

EXPLANATORY FOREWORD

1. Introduction

The purpose of this foreword is to provide an understandable guide to the most significant matters reported in the accounts.

2. Information And Financial Statements

The Council's Statement of Accounts for the year ended 31st March 2005 is set out in the following pages. The information and the financial statements are:-

Statement Of Accounting Policies (Page 5)

Showing the policies adopted in compiling the Statement of Accounts.

The Consolidated Revenue Account (Page 11)

Showing the revenue expenditure and income for each service provided, the Council's demand from the Collection Fund, Revenue Support Grant, contribution from the Non-Domestic Rate Pool, and transfers to and from reserves. Following the Consolidated Revenue Account are notes giving further information on the more significant items.

The Housing Revenue Account (Page 17)

Showing the revenue expenditure and income for the Housing Service, which is ring fenced and financed from tenants' rent. Following the Housing Revenue Account are notes giving further information.

The Collection Fund (Page 21)

Showing the income into the fund and expenditure from the fund including the precept demands upon the fund together with the Balance Sheet as at 31st March 2005. Following the Collection Fund Income and Expenditure Account are notes giving further information.

The Consolidated Balance Sheet (Page 23)

Showing the financial position of the Council at 31st March 2005. Following the Consolidated Balance Sheet are notes giving further information.

Statement Of Total Movements In Reserves (Page 34)

Showing all the recognised movements during the year on revenue and capital reserves.

The Cash Flow Statement (Page 37)

Summarising the inflows and outflows of cash arising from transactions with other parties for revenue and capital purposes. Following the Cash Flow Statement are notes giving further information.

Statement On The System of Internal Control (Page 40)

The Council's policy for ensuring adequate internal controls.

Statement Of Responsibilities For The Statement Of Accounts (Page 43)

The Council's and Director of Central Resource's responsibilities in compiling the Accounts.

The Auditor's Report To The Council (Page 44)

The report of the Auditor on the Council's Accounts.

Approval Of The Statement Of Accounts (Page 45)

Glossary Of Terms Used (Page 46)

3. 2004/05 Summary General Fund Revenue Budget

The Council incurs revenue and capital expenditure during the year. Revenue spending relates to items consumed within the year whereas capital expenditure creates an asset that has a life beyond one year. Revenue spending is financed from council tax, fees and charges, Government grants and other income. Capital spending is financed mainly from loans, proceeds from asset sales, Government grants and external contributions.

The main components of the General Fund revenue budget for 2004/05 and how these compare with actual income and expenditure are set out below:-

	Budget £000	Actual £000	Difference £000
Gross Expenditure on Services	39,662	42,485	2,823
Less Income	(29,423)	(30,990)	(1,567)
Net Cost of Services	10,239	11,495	1,256
Net Surplus on Trading Undertakings	(18)	(65)	(47)
Parish Precepts	55	55	0
Asset Management Revenue Account	612	89	(523)
Interest & Investment Income	(539)	(805)	(266)
Net Operating Expenditure	10,349	10,769	420
Appropriations:			
Adjusted Minimum Revenue Provision	(111)	(1,232)	(1,121)
Amounts to be met from Government Grants & Local Taxation	10,238	9,537	(701)
Sources of Finance:			
Council Taxpayers	(3,596)	(3,596)	0
General Government Grants	(3,983)	(3,983)	0
Non-Domestic Rate Income	(1,666)	(1,666)	0
Net General Fund (Surplus)/Deficit	(993)	(292)	701
Total Funding	(10,238)	(9,537)	701

The Council continues to rely upon balances set aside in previous years to finance its net expenditure. The budgeted level of reserves to support the 2004/05 budget was consistent with the Council's Medium Term Financial Strategy of retaining flexibility to deal with unanticipated demands upon the Council finances in future years. Indeed, net expenditure in 2004/05 was £701,000 below budget resulting in a lower use of balances than originally planned.

The main reasons for the under-spend were reduced interest costs from the replacement of outstanding loans with ones at a lower rate of interest, increased investment interest income due to more asset sales and interest rates remaining higher than anticipated. There was also additional car parking income and planning and building control fee income exceeded estimates due to the buoyancy of the property market.

An estimated £466,000 of reserves will be used to support the 2005/06 budget. The Council continues to face significant cost pressures. These include increased pension fund contributions due to the poor performance of the stock market, maintaining our major assets such as leisure centres which require continued investment and allocating resources in partnership with other agencies to improve health, the local economy, the built and

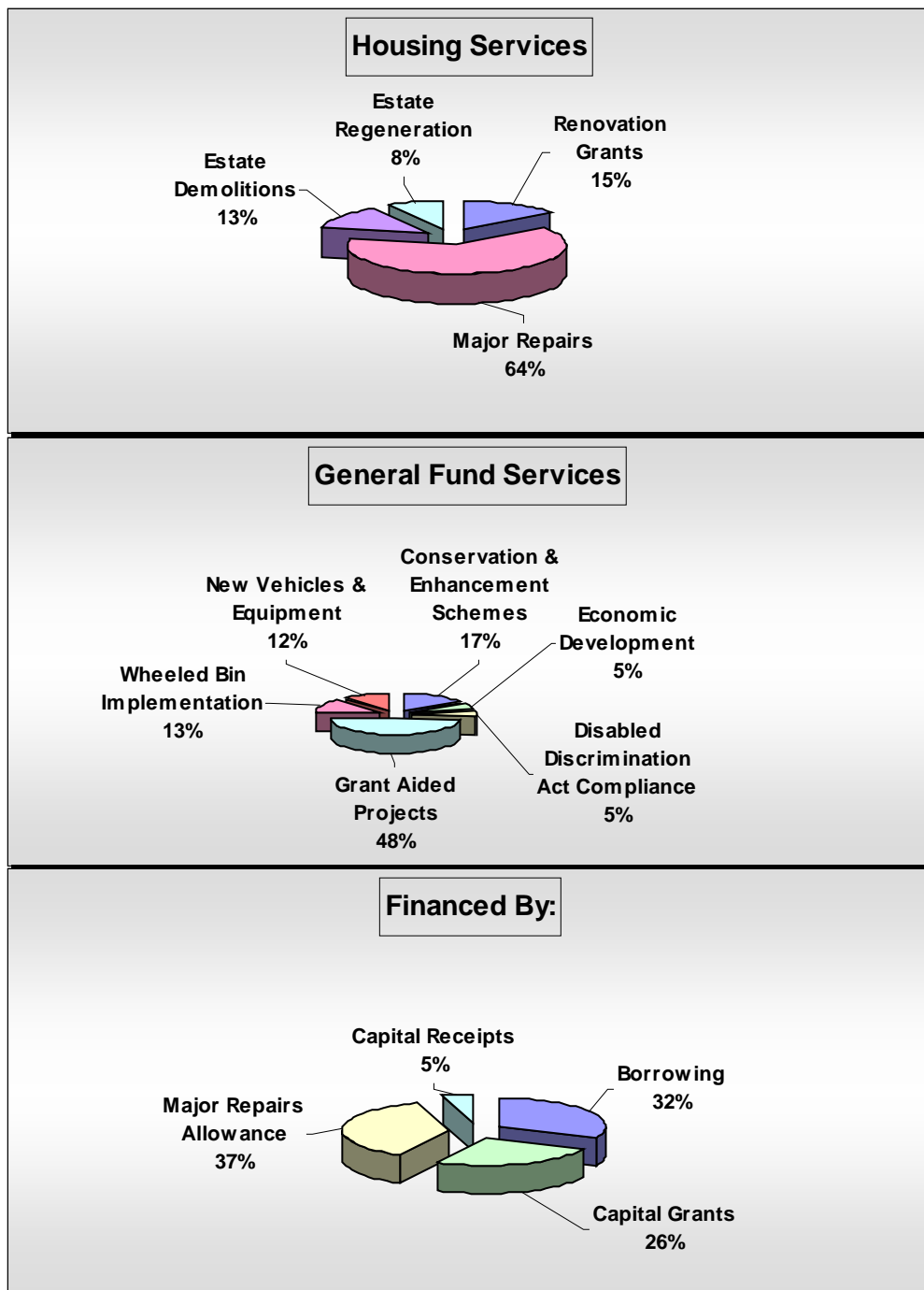
natural environment and reduce crime. These are amongst the issues that residents continually rate as the most important and which the Council have established amongst its corporate objectives.

4. 2004/05 Housing Revenue Account

The Housing Revenue Account made a surplus of £770,000, which was £65,000 less than budgeted. This surplus was achieved mainly due to changes in the Government’s housing subsidy system that redistributes resources between housing authorities. This has allowed reserves to be replenished to a reasonable level. A further £497,000 surplus has been budgeted in 2005/06 that would provide a further buffer against unforeseen future costs.

5. Capital

In 2004/05, the Council spent £7,102,000 on Capital Schemes (£4,222,000 on Housing Services and £2,880,000 on General Fund Services). The charts below show the major items on which the expenditure has been incurred and how the capital programme was financed.



The Council spent £460,000 less than it originally budgeted from its capital programme in 2004/05. The underspends were in the areas of private sector housing redevelopment and renovation and expenditure upon ensuring that Council properties comply with the requirements of the Disability Discrimination Act. Due to an improved level of asset sales, the Council had as at 31st March 2005 £4.5m of receipts that could be used to support the capital programme in future years. The major areas of expenditure in 2004/05 were:

- £2.7m spent on replacing kitchens, bathrooms and central heating systems within the Council housing stock
- £0.5m on demolition of council properties to improve the balance between demand and supply and combat vandalism and anti-social behaviour
- £0.4m on the introduction of a wheeled bin replacement scheme for refuse collection
- £0.3m spent on redevelopment of the area of Eldon Lane

6. **Balances**

As at the 31st March 2005, total balances stood at:

	£000
General Fund	1,473
Housing Revenue	561
Collection Fund	357

Included in the General Fund Balance of £1,473,000 is a working balance of £750,000. Included in the Housing Revenue Balance of £561,000 is a working balance of £500,000. A further £1,283,000 is held as earmarked reserves as detailed in note 20 to the Consolidated Balance Sheet. A medium term financial plan has been compiled in order to establish a sustainable level of expenditure in future years.

7. **Borrowing**

The Council's overall borrowing fell by £4,107,000 during the year in accordance with its agreed Treasury Management procedures. The majority of borrowing is undertaken with the Government controlled Public Works Loan Board that lends to local authorities at preferential rates and is used to support the capital expenditure of the Authority. An analysis of the Council's long-term indebtedness is shown in note 16 to the Consolidated Balance Sheet on page 29.

8. **Pension Costs**

In accordance with the requirements of Financial Reporting Standard No 17 – Retirement Benefits (FRS17), the Council is required to account for retirement benefits when it is committed to pay them as opposed to when actual payment is made. This treatment has resulted in the net operating expenditure of the Council shown on the face of the Consolidated Revenue Account on page 11 to be £920,000 greater than it otherwise would have been. This has no impact upon the overall amount to be met from Government grants and local taxation.

9. **Economic and Monetary Union**

The 'Euro', the new single currency for the European Union, was introduced across 11 of the member states, with effect from 1st January 1999. The United Kingdom did not join in the first wave and has yet to make a decision on when it intends to join. There have been no financial implications to the Council to date.

STATEMENT OF ACCOUNTING POLICIES

1. General

The Council's accounting policies have been drawn up in line with recommended accounting principles, as specified in the Best Value Code of Practice on Local Authority Accounting (BVACOP) and accompanying Guidance Notes for Practitioners, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Institute's guidance note on the application of Statements of Standard Accounting Practice (SSAPs), Statements of Recommended Practice (SORPs) and Financial Reporting Standards (FRSs) have also been taken into account.

During 2002/2003 CIPFA issued a revised Accounting Code of Practice dealing specifically with Best Value Accounting issues to ensure that cost based performance indicators are compiled on a fair and comparable basis. The financial statements contained in the Statement of Accounts takes into account the recommended accounting principles wherever possible.

2. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits extending over more than one year to the Authority and is greater in value than £5,000. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to Service Revenue Accounts.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the following groupings required by the latest Code of Practice on Local Authority Accounting:

- land, operational properties and other operational assets are included in the Balance Sheet at the lower of net current replacement cost and net realisable value in their existing use.
- non-operational assets, including investment properties and assets that are surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value.
- community assets are included in the Balance Sheet for identification purposes at a nominal value of £5 each.
- housing operational properties are valued on the basis of existing use value for social housing.

Subsequent revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur. In particular, the value of council house dwellings are reviewed annually by comparing their value to recent valuations obtained in Right to Buy sales.

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income that is not reserved for repayment to the Government in accordance with accounting regulations, is included in the Balance Sheet as usable capital receipts.

3. Depreciation

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) in accordance with FRS 15.

Depreciation is calculated using the straight-line method after taking into account the residual value of individual assets.

The useful economic life of each asset is calculated on an individual basis within each category of asset.

4. Charges To Revenue

General Fund Service Revenue Accounts, Central Support Services and Statutory Trading Accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The aggregate charge to individual services is determined on the basis of the capital employed in each service. The charge made to the Housing Revenue Account is an amount equivalent to the statutory capital financing charges.

External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with capital charges charged to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation. Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, on the face of the Consolidated Revenue Account, below net operating expenditure.

5. Deferred Charges

Deferred charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. Deferred charges in the financial year are written off to the appropriate service revenue account.

6. Capital Receipts

Under the 1985 Housing Act, Council tenants have the right to buy their dwellings. The proceeds of these sales, together with other disposals of assets that arise in the normal course of Council activities, are known as capital receipts. With effect from 1st April 2004, 75% of the value of receipts from right to buy sales must be paid over to Government rather than used to redeem loan debt.

7. Government Grants And Contributions

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

8. Reserves

The capital accounting regulations require the following reserve accounts in the Consolidated Balance Sheet:

- the Fixed Asset Restatement Reserve, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
- the Capital Financing Reserve, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets and certain other capital financing transactions.

Neither of these reserves can be used to support spending.

9. Debtors And Creditors

Debtors and creditors are included in the balance sheet as at 31st March 2005 on an accruals basis.

10. Stocks And Works In Progress

Stores issues are made at the latest price plus a handling charge of 25%. Any surplus on issues is credited to the Stores Overhead Account at the end of the financial year after valuation of stock in hand. Stock in hand at 31st March 2005 is valued at latest prices and does not comply with SSAP 9 which requires stocks to be shown at actual costs or net realisable value, if lower. Works in progress on rechargeable works, etc. are entered in the accounts at cost price.

11. Provisions And Reserves

The Council has a number of provisions and reserves, which are detailed in the Notes to the Consolidated Balance Sheet. The Council sets aside provisions to meet liabilities arising from past events, which are likely or certain to be incurred, but the amount of which cannot be determined accurately.

12. Repayment Of Debt (Provision For Credit Liabilities)

The Council has to set aside from revenue a specified amount for repayment of its debt. Up to 1995/96 these provisions were used to physically reduce debt. From 1995/96 these provisions are shown by memorandum.

The Council makes provision for all scheduled debt repayments. The basis of these payments is dependent upon the type of loan raised. The two types of loan used by the Authority are:

(a) **Equal instalment loans** – equal instalments of principal are repaid over the appropriate repayment period.

(b) **Maturity loans** – the principal is repaid in full on the date the loan matures. In the interim, interest payments are made.

In addition to these budgeted repayments the Council will also redeem or restructure debt early as part of its overall debt management policy thus utilising its ability to repay and/or replace debt based on prevailing market conditions.

13. Leases

Rentals payable under operating leases are charged to service revenue accounts on an accruals basis. The Authority did in previous years use finance leases to provide some of its fixed assets. Only peppercorn rentals are paid on the remaining leases.

14. Overheads

The costs of the Council's Support Services are fully recharged to services, on the basis outlined below:-

<u>Support Service</u>	<u>Basis of Allocation</u>
Central Departments (e.g. Finance, Administration, Technical Services)	Monthly Time Sheet Analysis
Ancillary Services	Units of consumption
Offices	Floor Area Occupied

15. Pensions

The Council's Accounts have been prepared in accordance with FRS 17 'Retirement Benefits', which became fully effective from 1st April 2003.

This requires the Council to account for retirement benefits when it is committed to give them, even if the actual giving will be many years in the future.

In complying with this approach, the following should be noted:

- The financial statements reflect the value of assets and liabilities arising from the Council's retirement benefit obligations;
- The operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by employees;
- The financial statements contain adequate disclosure of the costs of providing retirement benefits and the related gains, losses, assets and liabilities.

These accounting policies represent a change to those applied in prior years. Previous policy was to recognise liabilities in retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible.

The new policies reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the Pension Fund.

The change in accounting policy has had the following effects on the results of the prior and current periods:

- The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 5.2% higher after the replacement of employer's contributions by current service costs and net operating expenditure is 9.2% higher than it would otherwise have been.

- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the Council by 21.89%.

In accordance with Standard Accounting Practice for Local Authorities, the additional costs which would have arisen over the relevant period, in order to comply with FRS 17, are shown by way of a note to the Consolidated Balance Sheet. (See Note 21).

However the Council is of the opinion that the statutory prescribed nature of the HRA does not permit the inclusion of FRS17 costs/adjustments within that account.

The Annual Report of Durham Superannuation Fund is available from the County Treasurer, Durham County Council, County Hall, Durham, DH1 5UE.

16. Interest

All surplus capital and revenue monies are externally invested. The General Fund receives the interest and an internal transfer is made to the HRA, based upon the actual interest rate achieved on the Council's external investments throughout the year. Interest payable on external borrowings and investment income is accounted for on an accruals basis.

17. Insurances

The Council insures against the majority of its potential losses by using an insurance company. However, in order to minimise external premiums, the Council has established an Insurance Fund to meet the potential cost of insurance claims falling within agreed excesses. (For example, all Public Liability claims up to £26,000 are borne by the Council and only amounts above this excess are met by the insurance company).

18. Value Added Tax

VAT is only included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

19. Post Balance Sheet Events

Where a material post balance sheet event occurs which:

- Provides additional evidence relating to conditions existing at the balance sheet date; or
- Indicates that application of the going concern concept to a material part of the authority is not appropriate;

Changes are made in the amounts to be included in the Statement of Accounts.

Any occurrence of a material post balance sheet event which concerns conditions which did not exist at the balance sheet date, are disclosed. The disclosure states the nature of the event and, where possible, an estimate of the financial effect of the event.

20. Contingent Assets

Contingent assets are not accrued in the accounting statements, but disclosed by way of notes if the inflow of a receipt or economic benefit is probable. The disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

21. Contingent Liabilities

Contingent liabilities are not accrued in the accounting statements, but are disclosed by way of notes if there is a possible obligation, which may require a payment or a transfer of economic benefits. For each class of contingent liability, the authority will disclose the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

22. Exceptional Items, Extraordinary Items and Prior Year Adjustments

- (a) Exceptional items will be included in the cost of the service to which they relate or on the face of the consolidated revenue account if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item will be given within the notes to the

accounts. The costs of any fundamental reorganisation or restructuring which has a material effect on the nature and focus of the authority's operations will be shown separately on the face of the consolidated revenue account.

- (b) Extraordinary items will be disclosed and described on the face of the consolidated revenue account after dealing with all items within the ordinary activities of the authority and will be explained fully in a note to the accounting statements.
- (c) Prior year adjustments will be accounted for in the year in which they are identified and disclosed within the notes to the accounts or, where considered necessary for fair reporting, on the face of the appropriate revenue account. However, there will not be any adjustment of preceding year comparative figures or of the opening balances of funds. This reflects the requirement to match all expenditure in the reporting period with income from general Government grants and local taxpayers. An explanation will be given by way of notes to the accounts of the estimated effect on the prior year figures.

23. Foreign Currency Translation

Income and expenditure arising from a transaction denominated in a foreign currency is translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred; if the rates do not fluctuate significantly, an average rate for a period will be used as an approximation. Where the transaction is to be settled at a contracted rate, that rate will be used.

At each balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated by using the closing rate or, where appropriate, the rates of exchange fixed under the terms of the relevant transactions.

24. Investments

Short Term Investments are shown in the Balance Sheet at their nominal value. The Council has no interests of any sort in associated or subsidiary companies.

25. Provision for Bad and Doubtful Debt

All outstanding debts are reviewed on an ongoing basis and known uncollectable debts are written off. A separate provision is charged to the revenue accounts on an annual basis to reflect the fact that some debts will become doubtful or bad at a future date. The provision is calculated in accordance with BVACOP guidance and is primarily based on the age of the debt outstanding.

26. Revenue Reserves

In accordance with the Code, amounts set aside for purposes falling outside the definition of provisions are considered to be reserves and transfers to and from them are distinguished from service expenditure in the Statement of Accounts. No expenditure has been charged directly to any reserve. The major reserves held and a brief description of their purpose is shown below:-

- (a) ***General Fund Reserve:***
Represents an amount available to meet any shortfall between expenditure incurred in the day to day running of the Council and income received. It also provides support to maintain services when the Council is faced with cuts in Government Grant allocations. It includes the surplus or deficit on the General Fund for the year.
- (b) ***Housing Revenue Account Reserve:***
Represents a sum earmarked for the repair and maintenance of Council housing stock and a working balance available to support capital projects and meet any revenue shortfalls in the day to day running of the Council's housing service. It includes the surplus or deficit on the Housing Revenue Account for the year.

27. Impairment

The value at which each category of assets is included in the balance sheet is required by FRS 11 to be reviewed at the end of each reporting period by a professionally qualified valuer. Where there is reason to believe that its value has changed materially in the period, the valuation is adjusted accordingly.

During the year an impairment desk top review has been carried out by a multi-disciplined council team which recommended no changes to the values. This approach whilst cost effective does not comply with the provisions of FRS11.

28. Single Regeneration Budget / Neighbourhood Renewal Fund

The Council acts as Accountable Body for two SRB Partnerships and also a Neighbourhood Renewal Fund within the District. Current accounting practice recommends that all financial transactions of the Partnerships should be reflected in the Council's Accounts. The Council does not agree with this view and as a consequence the only transactions in the Consolidated Revenue Account and Balance Sheet relate to the Council's own schemes.

29. Changes in Accounting Practice

During 2004/2005 the Council has changed its accounting practices in respect of the following:

(a) Pension Fund Valuation

CIPFA changed its guidance on the discount rate to be used for the FRS 17 Valuation with effect from 1st April 2004. Although there is no requirement to restate the figures used in 2003/04, the change from using discount rate equal to 3.5% above inflation to one based on the yield of AA Corporate Bonds is that rather than having a deficit on the Pension Fund as at 31st March 2005 of £24.92m, the deficit would have been £15.3m.

(b) Group Accounts

The 2004-05 SORP requires local authorities to prepare Group Accounts where they have an interest in subsidiary or associate companies, or joint ventures with other organisations. This Council believes they have no undertakings where there would be a requirement to prepare Group Accounts under the SORP.

THE CONSOLIDATED REVENUE ACCOUNT

2003/04		2004/05	
Net £000		Income £000	Net Expenditure £000
	Gross Expenditure £000		
765	Central Services	(5,824)	419
6,080	Cultural, Environmental & Planning Services	(5,379)	7,466
445	Highways, Roads and Transport Services	(334)	308
1,294	Housing Services - General Fund	(16,666)	1,471
182	Housing Services - HRA	(14,883)	(770)
1,560	Corporate and Democratic Core	(161)	1,566
210	Non Distributed Costs	0	195
10,536	Net Cost of Services	(43,247)	10,655
54	Parish Council Precepts	0	55
(18)	Surplus on Trading Undertakings (Note 6)	(337)	(65)
517	Asset Management Revenue A/c (Note 8)	(3,234)	89
(514)	Interest & Investment Income (Note 13)	(805)	(805)
2,910	Interest on Pension Liability	0	3,230
(1,910)	Expected Return on Investments		(2,240)
11,575	Net Operating Expenditure	(47,623)	10,919
(182)	Transfer to HRA Balances		770
(886)	Reconciling Amount for Provisions for Loan Repayment (Note 9)		(1,232)
(680)	Movement on Pension Reserve		(920)
9,827	Amounts to be met from Government Grants & Local Taxation		9,537
	Sources of Finance		
(3,392)	Demand on the Collection Fund		(3,526)
(3,875)	General Government Grants		(3,983)
(2,141)	Non Domestic Rates Redistribution		(1,666)
(44)	Transfers (from) / to the Collection Fund		(70)
375	(Surplus) / Deficit for the Year		292
(2,404)	Balance on General Fund Reserves Brought Forward		(1,979)
375	Net General Fund (Surplus) / Deficit		292
50	Transfer (from) / to Earmarked Reserves		214
(1,979)	Balance on General Fund Reserves Carried Forward		(1,473)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Operating Leases

a) The Authority has provided some lease cars, automatic public conveniences, I.T. and copiers financed under the terms of an operating lease. The amount paid under these arrangements in 2004/05 was £185,813 (2003/2004 £226,873). The Authority is committed to making payments of £100,998 under these leases in 2005/06, comprising the following elements:

	2003/04	2004/05
	£000	£000
Leases expiring in 1 year	52	79
Leases expiring in 2 - 5 years	75	22
Leases expiring in more than 5 years	0	0

b) Authority as Lessor – The Authority has granted the following major leases under the terms of operating leases:

Mothercare UK Ltd for 25 years. The market rent charged was £47,500.

WH Smiths for 25 years. The market rent charged was £46,250.

The Royal Corner - leases range from periods of 3 years to 25 years. The total market rent charged was £36,437.

The gross value of assets held for use in operating leases was £583,613 for Mothercare UK Ltd, £571,300 for WH Smiths, £338,840 for the Royal Corner (valued at 31 March 2005).

2. Publicity Expenditure

Set out below, under the requirements of S.5(1) of the Local Government Act 1986 is the Council's spending on publicity.

	2003/04	2004/05
	£000	£000
Recruitment Advertising	57	71
Other Advertising	66	53
Other Publicity	7	12
	130	136

3. Building Regulations Charging Account

Local Authorities are required to prepare a Building Control Statement under regulation 5 (6) of the Charges Regulations. The statement shows the total cost of the building control unit divided between chargeable and non chargeable activities.

	Chargeable	Non Chargeable	Total Building Control
	£000	£000	£000
Expenditure	190	39	229
Income	(213)	0	(213)
(Surplus) / Deficit for year	(23)	39	16

4. Section 137 Local Government Act 1972

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The expenditure is limited to £1.90 per head of population. The Council was permitted to spend

£116,470 under this power in 2004/05 (£116,196 in 2003/04) and its actual expenditure in the year amounted to £80,294 (£88,852 in 2003/04).

5. Agency Work

The Council acts as an agent of Durham County Council in respect of verge maintenance, gully cleansing and managing a travellers' site. With effect from 1st April 2004 the Agency arrangement for the Coundon Grange Traveller's Site was terminated and the County Council resumed full responsibility for the service. The County Council reimburses the Council for this agency work including a contribution towards administrative costs. The amount reimbursable in respect of these activities is as follows:-

	2003/04	2004/05
	£000	£000
Routine Maintenance	82	75
Travellers' Sites	6	0
Administrative Costs	6	5
Total Amount Reimbursable	94	80

6. Trading Operations

The Council has established 3 trading units where the service manager is required to operate in a commercial environment and balance their budget. Details of the activities of the trading units are shown below. Previous trading accounts in respect of DSO Leisure are no longer prepared as the in - house costs are now taken into account in the appropriate revenue budgets.

.....

The Building Control unit carries out work which is chargeable. The object of the unit is to break even.

Turnover	213	
Expenditure	(190)	
Surplus		23
Surplus 2003/04	35	

.....

The Council lets various industrial units in conjunction with Durham County Council. The financial objective is to break even.

Turnover	70	
Expenditure	(51)	
Surplus		19
Deficit 2003/04	(43)	

.....

The Council owns and manages 2 markets in the District generating income from rentals. The trading objective is to maximise the surplus

Turnover	54	
Expenditure	(31)	
Surplus		23
Surplus 2003/04	26	

.....

Net surplus (deficit) on trading operations:

65

7. Superannuation

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that the employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme for civilian employees, administered by Durham County Council. This is a funded Scheme, meaning that the authority and employees pay contributions into the fund, calculated at a level intended to balance the Pensions liabilities with investment assets

We 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 we are 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 Consolidated Revenue Account (CRA) after net operating expenditure. The following transactions have been made in the CRA during the year:

	2003/04 £000	2004/05 £000
Net Cost of Services:		
Current Service Cost	1,040	1,420
Net Operating Expenditure:		
Interest Cost	2,910	3,230
Expected Return on Assets	(1,910)	(2,240)
Amount Met from Government Grants and Taxpayers:		
Movement on Pension Reserve	(680)	(920)
Actual Amount Charged Against Council Tax:		
Employer's contributions payable to Scheme	1,360	1,490

Note 21 to the Consolidated Balance Sheet on Page 33 shows details of the assumptions made in estimating the figures included in this note.

8. Transactions On The Asset Management Revenue Account

	2003/04 £000	2004/05 £000
Income:		
Release of Grants and Contributions Deferred	(1,123)	(1,407)
Capital Charges in Year	(8,537)	(9,829)
	(9,660)	(11,236)
Expenditure:		
Provision for Depreciation	3,487	3,992
HRA Notional Interest	2,876	3,397
External Interest Charges	2,691	2,529
Amortisation of Deferred Charges	1,123	1,407
Balance to Consolidated Revenue Account	517	89

9. Minimum Revenue Provision

	2003/04	2004/05
	£000	£000
General fund - MRP - 4% of credit ceiling	404	399
	404	399
Commutation Adjustment	139	0
Amount charged as depreciation	606	793
Deferred charges written off to Service Revenue Accounts	1,668	2,245
Amortisation of government grants	(1,123)	(1,407)
Additional charge to Consolidated Revenue Account	(886)	(1,232)
	404	399

10. Members' Allowances

There are 40 elected Members of the Council and during 2004/05 a total of £269,443 (2003/04 £220,914) was paid in respect of Members Allowances, made up of £207,420 (2003/04 £165,236) basic allowances and £62,023 (2003/04 £55,678) special responsibility allowances.

The breakdown of this between individual Councillors is available for inspection on request at the Civic Centre, Crook, Co. Durham.

11. Officers' Emoluments

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

	2003/04	2004/05
Remuneration Band	Number of Employees	Number of Employees
£50,000 - £59,999	0	1
£60,000 - £69,999	1	1

12. Local Authority (Goods & Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During 2004/05 the following services were provided:

	£000
MOT Testing	12
Wardens Service and Alarm Monitoring for Housing Associations	14

13. Interest & Investment Income

	2003/04	2004/05
	£000	£000
Interest Received on External Investments	421	626
Interest Received on Housing Association Loans	79	78
Loan Discounts Received	14	101
	514	805

14. Related Party Transactions

In accordance with FRS 8, the financial statements should contain a disclosure necessary to draw the attention to the possibility that the reported financial position of the Authority may have been affected by the existence of related parties and by material transactions within them. During the year transactions with related parties arose as follows:-

Central Government

(Receipts from central government – See cash flow statement)

Precepts in relation to Durham County Council and Durham Police Authority

(See Collection Fund)

Payment to Durham County Pension Fund in respect of Superannuation

(See note 7 to the Consolidated Revenue Account)

Groundwork West Durham

(£408,000 various payments - A Member of the Council is the Vice Chairman of Groundwork West Durham)

Spectrum Centre

(£107,000 deficit funding of the Spectrum Trust to which the Council appoints 9 of its 11 trustees)

During 2004/05 the Authority acted as the Accountable Body for the Neighbourhood Renewal Funds and the Single Regeneration Budget (Rounds 5 and 6). Transactions during the year were as follows:

	N.R.F.	S.R.B.
	£000	£000
Balance b/f as at 01/04/2004	(121)	518
Receipts	(2,195)	(1,306)
Payments	2,216	781
Balance c/f as at 31/03/2005	(100)	(7)

This disclosure note has been prepared using a specific declaration obtained in respect of Related Party Transactions.

15. Exceptional Items and Prior Year Adjustments

There were no exceptional items or prior year adjustments affecting the Consolidated Revenue Account in 2004/05.

16. Disclosure of Audit Costs

In 2004/05 Wear Valley District Council incurred the following fees relating to external audit and inspection.

	2003/04	2004/05
	£000	£000
Fees payable to the Audit Commission with regard to external Audit Services carried out by the Appointed Auditor	105	105
Fees payable to the Audit Commission in respect of Statutory Inspection	18	10
Fees payable to the Audit Commission for the certification of Grant Claims and Returns	28	31
	151	146

HOUSING REVENUE ACCOUNT

2003/04 £000		Note	2004/05 £000
	Expenditure		
7,612	Rent Rebates	4	0
2,843	Repairs and Maintenance		2,676
1,494	Supervision and Management		2,099
25	Homeline Service		65
284	Provision for Bad Debts	3	66
2,787	Cost of Capital Charge	10	3,397
2,881	Depreciation	7	3,199
39	Debt Management Costs		35
17,965	Total Expenditure		11,537
	Income		
10,868	Dwelling rents (gross)	2	10,643
218	Non-dwelling rents (gross)		200
33	Other Income		0
6,082	Housing Subsidy	11	(733)
17,201	Total Income		10,110
764	Net Cost of Services		1,427
1,020	Net transfer to Asset Management Revenue Account		1,665
38	HRA Investment Income		46
(294)	Net Operating Expenditure		(284)
542	Contribution to Minimum Repayment Provision		0
(66)	Transfer to/(from) Major Repairs Reserve	6	(486)
182	(Surplus) / Deficit for year		(770)
27	(Surplus) / Deficit Balance at beginning of year		209
209	(Surplus) / Deficit Balance at beginning of year		(561)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

The Council owned 4,877 dwellings at 31st March 2005 (5,172 as at 31st March 2004) of which 4,519 (4,753 as at 31st March 2004) were houses and bungalows, and 358 (419 as at 31st March 2004) were flats. During the year 190 dwellings were sold under Right to Buy legislation and 105 dwellings demolished. No new dwellings were completed during the year (nil in 2003/04).

2. Rent Income

The gross rent debit represents the amount of rent due for the year after allowance is made for voids, etc. It incorporates an average increase of 4.0% applied on 1st April 2004. Net rent arrears at 31st March 2005 amounted to £673,033 (£1,170,111 in 2003/04) which represents 6.2% (10.6% in 2003/04) of the gross rent debit after deducting voids. During the year 7.4% of rental income was lost due to voids compared to 8.2% in 2003/04.

3. Provision for Bad and Doubtful Debts

In accordance with the provisions of the Local Government and Housing Act, an increased provision of £66,033 was made in 2004/05 for uncollectable rents, compared to an increase of £283,932 in 2003/04. Bad debts amounting to £386,259 (£15,179 in 2003/04) were written off against this provision during 2004/05. The net provision for uncollectable rent stands at £598,617 (£918,843 in 2003/04).

4. Housing Benefit

Expenditure on rent rebates and associated government grant towards the costs are accounted in the Council's General Fund as from 1st April 2004. This is in accordance with the requirements of the Local Government Act 2003. It is estimated that the overall financial impact upon the HRA as a result of this change is broadly neutral.

5. Housing Revenue Fixed Assets

The Vacant Possession Value of £229m is the Authority's estimate of the total sum that it would receive if all the assets were sold on the open market. The Net Book Value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market and the Net Book Value is therefore lower than the Vacant Possession Valuation. The difference between the two values shows the economic cost of providing housing at less than market value. The balance sheet valuations of the Housing Revenue Account assets are shown below.

	Operational Assets	Non Operational Assets	Total
	£000	£000	£000
Net Book Value as at 1st April 2004	83,194	200	83,394
Capital expenditure for the year	3,835	0	3,835
Disposals	(4,461)	(112)	(4,573)
Depreciation charge for the year	(3,057)	(142)	(3,199)
Revaluation for the year	30,982	3,245	34,227
Net Book Value as at 31st March 2005	110,493	3,191	113,684

6. Major Repairs Reserve

The movement on the Major Repairs Reserve during the year is shown below.

	£000
Balance 1st April	35
Add: Transfer from HRA	3,199
Less: Financing of Capital Expenditure	2,698
Less: Transfer to HRA	486
Balance 31st March	50

7. Depreciation Charge

The total charge to the HRA in respect of depreciation during the year is shown below.

2003/04		2004/05
£000		£000
2,742	Dwellings	2,970
82	Garages	87
57	Shops etc	142
2,881	Total Depreciation Charge	3,199

8. HRA Capital Financing

The figures below relate to expenditure solely upon the Council's own housing stock and not private sector housing which is included within the figure shown in note 5 on page 3 of the Explanatory Foreword.

	£000
Improvements to Council Housing	3,745
Other Works	90
Total HRA Capital Expenditure	3,835
Financed By:	
Major Repairs Reserve	2,698
Supported Borrowing	1,137
Total	3,835

9. HRA Capital Receipts

The value of capital receipts during the year is shown below.

	Gross Receipt	Usable Element	Reserved Element
	£000	£000	£000
Houses	3,815	1,017	2,798
Land	1,181	1,181	0
Total	4,996	2,198	2,798

10. Capital Financing Costs

The cost of capital charge reflects the cost of capital tied up in council housing and other HRA assets. It is calculated as 3.5% of the value of HRA operational assets. In order to avoid impacting upon the costs borne by tenants through their rent, the capital asset charges are adjusted so that the HRA receives its share of the total debt and financing costs of the Council. Consequently, the credit from the Asset Management Revenue Account is the difference between the cost of capital charge and the actual HRA debt charges.

2003/04		2004/05
£000		£000
2,787	Capital Charges	3,397
39	Debt Management Expenses	35
542	Minimum Revenue Provision	0
(1,020)	Transfer to AMRA	(1,665)
2,348	Actual HRA Debt Charges	1,767

11. Housing Subsidy

The total HRA subsidy receivable by the Council is shown below.

2003/04		2004/05
£000		£000
4,007	Management & Maintenance	5,441
2,815	Major Repairs Allowance	2,713
2,359	Capital Charges	1,823
7,723	Rent Rebates	0
(10,819)	Rent	(10,707)
(4)	Interest on Receipts	(3)
1	Prior Year Adjustment	0
6,082	Total Housing Subsidy	(733)

12. Impairment Charges

There were no charges arising in 2004/05 in respect of impairment of HRA assets.

13. Deferred Charges

There were no charges in respect of deferred charges attributable to the HRA for 2004/05.

14. Exceptional Items and Prior year Adjustments

There were no exceptional items affecting the HRA in 2004/05. The prior year adjustment in respect of housing subsidy takes account of post audit adjustments to the claim.

15. Pensions

Due to its statutory nature, the Housing Revenue Account for 2004/05 has not been prepared in accordance with FRS 17 "Retirement Benefits". On this basis, all FRS17 adjustments have therefore been excluded from the Housing Revenue Account shown on page 17. Preparation of the accounts in accordance with FRS17 would have resulted in an additional charge to the HRA in 2004/05 of £286,800.

16. Debt Set-Aside

The Local Government Act 2003 removed the obligation to set aside a portion of receipts received from Right to Buy sales. The Government now requires the Council to pay over a proportion of these receipts adjusted for the cost of administering Right to Buy Sales and the value of improvements made to these properties in the three years prior to their sale. The financial impact upon the HRA in 2004/05 is broadly neutral.

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

2003/04 £000		2004/05 £000	Note
	Income		
16,812	Income from Council Tax	18,224	3
4,962	Council Tax Benefits	5,378	
8,398	Income in Respect of Non-Domestic Rates	9,033	
30,172	Total Income	32,635	
	Expenditure		
	Precepts and Demands		
16,664	Durham County Council	16,605	
3,392	Wear Valley District Council	3,526	
1,467	Durham Police Authority	1,719	
0	County Durham and Darlington Fire and Rescue Authority	1,395	
	Non-Domestic Rates		2
8,302	Payment to National Pool	8,938	
96	Cost of Collection Allowance	95	
	Bad and Doubtful debts/appeals		
15	Write Offs	16	
(6)	Changes in Provision	(17)	
29,930	Total Expenditure	32,277	
242	Surplus for year	358	
466	Surplus as at 1st April brought forward	445	
	Less Council Tax Surplus Transferred During Year:		
(44)	Wear Valley District Council	(70)	
(203)	Durham County Council	(345)	
(16)	Durham Police Authority	(31)	
445	Surplus as at 31st March	357	

NOTES TO THE COLLECTION FUND ACCOUNTS

1. General

The surplus on the Collection Fund as at 31 March 2005 is £356,611 relating to Council Tax. £267,295 has been used in 2005/06 as follows:-

Wear Valley District Council	£40,000
Durham County Council	£191,406
Durham Police Authority	£19,815
Durham and Darlington Fire and Rescue Authority	£16,074

The estimated surplus for 2005/06 will be distributed in subsequent financial years to Durham County Council, Wear Valley District Council, Durham Police Authority and Durham and Darlington Fire and Rescue Authority in proportion to their precepts and demands made on the Collection Fund. This surplus will also be used to reduce Council Tax.

2. Income from Business Rates

Non-Domestic Rates are determined on a national basis by Central Government, which sets an annual non-domestic rating multiplier amounting to 45.6p in 2004/05 (44.4p in 2003/04). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a national non-domestic rate pool administered by the Government.

The total non-domestic rateable value at 31st March 2005 was £24,091,797 (£24,127,907 at 31st March 2004).

3. Council Tax

The tax base is used to calculate the charge for each Band of property. In 2004/05 the amount of precepts levied by Durham County Council, Durham Police Authority, Durham and Darlington Fire and Rescue Authority and Wear Valley District Council (excluding parishes) was £23,190,117.09. This amount divided by the tax base of £18,781.86 gives a Band 'D' tax of £1,234.71. The calculation of the tax base is shown below:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Dwellings	18,931	3,184	3,250	2,297	967	275	129	32	29,065
Exemptions	(744)	(59)	(45)	(19)	(6)	(4)	(3)	0	(880)
Disabled Relief	(29)	21	(18)	(16)	(4)	2	4	(13)	(53)
Discounts	(2,505)	(284)	(232)	(105)	(41)	(16)	(14)	(2)	(3,199)
Total Equivalent Dwellings	15,653	2,862	2,955	2,157	916	257	116	17	24,933
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	10,435	2,226	2,627	2,157	1,120	372	193	35	19,165

TAX BASE CALCULATIONS	
Total Band "D" Equivalent	19,165.17
Bad Debt Provision (2%)	383.31
Tax Base	18,781.86

CONSOLIDATED BALANCE SHEET

AS AT 31ST MARCH 2005

2003/04		2004/05		
£000		£000	£000	Notes 1 to 5
	Fixed Assets			
	Operational Assets			
83,194	Council Dwellings	110,493		
7,951	Other Land and Buildings	13,965		
2,168	Vehicles Plant and Equipment	2,297		
1	Community Assets	1		
	Non-Operational Assets			
5,036	Investment Properties	4,875		
823	Surplus Property and Land	13,201		
99,173			144,832	
2	Investments - Long Term		2	
0	Deferred Charges		174	9
782	Long Term Debtors		752	10
99,957	Total Long Term Assets		145,760	
	Current Assets			
96	Stocks and Work in Progress	93		11
4,247	Debtors and Advance Payments	3,540		13
13,880	Temporary Investments	13,380		14
3	Cash in Hand	4		
18,226			17,017	
	Current Liabilities			
(12,117)	Short Term Borrowing	(5,176)		
(8,739)	Creditors and Advance Receipts	(11,198)		15
(183)	Cash Overdrawn	(737)		
(21,039)			(17,111)	
97,144	Total Assets Less Current Liabilities		145,666	
(28,718)	Long Term Borrowing	(31,552)		16
(20,020)	Pensions Liability	(24,920)		21
(33)	Deferred Credits - Loan Discounts	0		
(636)	Provisions	(276)		18
(49,407)			(56,748)	
47,737	Total Assets Less Liabilities		88,918	
37,423	Fixed Asset Restatement Reserve		82,216	6
23,529	Capital Financing Reserve		22,565	7
2,664	Usable Capital Receipts Reserve		4,541	17
(20,020)	Pensions Reserve		(24,920)	21
782	Deferred Capital Receipts		752	
35	Major Repairs Reserve		50	8
40	Funds		40	18
1,069	Earmarked Reserves		1,283	20
1,979	Balances - General Fund		1,473	
(209)	- Housing Revenue		561	
445	- Collection Fund		357	
47,737	Total Net Worth		88,918	

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets

Movements of Fixed Assets during 2004/05 were as follows:

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Investment Properties	Community Assets	Surplus Properties	Total
	£000	£000	£000	£000	£000	£000	£000
Value as at 1st April 2004	83,194	7,951	2,168	5,036	1	823	99,173
Additions	3,835	232	699	91			4,857
Transfers		823		(957)		134	0
Disposals	(4,461)					(239)	(4,700)
Revaluations	30,982	5,302		708		12,501	49,493
Gross Book Value at 31st March 2005	113,550	14,308	2,867	4,878	1	13,219	148,823
Depreciation for year	3,057	343	570	3		18	3,991
Depreciation on Assets Sold							0
Balance as at 31st March 2005	3,057	343	570	3	0	18	3,991
Net Book Value as at 31st March 2005	110,493	13,965	2,297	4,875	1	13,201	144,832

2. Fixed Asset Valuation

The General Fund assets within the Authority's property portfolio have been valued as at 1st April 2004 by an external independent valuer – P. Wilkinson, MRICS, District Valuer – on the undermentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered by the Valuer to be necessary for the purpose of the valuation.

Properties regarded by the Authority as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Properties regarded by the Authority as non-operational have been valued on the basis of open market value. The valuation has resulted in a net surplus over the net book value of the assets of £18,686,485.

The Housing assets within the Authority's property portfolio have been valued as at 31st March 2001 by external qualified valuers, King Sturge in accordance with the regulatory framework for the valuation of local authority housing stocks provided by the guidance on stock valuation issued by the DETR and by the RICS Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. The guidance stipulates that the operational housing properties of the local authority should be valued on the basis of Existing Use Value for Social Housing. However, where the framework recommends a discount factor of 35% in respect of Right to buy sales, the value in the Accounts uses a discount factor of 46% as this is more in line with recent sales of Right to Buy properties.

In accordance with the guidance on Stock Valuation for Resource Accounting, a desktop review of the council house dwellings valuations as at 31st March 2005 was undertaken. This was based on Right to Buy valuations in the three year period and has resulted in an uplift in valuations of 41% over the 31st March 2004 valuation.

3. Information On Assets Held

Fixed assets owned by the Council include the following:-

	31st March 2004	31st March 2005
Council Dwellings	5,163	4,877
Garage Blocks	911	838
Garage Sites	230	230
Operational Buildings		
Civic Centre	1	1
Other Offices	7	6
Blocks of Flats with Warden Accommodation and Communal Room	3	3
Leisure Centres and Pools	5	4
Community Centres/Community Rooms	19	20
Public Conveniences	7	7
Depots and Stores	2	1
Car Parks	17	18
Markets	2	2
Bus Station	1	1
Non-Operational Property		
Business Centres	2	2
Council Owned Shops	16	8
Royal Corner Shop Units	4	4
Royal Corner Office Units	2	2
Industrial Units - 50% owned by Durham C.C.	17	18
Miscellaneous Leased Properties	18	22
Leased Agricultural Land	55 acres	60 acres
Items of Surplus Property and Land	34	37
Retail Property Investments	3	3
Community Assets		
Allotments	33	33
Cemeteries	19	19
Parks and Open Spaces	200 hectares	200 hectares

4. Capital Expenditure and Financing

Capital Expenditure	£000
Fixed Asset Additions	4,857
Deferred Charges	2,245
Total	7,102
Capital Financing Statement	£000
New Borrowing	2,254
Capital Grants	1,824
Major Repairs Allowance	2,698
Capital Receipts	326
Total	7,102

5. Capital Commitments

The Council has contractually committed £3,351,000 in respect of capital schemes as at 31st March 2005. A summary of these commitments is shown below:

	Expenditure Approved and Contracted at 31/03/2005	Expenditure Approved but not Contracted at 31/03/2005
	£000	£000
Housing Services - Central Heating Upgrades	510	0
Housing Services - Windows and Doors Replacements	1,280	0
Housing Services - Minor Works	168	0
Housing Services - Kitchen & Bathroom Replacements	843	0
Demolition of Council Properties	550	0
Total Capital Commitments	3,351	0

6. Fixed Asset Restatement Reserve

	2003/04	2004/05
	£000	£000
Balance brought forward	34,125	37,423
Disposal of fixed assets	(3,699)	(4,700)
Gains (Deficits) arising on revaluations this year	6,997	49,493
Balance carried forward	37,423	82,216

The reserve is debited or credited with the deficits or surpluses arising on revaluation of assets and is written down by the net book value of assets as they are disposed of.

7. Capital Financing Reserve

	2003/04	2004/05
	£000	£000
Balance brought forward	19,622	23,529
Capital Receipts Set Aside	1,585	28
Capital Financing		
Capital Receipts	2,233	326
Year End Adjustment	(782)	30
Government Grants	1,249	418
Major Repairs Reserve Allocation	2,874	2,698
MRP less depreciation provision and deferred charges	(3,225)	(4,431)
Less Repayment of Long Term Debtors	(27)	(33)
Balance carried forward	23,529	22,565

The capital financing reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

8. Major Repairs Reserve

This reserve represents the amount of the Major Repairs Allowance unspent at the year end.

	2003/04	2004/05
	£000	£000
Balance brought forward	94	35
Allowance received in the year	2,815	2,713
Expenditure applied in the year	(2,874)	(2,698)
Balance carried forward	35	50

9. Deferred Charges

	2003/04	2004/05
	£000	£000
Balance brought forward	0	0
Expenditure in Year	1,668	838
Amounts written off to Consolidated Revenue Account	(1,668)	(838)
Debt rescheduling premia	0	174
Balance carried forward	0	174

10. Long Term Debtors

	31 March 2004	31 March 2005
	£000	£000
Housing Associations	744	730
Sale of Council Houses	38	22
	782	752

11. Stocks And Work In Progress

	2003/04	2004/05
	£000	£000
Stocks		
Housing General Stores	84	83
Miscellaneous	12	10
Total Stocks	96	93

12. Trusts

Spectrum Leisure Complex

The management of the Spectrum Leisure Complex is vested in a Board of Trustees which is a separate legal body. The Council makes an annual contribution to the Trust to meet the deficit of the running costs of the Complex.

J. Peases Miners Trust

The Authority is Trustee for J. Peases Miners Trust. The following movement within the Trust Fund took place during 2004/05:

	£000
Balance brought forward	17
Receipts in year	0
Payments in year	0
Balance carried forward	17

13. Debtors

The Provisions for Bad Debts have been deducted from the amounts owed in the Consolidated Balance Sheet.

	31 March 2004	31 March 2005
	£000	£000
Amounts falling due in one year:-		
Government Departments	2,350	1,554
Other Local Authorities	155	553
Non-Domestic Ratepayers	161	100
Council Taxpayers	657	541
Housing Rents & Private Works	1,311	812
Sundry Debtors	1,060	1,268
	5,694	4,828
Less - Bad Debts Provision:		
General Fund	(244)	(478)
Non-Domestic Ratepayers	(97)	(57)
Council Taxpayers	(187)	(154)
Housing Revenue	(919)	(599)
Total Debtors	4,247	3,540

14. Temporary Investments

	31 March 2004	31 March 2005
	£000	£000
Co-operative Bank	1,880	1,880
Building Societies	12,000	11,500
	13,880	13,380

15. Creditors

	31 March 2004	31 March 2005
	£000	£000
Government Departments	2,773	5,660
Other Local Authorities	361	496
Housing Rents	141	139
Sundry Creditors	4,966	4,463
Council Tax	289	345
Non-Domestic Rates	209	95
Total Creditors	8,739	11,198

16. Long Term Borrowing

Analysis of loans by type	Total Outstanding at	
	31 March 2004 £000	31 March 2005 £000
Public Works Loan Board	40,806	30,217
European Investment Bank	28	10
Dresdner Bank	0	6,500
	40,834	36,727
Analysis of loans by maturity		
Between 1 and 2 years	1,167	2,667
Between 2 and 3 years	3,667	1,133
Between 3 and 4 years	1,133	1,100
Between 4 and 5 years	1,100	869
Between 5 and 6 years	869	715
Between 6 and 10 years	1,894	1,331
Between 10 and 15 years	490	413
More than 15 years	18,398	23,324
	28,718	31,552

The aggregate total of long term borrowing £31,552,000 and short term borrowing £5,176,000 as shown in the Consolidated Balance Sheet differs from the above figures due to a temporary loan of £1,000.

17. Capital Receipts Unapplied

These are capital receipts which have not yet been used to finance capital expenditure or to repay debt.

	2003/04 £000	2004/05 £000
Balance brought forward	1,353	2,664
Capital receipts in year from sales of assets	5,129	4,953
Less		
Capital receipts applied to finance capital expenditure	(2,233)	(326)
Capital receipts provided for credit liabilities	(1,585)	(28)
Payment to Central government	0	(2,722)
Balance carried forward	2,664	4,541

18. Provisions And Funds

	Balance as at 31st March 2004 £000	Receipts In Year £000	Payments In Year £000	Balance as at 31st March 2005 £000
Assistance for Industry (1)	83	0	73	10
Provision for Pension Fund (2)	553	236	553	236
Repayment of External Funding (3)	0	30	0	30
	636	266	626	276

1. The provision represents grants awarded to emerging and expanding businesses in the district that remained unclaimed at the year-end. If the grant has not been claimed within two years of the committee approval date, it is written back to revenue.
2. This provision relates to the capital cost to the pension fund on early retirements that is met by the Council.
3. This provision relates to the potential liability to repay external funding relating to Regeneration schemes.

In addition the following funds are included in the Balance Sheet:-

	Balance as at 31st March 2004 £000	Receipts In Year £000	Payments In Year £000	Balance as at 31st March 2005 £000
Cemetery Perpetuity	4	0	0	4
North Bedburn Social Centre	10	0	0	10
Joseph Pease Miners Trust Fund	17	0	0	17
Leisure Contract - Assets Replacement	9	0	0	9
	40	0	0	40

19. Contingent Liabilities

During the financial year no Housing Disrepair Claims were settled. At the year end, 7 unsettled claims had been lodged and were outstanding. It is expected that the settlement value of the outstanding claims including costs will be in the region of £6,000.

20. **Financial Reserves**

Financial Reserves are shown in the Consolidated Balance Sheet. The earmarked reserves are shown below:-

	2003/04	2004/05
	£000	£000
Elite Hall Development	116	116
DSO Relocation	50	50
Reclaimed Rates	80	80
E. Government / I.T.	390	370
Disability Discrimination Act	150	150
In-house Training	59	72
Reclamation After Values	66	66
Development Agency Contribution	19	0
Risk Management	40	40
Financial Incentives	6	0
Economic Development Fund	33	83
Youth Fund	23	47
Service Improvement Fund	24	54
Community Fund	13	25
Lifelong Learning	0	20
Health Initiatives	0	10
Single Housing Investment Pot	0	100
	1,069	1,283

21. **Retirement Benefits**

In accordance with the requirements of Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17), Wear Valley District Council has to disclose its share of assets and liabilities related to pension schemes for its employees. As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme for employees, administered by Durham County Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

In addition, the authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

The underlying assets and liabilities attributable to the authority at 31st March 2005 are as follows:-

	Local Government Pension Scheme	
	31 March 2004	31 March 2005
	£000	£000
Estimated share of liabilities in Scheme	(50,810)	(61,100)
Estimated share of assets in Scheme	30,790	36,180
Net asset / (liability)	(20,020)	(24,920)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £24.92m has an impact on the net worth of the Authority as recorded in the balance sheet, showing a reduction. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme 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 upon assumptions about mortality rates, salary levels, etc. The figures below have been provided by the actuaries to the Durham County Council Pension Scheme using information provided to them 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. The main assumptions used in their calculations have been:

	Local Government Pension Scheme	
	2003/04	2004/05
Rate of inflation	2.9%	2.9%
Rate of increase in Salaries	4.7%	4.4%
Rate of increase in Pensions	2.9%	2.9%
Rate of discount for pension cost over year	5.4%	5.3%
Rate for Discounting Scheme Liabilities (NB: based on 3.5% real)	6.4%	5.3%
Rate of Increase in Deferred Pensions	2.9%	2.9%

Assets in the County Council Pension Fund 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:

	31st March 2004	31st March 2005	Long Term Return
	%	%	%
Equity Investments	83	84	7.7
Bonds	11	9	4.7
Other Assets	3	4	4.8
Property	3	3	6.7
	100	100	

	2004/05
	£m
Net Pensions Liability at 1st April 2004	(20.02)
Movements in the year:	
Current service cost	(1.42)
Employer's contributions payable to scheme	1.49
Employer's additional contributions in respect of early retirements	0.55
Interest cost	(3.23)
Expected return on assets in the scheme	2.24
Actuarial gains (losses)	(4.53)
Net Pensions Liability at 31st March 2005	(24.92)

22. County Durham E-Government Partnership

The Council acts as an Accountable Body for the above partnership, which comprises all of the principal Councils in County Durham. The funds, which are included in Advance Receipts in the Consolidated Balance Sheet, amount to £135,193 and can only be spent with the approval of the Partnership Board. The transactions of the Partnership are shown below:

	2004/05
	£000
Balance at 1st April 2004	135
Councils Contributions	837
Interest Earned	12
Expenditure in Year	(810)
Balance at 31st March 2005	174

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	2004/05		2003/04
	£000	£000	£000
Surplus / (deficit) for the year:			
- General Fund	(292)		(375)
- Housing Revenue Account	770		(182)
- Collection Fund	(88)		(21)
<i>add back</i> Movements on specific revenue reserves	(214)		(50)
Deduct appropriation (from)/to Pensions Reserve	(370)		(680)
Actuarial gains and (losses) relating to pensions (note 6)	(4,530)		3,760
Total Increase / (decrease) in revenue resources		(4,724)	2,452
Increase / (decrease) in Deferred Capital Receipts	(30)		(218)
Increase / (decrease) in usable capital receipts	1,877		1,311
Total increase / (decrease) in realised capital resources (note 1)		1,847	1,093
Gains / (losses) on revaluation of fixed assets	49,493		6,997
Total increase / (decrease) in unrealised value of fixed assets (note 2)		49,493	6,997
Value of assets sold, disposed of or decommissioned (note 3)		(4,700)	(3,699)
Capital Receipts set aside	354		3,818
Year End Adjustment	30		(782)
Revenue resources set aside	(4,464)		(3,252)
Movement on Capital Grants	3,116		4,123
Total increase / (decrease) in amounts set aside to finance capital investment (note 4)		(964)	3,907
Total increase / (decrease) in Major Repairs Allowance Reserve (note 5)		15	(59)
Total recognised gains and losses		40,967	10,691

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES

	Deferred Capital Receipts £000	Usable capital receipts £000
1. Movements in realised capital resources		
Amounts receivable in 2004/05	0	2,203
Year End Adjustment	(30)	0
Amounts applied to finance new capital investment in 2004/05	0	(326)
Total increase / (decrease) in realised capital resources in 2004/05	(30)	1,877
Balance brought forward at 1 April 2004	782	2,664
Balance carried forward at 31 March 2005	752	4,541

	Fixed Asset Restatement Reserve £000
2. Movements in unrealised value of fixed assets	
Gains/losses on revaluation of fixed assets in 2004/05	49,493
Impairment losses on fixed assets due to general changes in prices in 2004/05	<u>0</u>
Total increase / (decrease) in unrealised capital resources in 2004/05	49,493
3. Value of assets sold, disposed of or decommissioned	
Amounts written off fixed asset balances for disposals in 2004/05	<u>(4,700)</u>
Total movement on reserve in 2004/05	44,793
Balance brought forward at 1 April 2004	37,423
Balance carried forward at 31 March 2005	82,216

	Capital Financing Reserve £000
4. Movements in amounts set aside to finance capital investment	
Capital receipts set aside in 2004/05	
- reserved receipts	28
- useable receipts applied	326
Total capital receipts set aside in 2004/05	354
Year End Adjustment	30
Revenue resources set aside in 2004/05	
- reconciling amount for provisions for loan repayment	(4,464)
Total revenue resources set aside in 2004/05	(4,464)
Grants applied to capital investment in 2004/05	418
Major Repairs Reserve Allocation	2,698
Movement on Capital Grants	3,116
Total increase / (decrease) in amounts set aside to finance capital investment	
Total movement on reserve in 2004/05	(964)
Balance brought forward at 1 April 2004	23,529
Balance carried forward at 31 March 2005	22,565
5. Movement in Major Repairs Allowance	
Allowance received in the year	2,713
Expenditure applied in the year	(2,698)
Total Movement in Reserve in 2004/05	15
Balance brought forward at 1 April 2004	35
Balance carried forward at 31 March 2005	50

6. Actuarial Gains and Losses

The actuarial losses identified as movement in the pensions reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2005.

	2004/05 £000
Differences between the expected and actual return on assets	1,510
Differences between actuarial assumptions about liabilities and actual expenditure	1,520
Changes in demographic and financial assumptions used to estimate liabilities	(7,560)
	(4,530)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

2003/04 £000		2004/05 £000
	REVENUE ACTIVITIES	
	Cash Outflow	
11,610	Cash paid to and on behalf of employees	12,850
6,920	Housing Benefits paid out	7,083
8,976	Contributions to NNDR Pool	8,507
18,404	Precepts paid	20,151
0	Payments to the Capital Receipts Pool	2,121
9,571	Other Operating cash payments	9,591
55,481		60,303
	Cash Inflow	
3,437	Rents (after rebates)	4,321
17,039	Council Tax receipts	18,418
8,564	Non-Domestic Rate receipts	8,952
2,141	Contributions from NNDR Pool	1,666
3,875	Revenue Support Grant	3,983
6,732	DWP Grants for benefits	6,827
12,886	Other Government and European Grants	15,969
3,721	Cash Received for Goods and Services	4,195
58,395		64,331
2,914	Net Cash Inflow (Outflow) Before Financing Charges	4,028
	Returns on Investments & Servicing of Finance	
(2,785)	Cash Outflow - Interest Paid	(2,488)
514	Cash Inflow - Interest Received	763
643	Net Cash Inflow (Outflow) from Revenue Activities	2,303
	CAPITAL ACTIVITIES	
	Cash Outflow	
(5,696)	Purchase of Fixed Assets	(4,857)
(1,668)	Other Capital cash payments	(2,245)
0	Cash Inflow	
2,170	Sale of Fixed Assets	5,270
4,730	Other Capital cash receipts	4,159
27	Repayment of Advances	30
(437)	Net Cash Inflow (Outflow) from Capital Activities	2,357
(3,575)	Management of Liquid Resources	500
	FINANCING	
(11,105)	Cash Outflow - Repayments of amounts borrowed	(27,607)
10,922	Cash Inflow - New Loans Raised	23,500
(183)	Net Cash Inflow (Outflow) from Financing	(4,107)
(3,552)	Net Increase / (Decrease) in Cash	1,053

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of Net Surplus / Deficit to Cash Inflow (Outflow) from Revenue Activities

2003/04 £000		2004/05 £000
(375)	Surplus / (Deficit) for the year	(292)
(182)	Add (less) contributions to (from) HRA reserves	770
(21)	Add (less) contributions to (from) Collection Fund	(88)
	Non Cash Transactions	
(1,149)	Minimum Revenue Provision	(1,192)
545	Deferred Charges Written Off	838
49	Add (less) contributions to (from) Earmarked Reserves	214
(1,575)	Add (less) other non cash transactions	(434)
(2,130)		(574)
	Items on an Accruals Basis	
(16)	Movement in Stocks	3
647	Movement In Debtors	707
2,517	Movement in Creditors	2,459
3,148		3,169
643	Net Cash Inflow (Outflow) from Revenue Activities	2,303

2. Reconciliation of Movement in Cash to Movement in Net Debt

	2004/05 £000	
Increase in Cash	1,053	
Cash Flow from Decrease in Borrowing	(4,107)	
Change in Net Debt	(3,054)	
Analysis of Net Debt		
	31 March 2004	31 March 2005
	£000	£000
Cash in Hand	(3)	(4)
Bank Overdraft	183	737
Debt due within one year	12,117	5,176
Debt due in more than one year	28,718	31,552
Current Asset Investments	(13,880)	(13,380)
	27,135	24,081
Change in Net Debt	(3,735)	(3,054)

3. Reconciliation of Management in Liquid Resources and Financing

	31 March 2004	31 March 2005	Movement
	£000	£000	£000
Short Term Borrowing	12,117	5,176	(6,941)
Long Term Borrowing	28,718	31,552	2,834
Total	40,835	36,728	(4,107)

4. Analysis of Grants Received

	2003/04	2004/05
	£000	£000
Other Government Revenue Grants		
Housing Benefit Administration Subsidy	710	727
Council Tax Benefit	4,966	6,039
Housing Subsidy	3,438	(3,503)
Rent Rebates	0	8,330
Benefit Fraud Investigation Subsidy	108	20
ERDF	88	6
Neighbourhood Renewal Grant	1,706	2,195
Single Regeneration Budget	1,434	1,306
Planning Delivery Grant	75	363
Other	361	486
	12,886	15,969
Capital Grants		
One North East Single Programme	335	72
English Heritage	139	71
Reclamation Grants	10	40
Disabled Facility Grants	113	417
Rural Development Programme	0	76
ERDF	474	6
Countryside Agency	0	121
Major Repairs Allowance	2,881	2,713
Other Local Authority Grants	55	132
Lottery Grants	180	0
Implementing E-Government Grant	200	350
Other	343	161
	4,730	4,159

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

Wear Valley District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Wear Valley District Council is also responsible for ensuring that there is a sound system of internal control that facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Wear Valley District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. INTERNAL CONTROL ENVIRONMENT

The key elements of the District Council's internal control environment are as follows:

- The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.
- The Council has established its principal organisational objectives. These are documented within the Council Plan that also sets out the Council's priorities and improvement measures for the period 2004-2007.
- Departmental service plans are derived from the Council Plan and budgets aligned with corporate objectives.
- A corporate management team (CMT) consisting of the senior officer from each Department meets weekly under the chairmanship of the Chief Executive. The Council's communication strategy ensures that there are documented meetings across all Departments.
- Governance documents such as schemes of delegation, standing orders and financial regulations are reviewed annually and updated.
- The Council has introduced and implemented a performance management framework that is driven by the Council Plan and focuses attention on corporate priorities.
- The Council has robust systems for identifying and evaluating all significant risks. Members approved a risk management strategy in 2001 that ensures a systematic process for dealing with them. The Director of Central Resources (DCR) reviewed progress against the strategy in 2003 and 2005. The DCR is designated as the Chief Finance Officer and has the role of "risk management" champion. A cross-departmental risk management group is established that identifies key operational risks including those related to new legislation. A risk register is in place and appropriate staff trained in the assessment, management and monitoring of risks.
- Members have approved an Insurance Framework (5th June 2002)
- Service plans include a section on key risks
- The financial management of the Council is conducted in accordance with its Financial Regulations. The Council has designated the Director of Central Resources as Chief Finance Officer in accordance with section

151 of the Local Government Act 1972. The Council has in place a Medium Term Financial Strategy to support the aims of the Council Plan.

- Robust budget monitoring by the monthly distribution of monitoring reports to budget holders, monthly reporting of volatile budgets to CMT quarterly summary reports to Members
- Allocation of resources in 2005/06 capital programme to introduce effective business continuity and disaster recovery arrangements.
- The retention and recruitment of suitably qualified and skilled staff by the provision of training linked to individual personal development plans with objectives cascaded from the Council Plan through departmental service plans.
- The Council maintains an internal audit function that operates to the standards set out in the Code of Practice for Internal Audit in Local Government.

4. REVIEW OF EFFECTIVENESS

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- The Council Plan is reviewed periodically to ensure it remains relevant to organisational objectives.
- Annual review of service planning process
- Annual review and update of control documents such as financial regulations, standing orders, anti-fraud and corruption strategy and whistle blowing policies
- Robust performance management framework as described by the Council's most recent CPA report. This includes monitoring of key performance indicators.
- Performance Indicators for the Authority are reviewed quarterly by senior officers as part of the Performance Management framework
- The use of balanced scorecards to evaluate performance across multiple dimensions
- Production and review of policies on health and safety and emergency planning.
- Directors certify annually as to the effectiveness of the internal control arrangements within their Department.
- The Senior Internal Auditor reports annually to the Council's Overview and Scrutiny Committee on the internal control environment based upon the work carried out in the year
- Structured training given to senior staff on financial management, standing orders and officer codes of conduct
- Monitoring of the operation of the Constitution by the Head of Legal Services in her capacity as the Council's "Monitoring Officer"
- The capability of the Overview and Scrutiny Committee (O&S) as the Council's "audit committee" to review Council policy and decisions and require attendance by members and officers at sittings of the Committee to answer questions
- O&S Committee in its capacity as an audit committee reviewing the performance of the internal audit function.
- The submission of reports to senior officers on system audits that evaluate levels of internal control. These reports include agreed actions to be undertaken by designated officers within specific time-scales. Follow up audits are undertaken to ensure that recommendations have been implemented
- The terms of reference of the Internal Audit function include the ability to refer areas of concern for review by the Overview and Scrutiny Committee
- The Internal Audit function is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section.
- Performance Improvement Teams are established to investigate services that appear to be failing according to national performance figures.
- Compliance with report writing protocol requiring consultation with relevant officers prior to submission of reports to Committee
- Allocating responsibility through CMT to dedicated officers to deal with new legislation e.g. Freedom of Information Act, Disability Discrimination Act etc.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

The following significant internal control issues have been identified:

No.	Issue	Action
1	Disaster recovery arrangements not fully in place	Monies allocated in capital programme
2	Risk management needs to be further embedded into the culture of Council and given corporate ownership	Monitor action plan prepared in review of Risk Management strategy

Signed _____

Dated _____

Leader of the Council

Signed _____

Dated _____

Chief Executive

STATEMENT OF RESPONSIBILITIES **FOR THE STATEMENT OF ACCOUNTS**

The Council's Responsibilities

The Council is required:-

- To make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Director of Central Resources.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2005.

In preparing this Statement of Accounts, the Director of Central Resources has:-

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

The Director of Central Resources has also:-

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

I certify that the accounts set out on pages 5 to 39 fairly state the position of Wear Valley District Council as at 31st March 2005.

Gary Ridley C.P.F.A.
Director of Central Resources
Wear Valley District Council

AUDITOR'S REPORT TO THE COUNCIL

These Accounts are published subject to Audit Opinion.

APPROVAL OF THE STATEMENT OF ACCOUNTS

Under the Accounts and Audit Regulations 2003, the chair of the Council / committee approving the statement of accounts is required to sign and date the accounts.

On behalf of the Council I confirm that the 2004/2005 accounts have been approved.

Signed:-

Date:-

Chair of Central Resources Committee

GLOSSARY OF TERMS USED IN THE ACCOUNTS

Accruals

A sum included in the Final Accounts in respect of income or expenditure relating to goods or services provided or received which are attributable to the accounting period, but for which payment has not been received/made by the end of the period.

Budget

The Council's plans and policies for the period concerned expressed in financial terms.

Capital Charge

A charge to service Revenue Accounts to reflect the cost of fixed assets used in provision of services.

Capital Expenditure (Capital and other long-term outlay)

Expenditure on acquisition of assets which have a long-term use e.g. land and buildings. 'Other long-term outlay' is used to describe those items such as roads which do not have a realisable value.

Capital Receipts

Proceeds from the sale of capital assets.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with Local Government finance.

Collection Fund

Fund into which is paid income from Council Tax and Non-Domestic Rates and from which are met the demands or precepts of both the Billing Authorities and Non-Billing Authorities.

Community Assets

Assets which it is intended to hold in perpetuity, that have no determinable useful life, and which may have restrictions on their disposal.

Contingent Liabilities

Liabilities, the amounts of which depend on some future occurrence.

Creditors

Persons or bodies to whom sums are owed by the Council.

Debtors

Persons or bodies who owe sums to the Council.

Deferred Charges

Amounts equivalent to debt still outstanding on assets, which are no longer owned by the Council.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, affluxion of time or obsolescence through technical or other changes.

Direct Service Organisations (DSO's)

Workforces employed directly by Local Authorities to carry out works of repair, maintenance, construction etc. of buildings, grounds and roads and to provide catering and cleaning services and repairs and maintenance of vehicles. Strict legislative provisions govern the activities of such organisations.

Financial Reporting Standards (FRS's)

Statements issued by the Accounting Standards Board laying down common standards of accounting practice and superseding previously issued SSAP.'s

Fixed Assets

Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

Government Grants

Grants by Government towards revenue and capital costs of Local Authority services.

Loans Pool

A pool into which loans raised are paid and from which advances are made to Services to finance capital schemes. Repayments to the pool are made by Services together with interest and management expenses at average rates.

Minimum Revenue Provision

The minimum amount which must be charged to revenue in the year for the repayment of debt (credit liabilities and credit arrangements). An Authority may voluntarily set aside amounts in excess of the minimum required.

Precept

Demand from Non-Billing Authorities to be met from the Collection Fund.

Provisions (including provisions for credit liabilities)

Sums set aside to meet any liabilities or losses which are likely or certain to be incurred, but uncertain as to the amounts or dates on which they will arise. Provisions for credit liabilities comprise amounts set aside from revenue and capital receipts to repay loans and credit arrangements as required by the Local Government and Housing Act 1989.

Reserves

Sums set aside for purposes falling outside the definition of a 'provision'.

Revenue Balance

Accumulated net revenue surplus.

Revenue Contributions to Capital Outlay (Direct Revenue Funding)

The financing of capital expenditure by a direct charge to the Revenue Account in the year of acquisition.

Revenue Expenditure and Income

Expenditure and income arising from the day to day operation of the Council's services.

Revenue Support Grant

General Grant given by the Government to Local Authorities to assist in financing the overall net cost of services.

Running Expenses

All expenses other than those relating to employees and the financing costs of capital expenditure (debt charges and revenue contributions). Running expenses include expenditure on maintenance of building, consumable supplies, transport etc.

Specific Grant

Government Grant towards net expenditure of particular services or projects.

Statements of Recommended Accounting Practice (SORP)

Statements issued by the Accounting Standards Board laying down common standards of accounting practice.

Trust Funds

Funds established from donations or bequests.

Work in Progress

The value of rechargeable work which had not been recharged at the end of the financial year.