the previous year and the restructuring of the Company. In the future there is still the prospect of dividends but this will be based upon the future financial performance of the company.

The Council's liability in this arrangement amounts to the loss of its shareholding in the company, if the Company should ever to cease trading. However, with considerable assets available to the airport this is considered unlikely that a net liability position would emerge. The consolidated accounts of NIAL Holdings Ltd are consolidated into the accounts of Newcastle Airport Local Authority Holding Company Limited (NALAHCL) and as such a copy of these accounts can be obtained upon application to the Head of Finance, South Tyneside MBC, Town Hall and Civic Centre, Westoe Road, South Shields NE33 2RL.

### 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.

From 1st October 2000, the Council, with the agreement of the Trust, entered into a facilities management arrangement with Apollo Leisure for a fixed annual amount. This transferred the risk and upkeep of the premises to Apollo Leisure from the Trust, which was known as Clear Channel Entertainments but is currently known as Live Nation. The buildings, however, do remain the property of Sunderland City Council. The contract stipulates the amount to be paid by the Council to Live Nation which totalled £431,965 in 2007/2008, (£467,528 in 2006/2007). The Council as such does not therefore contribute to any losses but does benefit from any surpluses made in excess of an agreed return by the facilities management company during its financial year's operations. The Trust monitors these arrangements and has, as a result, incurred minimal costs each year. If the agreement was ever terminated then the assets of the Theatre remain with the Council and the only liability would be to meet any costs of the Trust which are considered minimal.

In 2007/2008 the turnover of the Trust was under £30,000 and as such audited accounts are not required. The Trust however made a small surplus of £182 (surplus of £301 for 2006/2007) in year which will increase its reserves to meet future costs. It's reserves as at 31st March 2008 now stand at £11,818 (£11,636 as at 31st March 2007). In 2007/2008 the Council made a contribution of £27,750 (£23,990 for 2006/2007) 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 City Treasurer, Sunderland City Council, Civic Centre, P.O. Box 106, Sunderland, SR2 7DN.

The Accounting Code of Practice 1996 introduced new requirements where a local authority has interests in companies, to determine whether group accounts are required. There are two main considerations in such determination:

- Materiality
- Whether such companies would be regarded as subsidiary and associated companies under the Companies Act

The Companies referred to above do not meet the above criteria and consequently group accounts have not been prepared in line with the Statement of Accounting Policies (**Note 18, Page 69**) and the new requirements that applied from 1st April 2004.

## 53. 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 £0.250 million, however this can only be an estimate at this point in time.

During 1992/1993 the Council's insurers, Municipal Mutual Insurance, ceased accepting new business. The Council has a number of outstanding claims with MMI and arrangements are in place to try and ensure an orderly settlement of the sums due. Potential losses on insurance settlements, are estimated at £0.656 million.

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

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

In June 2005, the Council via Government Office North East (GONE), received a European Court of Auditors (ECA) report which indicated some technical issues had been found in respect of the Sunderland ARC feasibility study project grant claim. The Council responded to these issues and has now had confirmation that the maximum possible loss of grant will now not exceed £107,000. The Council, however, is still in discussions with GONE and has provided more detailed information in respect of the dispute and although there is the prospect of reducing the loss further the Council can only speculate on the likely outcome at this point in time. The Council has also responded by putting in place corrective action so as to prevent a re-occurrence of the issues raised by ECA and is currently awaiting a final decision from GONE on the grant position.

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 the Housing Group 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 £240.000 million and as yet no claims have been made.



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

A revised claim was received from Pyeroy of approximately £395,000, (previously £260,000), in respect of the Wearmouth Bridge Works. 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 Pyeroys claim and has already sought advice from Queens counsel on this matter. The Council is reasonably confident Pyeroy will not succeed but it is still however considered prudent to disclose a contingent liability in the accounts in case the Council loses the action. A claim was also received from Mowlem PLC now known as Carillion of approximately £1 million in respect of the Queen Alexandra Bridge works. This dispute has also been considered and rejected by an adjudicator and Carillion has served notice of their intention to refer the dispute for arbitration.

The Council continues to reject the claim in respect of payment on the basis of the works being required to meet the contracted standard but has made provision in respect of the increase in steel work. Both of these claims have now been held in abeyance for over 2 years and in the light of this position the Council's best estimate of the assessed combined potential liability, should the Council lose these actions, is considered to be £0.800 million plus potential costs in total.

The Council has a number of outstanding equal pay claims which 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 by making compensation payments, and has also made compensation payments to non claimants who have the same circumstances as those claimants to whom compensation payments have been made. The Council is currently engaged in proceedings in relation to other claims made but not yet settled and has therefore very prudently set up a provision and a reserve to meet these future potential liabilities. The Council continues to mount a strenuous defence of the claims made and has taken advice from leading Counsel. However, if the Council were to lose future claims from workers not already included then there could still be scope for these future cases having a significant financial impact on the Council. These claims can not be assessed or quantified at this time.

The Council as the accountable body for URBAN II grant funding is responsible for all grant claims and as such must repay any ineligible grant as a consequence of this responsibility. As part of its role, therefore, it carries out Article 4 visits to ensure grant funding is being properly spent by those awarded this grant, on eligible schemes. These visits are almost complete and they have uncovered a range of technical issues which have been found in respect of URBAN II grant claims, which could result in a potential loss of grant funding of up to £111,000 (the worst case position at this point in time). There are, however, a number of factors that still could affect the final position and these issues and actions are currently being considered by the Council in order to reduce the final outcome. It is thus very difficult to assess the precise outcome at this stage as a number of other factors could still change the final position and the above figure can only represent the best estimate available.

#### 54. 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 2007 the Council was responsible for 43 of these funds (41 relating to Education and 2 relating to Adult Social Services), details of which are shown below.

	Balance at 01/04/2006 £	Additions During Year £	Income £	Expenditure £	Balance at 31/03/2007 £
Education Trust Funds	48,711	112,322	2,129	0	163,162
Adults and Children's Services Funds	81,328	0	3,247	(1,820)	82,755
	130,039	112,322	5,376	(1,820)	245,917

#### 55. Contingent Asset

The Council has a number of contracts with the public utilities where it has negotiated a fixed price contract and is aware of a refund in respect of both Gas and Electricity energy rebates as the billing amounts were greater than the agreed fixed contract price for 2007/2008. However due to the volatility and vast number of price changes experienced during the year, only an assessment can be made of the rebate which the council can expect at this point in time which is expected to total up to £0.650m.

#### 56. Post Balance Sheet Events

##### Connexions - adjusting item

Connexions Tyne and Wear was planned to close on 31st March 2008 and as such the SORP instructs the Council to treat this as an adjusting post balance sheet event in its accounts for 2007/2008. This means that the full accounting implications known at the time the accounts are prepared should be reflected in the Statement of Accounts showing wherever possible the latest position on all known facts and agreements at that time. As such the accounts show Connexions as a discontinuing service on the Income and Expenditure account and exclude all future ongoing revenue costs in respect of the Tyne and Wear district councils who are to provide their own operations and services from 1st April 2008. All necessary accruals have therefore been made to the accounts to reflect the most up to date accounting position in line with the SORP.

#### Notes to the Cash Flow Statement

#### 57. Revenue Activities. The net Cash Flow can be reconciled to the Income and Expenditure Account as follows:

	2007/2008		2006/2007	
	£	£	£	£
(Surplus)/Deficit per Income and Expenditure Account		71,191,235		(14,332,408)
Non Cash Transactions				
Depreciation, Impairment and Government Grants Deferred Amortisation	(51,684,670)		(18,434,793)	
Deferred Charges written to revenue	(5,685,085)		(6,210,246)	
Direct Revenue Funding	4,804,222		14,182,622	
Net Movement in Reserves and Provisions	(23,026,113)		(16,907,074)	
Other	(2,671,228)	(78,262,874)	(1,178,712)	(28,548,203)
Items on an Accruals Basis				
Increase/(Decrease) in Debtors	(12,817,452)		(2,574,891)	
(Increase)/Decrease in Creditors	(21,999,888)	(34,817,340)	12,264,250	9,689,359
Net Cash Flow from Revenue Activities		(41,888,979)		(33,191,252)

#### 58. Increase/(Decrease) in Cash

	31/03/2008	31/03/2007	Movement	Movement
	£	£	£	£
Cash in Hand	870,844	947,676	76,832	11,020
Cash in Schools Bank Accounts	1,549,882	1,613,748	63,866	(1,413,291)
Cash Overdrawn	(17,086,306)	(15,666,024)	1,420,282	(10,040,946)
	(14,665,580)	(13,104,600)	1,560,980	(11,443,217)

#### 59. Increase/(Decrease) in Liquid Resources

	31/03/2008	31/03/2007	Movement	Movement
	£	£	£	£
Short Term Deposits	189,406,351	92,503,115	96,903,236	(23,365,213)
Other Liquid Deposits	0	0	0	0
<b>Net Movement</b>	<b>189,406,351</b>	<b>92,503,115</b>	<b>96,903,236</b>	<b>(23,365,213)</b>

#### 60. Increase/(Decrease) in Financing

	31/03/2008	31/03/2007	Movement	Movement
	£	£	£	£
Long Term Borrowing	(169,172,653)	(174,165,632)	4,992,979	(7,947,417)
Short Term Borrowing	(35,110,213)	(28,596,560)	(6,513,653)	(18,893,878)
<b>Net Movement</b>	<b>(204,282,866)</b>	<b>(202,762,192)</b>	<b>(1,520,674)</b>	<b>(26,841,295)</b>

**61. Reconciliation of Net Cash Flow to Movement in Debt**

	2007/2008 £	2006/2007 £
Decrease in Cash During the Year Note 57	(1,560,980)	11,443,217
Decrease in Liquid Resources Note 58	96,903,236	(23,365,213)
Decrease in Financing Note 59	(1,520,674)	(26,841,295)
	<b>93,821,582</b>	<b>(38,763,291)</b>
Represented by movement in:		
Net Debt at 1 April	(123,363,677)	(84,600,386)
Net Debt at 31 March	(29,542,095)	(123,363,677)
	<b>93,821,582</b>	<b>(38,763,291)</b>

**62. Analysis of Other Government Grants**

	2007/2008 £	2006/2007 £
Single Regeneration Budget/Single Programme	4,672,441	1,262,555
Housing Benefit Administration Subsidy	3,938,447	4,129,469
Housing Benefit Incentive Grants	14,853	4,983
Home Office Grants	818,911	1,004,204
European Grants	484,124	522,726
Local Public Service Agreement	(660,456)	2,317,521
Local Area General Grants	1,597,833	0
Local Authority Business Growth Incentive Grant	306,381	818,199
PFI Grant	3,733,748	3,733,748
Neighbourhood Renewal Fund	4,191,035	3,686,064
New Opportunities Fund	56,848	252,969
Youth Opportunities Fund	241,215	139,391
Sports England	1,225,679	1,067,762
Waste Performance Efficiency Grant	0	558,340
Education:		
Schools Grant	158,576,000	152,385,000
Standards Fund	27,650,011	20,574,522
Supporting Children and Young People Group - Connexions	12,506,819	12,185,005
Pay Reform	0	(91,229)
Positive Activities for Young People	335,729	0
Empowering Young People	649,982	0
Parenting Grant	151,223	0
Other	35,054	(58,941)
Social Services - Department of Health Grants:		
Modernisation Fund - Adults	4,197,186	3,967,006
Modernisation Fund - Children	3,139,211	2,826,605
Supporting People Services	11,502,879	11,303,649
General Grants etc.	1,443,849	1,140,294
Asylum Seekers	99,408	78,400
Sure Start	11,031,370	12,287,816
Youth Offending Service - Youth Justice Board Grants	1,547,770	1,550,486
Access	3,753,307	3,857,459
Other	296,245	321,699
<b>Total</b>	<b>257,537,102</b>	<b>241,825,702</b>

**Supplementary Statement**  
**The Collection Fund Account for the Year Ended 31 March 2008**

	Note	2007/2008		2006/2007	
		£	£	£	£
<b>Income</b>					
Council Tax	(63)		<b>100,358,056</b>		97,385,375
Government Grants	(66)		<b>(2,015)</b>		(1,455)
Income from Business Rates	(64)		<b>70,782,440</b>		66,513,390
			<u><b>171,138,481</b></u>		<u>163,897,310</u>
<b>Expenditure</b>					
Precepts and Demands					
City of Sunderland		<b>87,788,757</b>		85,001,820	
Tyne and Wear Fire and Rescue Authority		<b>5,599,966</b>		5,477,519	
Northumbria Police		<b>5,974,679</b>	<b>99,363,402</b>	<u>5,757,958</u>	96,237,297
Business Rates - Payment to Pool	(64)	<b>70,174,032</b>		65,756,501	
Business Rates - Cost of Collection and Other Allowances	(64 & 65b)	<b>608,408</b>	<b>70,782,440</b>	756,889	66,513,390
Amounts Written Off:					
Council Tax	(65a)		<b>322,573</b>		438,578
Provision for Uncollectable Amounts:					
Council Tax			<b>585,230</b>		(141,666)
			<u><b>171,053,645</b></u>		<u>163,047,599</u>
Net Income for the year			<b>84,836</b>		849,711
<b>Add balance b/fwd from previous year</b>			<b>1,446,451</b>		1,044,312
<b>Less amount transferred to General</b>					
Community Charge Surplus		<b>0</b>		(6,477)	
Council Tax Surplus		<b>(500,000)</b>	<b>(500,000)</b>	(441,095)	(447,572)
<b>Fund Balance Carried Forward at 31 March</b>	(67)		<b>1,031,287</b>		1,446,451

## Notes to the Collection Fund Revenue Account

### 63. 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 £1,246.52 for 2007/2008, (£1,204.78 for 2006/2007), 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.

	2007/2008 £ p	Restated 2006/2007 £ p
A	43,810.54	44,366.53
B	10,907.21	10,800.69
C	12,307.93	12,163.54
D	7,177.77	7,124.11
E	3,240.59	3,197.47
F	1,274.00	1,249.22
G	876.29	862.40
H	26.46	28.42
	<b>79,620.79</b>	<b>79,792.38</b>

The income of £100,358,056 for 2007/2008, (£97,385,375 for 2006/2007), is receivable from the following sources:

	2007/2008 £	2006/2007 £
Billed to Council Taxpayers	77,444,776	75,061,995
Council Tax Benefits	22,913,280	22,323,380
<b>Total</b>	<b>100,358,056</b>	<b>97,385,375</b>

### 64. Income from (National Non Domestic Rates) Business Rates

- i) 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 2007/2008 can be analysed as follows:

	2007/2008		2006/2007	
	£	£	£	£
Gross Rates Collectable		70,782,440		66,513,390
Less:				
Costs of Collection Allowance	(328,620)		(330,659)	
Other Allowances and Adjustments Reclaimable	(130,575)		(146,313)	
Amounts Written Off	(149,213)	(608,408)	(279,917)	(756,889)
<b>Amount Payable to Pool</b>		<b>70,174,032</b>		<b>65,756,501</b>

- ii) 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 2007/2008 the Council received a contribution from the pool of £120,982,886 which is payable directly to the General Fund, (in 2006/2007 this figure was £116,586,970).
- iii) The Total Business Rateable value as at 31 March 2008 was £185,561,337, (the value as at 31st March 2007 was £185,383,607). The Business Rates Multiplier (poundage) for 2007/2008 was 44.4 pence compared to the previous years figure of 43.3 pence. For businesses that qualified for small business relief the Business Rate Multiplier was 44.1 pence in 2007/2008, (compared to the 42.2 pence in 2006/2007).

### 65. 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 2007/2008 £322,573 (£438,578 for 2006/2007) was written off with most of the sums involved relating to bankruptcy, death and where all actions have failed to collect the debt over a period of years. It should be noted that the amounts written off were already included in the accounts as a provision for bad debts, and as such does not impact on the Precepting Authorities resources. To put this figure into context, the amount written off compared to the collectable Council Tax for 2007/2008 represents less than 0.32% (2006/2007 this was 0.45%) of the total sum.

#### b) Business Rates

In 2007/2008 £149,213 was written off, (2006/2007 £279,917), with most of the sums involved relating to bankruptcy, death and where all actions have failed to collect the debt over a period of years. It should be noted that the amounts written off were already included in the accounts as a provision for bad debts, and as such does not impact on the Precepting Authorities resources. To put this figure into context, the amount written off compared to the collectable Council Tax for 2007/2008 represents less than 0.21% (2006/2007 this was 0.42%) of the total sum.

**66. Government Grants**

Government Grants include:

	2007/2008	2006/2007
	£	£
<b>Transitional Relief Grant</b>	<b>(2,015)</b>	<b>(1,455)</b>

**67. Fund Balance**

The fund balance can be analysed as follows:

	2007/2008	2006/2007
	£	£
Sunderland City Council	911,154	1,277,582
Northumbria Police Authority	62,011	86,542
Tyne and Wear Fire and Rescue Authority	58,122	82,327
<b>Total Collection Fund Balance</b>	<b>1,031,287</b>	<b>1,446,451</b>

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 £62,011 and £58,122 are effectively owed to these authorities. The amount of the Collection Fund balance relating to the Council of £911,154 is shown in Reserves which forms part of the Net Worth of the Council in the Balance Sheet.