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Michael Laing Chief Executive

20th June 2007

Dear Councillor,

I hereby give you Notice that a Special Meeting of the **CENTRAL RESOURCES COMMITTEE** will be held in the **COUNCIL CHAMBER, CIVIC CENTRE, CROOK** on **THURSDAY 28th JUNE 2007** at **4.00 P.M.**

AGENDA

1. Apologies for absence.
2. To consider the draft un-audited accounts for 2006/07.

Yours faithfully

Chief Executive

Members of this Committee: Councillors Buckham, Mrs Burn, Harrison, Hayton, Grogan, Kay, Kingston, Mairs, Mowbray, Murphy*, Miss Ord, Mrs Pinkney, Mrs Seabury*, Shuttleworth, Stonehouse, Taylor and Zair

*Ex-officio, non-voting capacity

Chair: Councillor Hayton

Deputy Chair: Councillor Mrs Pinkney

TO: All other Members of the Council for information
Management Team

SPECIAL CENTRAL RESOURCES COMMITTEE

28 JUNE 2007

Report of the Director of Resource Management **DRAFT AND UN-AUDITED ANNUAL ACCOUNTS 2006/07**

purpose of the report

1. To seek Member approval of the draft and un-audited accounts for 2006/07.

background

2. It is a legal requirement for the Authority to prepare draft and un-audited accounts for Member approval prior to the commencement of the statutory external audit. Any significant subsequent changes to the accounts will be reported back to Committee.
3. In previous years the requirement has been to prepare the draft accounts by 30 September for the previous financial year ending 31st March. However, the Government introduced changes which brought forward the date by which the draft accounts were to be reported to Members. This is the second year in which the accounts have to be approved by 30 June.
4. This tight deadline has been achieved despite significant changes being required to the format compared to previous years and the addition of group accounts to reflect the formation of Dale and Valley Homes at the start of 2006/07. Effective project planning and close working with departmental finance officers so that the necessary information can be collected as well as the regular reconciliation of accounting records during the year have contributed to this achievement.
5. The early production of the Authority's accounts assists in the forward planning processes of the Authority. Senior accountancy staff will review any lessons learned following external audit inspection and as in previous years will implement any recommendations made by our external auditors (District Audit).
6. The draft Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom as set out by section 21(2) of the Local Government Act 2003. The full accounts are shown at Annex A. The major issues arising from the accounts are detailed below.

general fund

7. The General Fund accounts for the revenue costs such as salaries, repairs, supplies etc. associated with the provision of most of the Council's services such as leisure, planning, grounds maintenance etc. (excluding council houses). This is funded mostly through Government grant and partly by Council Tax.

8. The Council achieved a surplus of £520,000 on its General Fund in 2006/07 after transferring appropriate sums to earmarked reserves. This compared to a planned deficit of £226,000 when the budget was set in February 2006.
9. The major reasons for the underspend were:
 - Additional housing and council tax benefit subsidy received. The Council paid out over £22m in benefits to individuals in 2006/07. This is reimbursed 100% except where an overpayment has arisen due to the fault of the Authority. The level of these overpayments was less than budgeted.
 - Additional investment interest from improved cash flow and higher interest rates
 - The Council budgets for all posts to be filled during the whole period of the year. Due to turnover of staff and the unavoidable time associated with the recruitment process, posts will inevitably be vacant for a period of time during the year. Some posts were also purposely held vacant pending the outcome of the recent restructuring process
 - A number of smaller items – additional recycling credits, reduced loan costs through debt rescheduling, receipts from the sale of small plots of land
10. The Council's un-earmarked balance stands at £1,774,000 as at 31 March 2007. £490,000 of that balance is forecast to support the 2007/08 budget. The balance of £1,774,000 includes the minimum £850,000 working balance for the Council.

housing revenue account

11. The Housing Revenue Account (HRA) records the revenue costs associated with the Council's role as a landlord in providing housing. It is funded entirely by rental income.
12. Since its formation at the start of 2006/07, a management fee was paid over to Dale and Valley Homes. This fee covers supervision and management as well as repairs and maintenance in respect of the housing stock.
12. The Council achieved a surplus of £384,000 on its Housing Revenue Account in 2006/07. This compared to a budgeted surplus of £162,000 when the budget was set in February 2006. The increased proportion of properties let was the major reason for the good financial performance.
13. The minimum projected working balance for the HRA as at the end of 2006/07 was £1,250,000. This was achieved as the Council's un-earmarked balance stands at £1,611,000 as at 31 March 2007. A £1,000 surplus is budgeted in 2007/08 as the mechanics of the housing subsidy will lead to the HRA paying over more money to the Government.

capital

14. The capital account records income and expenditure associated with the purchase or renovation of assets such as council houses, land, buildings, vehicles and computer systems. It also includes the provision of grants for the renovation of private sector housing.
15. The Council spent net of external funding £6,586,000 in 2006/07. This compares to a budgeted spend of £6,709,000. A number of schemes were brought forward from the 2005/06 programme. These additional costs were offset by reductions in the cost of other schemes namely the following:
 - Delays in the development of Bracks farm at Bishop Auckland due to planning issues and negotiation with the site owners
 - Slippage in the programme to regenerate West Auckland
 - Decision to postpone implementation of a new payroll and human resources computer system due to negotiations with other authorities on alternative system provision
16. As at 31 March 2007 the Council had available capital receipts of £13.1m from the sale of assets in previous years. A proportion of these is being used to support capital expenditure in 2007/08.
17. Whilst the Council has recently received significant sums for the sale of land and property, use of the receipts available to support capital expenditure must be balanced against the interest earned from its investment which will contribute towards balancing the revenue account in the medium term.

other items of note

18. The Council's overall outstanding debt fell by almost £1m and its investments by £0.5m. Borrowing and investment decisions are linked to cash flow requirements. Borrowing requirements are commonly determined by the timing of large items of expenditure. An example is contractor payments for major capital schemes.
19. Investments are usually made upon the receipt of significant sums as would arise from the sale of surplus land. All decisions on borrowing and investments are consistent with the Council's approved Treasury Management Strategy and are taken with regard to the Council's daily cash flow requirements.
20. The Council's cost of pension contributions decreased from £1.80m to £1.60m. This was largely due to the transfer of employees to Dale and valley Homes. The figure includes the costs for retired employees who have been granted early retirement or received additional years to their pension.
21. The Council's Collection Fund which accounts for council tax collected by the Council and pays out precept monies to Durham County Council, Durham Police Authority, Durham and Darlington Fire and Rescue Authority as well as Wear Valley District Council achieved a surplus of £299,000 during 2006/07.

The majority of this surplus as well as prior year balances are repaid in subsequent years to the County Council as the largest preceptor.

- RECOMMENDED**
1. that the draft and unaudited accounts for 2006/07, be approved.
 2. The Chairman of the Committee signs the accounts.

Officer responsible for the report
Gary Ridley
Director of Resource Management
Ext 227

Author of the report
Stuart Reid
AD – Finance and I.T.
Ext 258

EXPLANATORY FOREWORD

1. Introduction

The purpose of this foreword is to provide an understandable guide to the most significant matters reported in the accounts. The Council is committed to improving the openness and understandability of the information it produces. Comments on the contents and layout of this foreword and statements that follow should be sent to: Strategic Director of Resource Management, Civic Centre, Crook, Co. Durham, DL15 9ES.

2. Information And Financial Statements

The Council's Statement of Accounts for the year ended 31st March 2007 is set out in the following pages. The information and the financial statements are:-

Statement of Accounting Policies (Page 6)

This shows the policies adopted in compiling the Statement of Accounts.

The Income and Expenditure Account (Page 12)

This shows the revenue income and expenditure for each service provided by the Council, the Council's demand from the Collection Fund, Revenue Support Grant and contribution from the Non-Domestic Rate Pool. This shows the Council's financial performance for the year measured in terms of the resources consumed and generated over the last twelve months. Following the Income and Expenditure Account are notes giving further information on the more significant items.

Statement of Movement on the General Fund Balance (Page 13)

This reconciles the Income and Expenditure Account with the amount that has to be raised through council tax in line with non-statutory proper practices.

Statement of Total Recognised Gains and Losses (STRGL) (Page 21)

This statement brings together the other gains and losses which are recognised in the Balance Sheet together with the outturn on the Income and Expenditure Account to show the total movement in the authority's net worth for the year.

The Balance Sheet (Page 22)

This shows the Council's balances and reserves and long-term indebted and the fixed and net current assets employed in its operations as at 31st March 2007. Following the Balance Sheet are notes giving further information.

The Cash Flow Statement (Page 33)

This summarises 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.

The Housing Revenue Account (Page 36)

This shows the revenue expenditure and income for the Housing Service, which is financed from tenants' rent. Following the Housing Revenue Account are notes giving further information. We are required by law to account for local authority Council housing matters separately.

The Collection Fund (Page 40)

This shows the income into the fund from council tax and non-domestic rates and expenditure from the fund including the precept demands upon the fund. Following the Collection Fund Income and Expenditure Account are notes giving further information.

Group Accounts (Page 42)

This combines the accounts of the Council and Dale and Valley Homes who are responsible for the operation of housing services following their establishment as an arms length management organisation.

Statement On The System of Internal Control (Page 50)

This outlines the Council's policy for ensuring adequate internal controls.

Statement Of Responsibilities For The Statement Of Accounts (Page 53)

This details the Council's and the Strategic Director of Resource Management's responsibilities in compiling the Accounts.

The Auditor's Report To The Council (Page 54)

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

Approval Of The Statement Of Accounts (Page 55)

Glossary Of Terms Used (Page 56)

3. Overview of Financial Performance

The pages that follow show the main financial results for the year for the activities undertaken by the Council. They summarise the income received and expenditure incurred by the Council, and highlights changes in the financial position of the Council during the year.

The Council incurs revenue and capital expenditure during the year. Revenue spending relates to items consumed within the year e.g. salaries, wages, rent and energy costs, 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.

4. 2006/07 Summary General Fund Revenue Account

In setting its 2006/07 budget, the Council faced a number of financial pressures such as pay awards, pension costs and improving the quality of key services to the public. The Council also wished to minimise the burden on taxpayers and by rigorous scrutiny of all its expenditure limited the increase in the Council Tax charge to 2.95%. A number of cost improvements were identified and resources reallocated to priority areas as indicated by resident surveys. For example, further investment was made in combating crime and disorder and improving the environmental and economic fabric of our town centres.

The budgeted level of reserves to support the 2006/07 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. Effective budgetary control was exercised during the year. Indeed, net expenditure in 2006/07 was £1,506,000 below budget. Due to this favourable position, £1,282,000 was added to reserves as opposed to a planned reduction of £226,000. This will be used to support the budget in future years. The main reasons for the under-spend were:

- Additional investment income due to higher interest rates and improved cash flow
- Additional subsidy entitlement in respect of Housing and Council Tax benefits
- Delays in filling vacant posts

The main components of the General Fund revenue budget for 2006/07 and how these compare with actual income and expenditure are set out on the following page:-

	Budget	Actual	Difference
	£000s	£000s	£000s
Recreation and Tourism	3,192	2,982	(210)
Corporate Services	3,201	2,263	(938)
Refuse Collection & Disposal	1,641	1,480	(161)
Housing (General Fund)	555	623	68
Planning and Economic Development	1,512	1,282	(230)
Environmental Health	445	430	(15)
Highways	742	722	(20)
Total	11,288	9,782	(1,506)
Transfers (from) / to earmarked reserves	0	762	762
Amounts to be met from Government Grants & Local Taxation	11,288	10,544	(744)
Sources of Finance:			
Council Taxpayers	(3,906)	(3,906)	0
General Government Grants	(1,161)	(1,159)	2
Non-Domestic Rate Income	(5,995)	(5,999)	(4)
Net General Fund Surplus/(Deficit)	(226)	520	746
Total Funding	(11,288)	(10,544)	744

The Council continues to face significant cost commitments. These include the impact of National Single Status Pay Guidelines, increased pension fund contributions due to the past poor performance of the stock market, extensions to the concessionary travel scheme and allocating resources often in partnership with other agencies to improve health, job creation, revitalise our town centres and reduce anti-social behaviour. These are amongst the issues that residents continually rate as the most important and which the Council have established amongst its corporate objectives. Consequently £490,000 of revenue reserves will be used to support the 2007/08 budget.

5. 2006/07 Housing Revenue Account

The Housing Revenue Account made a surplus of £384,000, which was £223,000 more than budgeted. This surplus was achieved mainly due to improved rent collection and a reduction in the number of empty properties. A small surplus has been budgeted in 2007/08. A summary of the final outturn is shown below:

	Budget	Actual	Difference
	£000s	£000s	£000s
Expenditure			
Repairs and Maintenance	6,258	6,304	46
Supervision and Management	2,938	2,977	39
Change in Provision for Bad Debts	100	38	(62)
Debt Charges	1,780	1,797	17
Housing Subsidy	2,812	2,878	66
Total Expenditure	13,888	13,994	106
Income			
Rents	(10,870)	(11,149)	(279)
Other	(3,179)	(3,229)	(50)
Total Income	(14,049)	(14,378)	(329)
Contribution to HRA Balances	(161)	(384)	(223)

6. Capital

In 2006/07, the Council originally budgeted to spend £6.7m net of external funding. This was revised during the year to £7.1m incorporating slippage from the previous year's programme. Actual net spend during the

year on capital schemes was £6.6m in 2006/07 (£4.0m on Housing Services and £2.6m on General Fund). The major underspends mainly arose due to slippage in the schemes to redevelop sites for economic regeneration. The capital programme is financed in a number of ways:

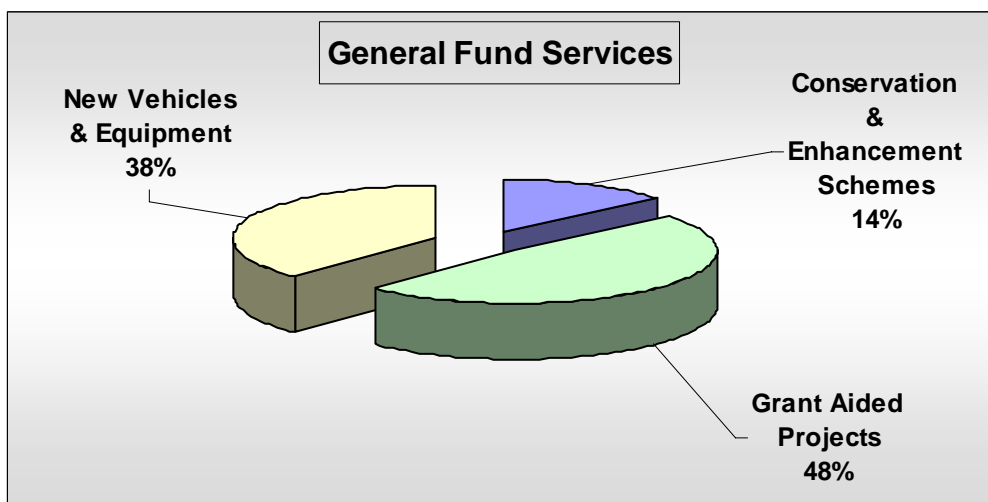
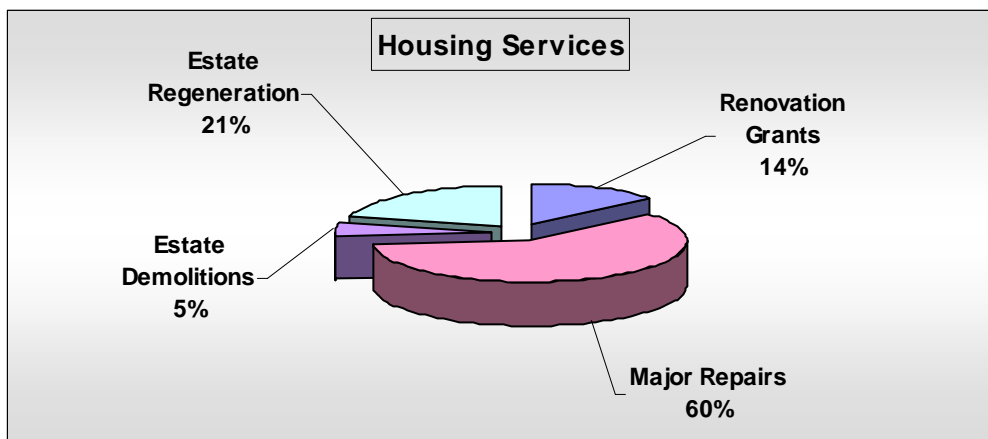
Borrowing – Central Government provide, through grant for General Fund services and Housing subsidy for housing services financial support to fund borrowing to support the capital programme. This supported borrowing approval can be applied to any type of capital expenditure.

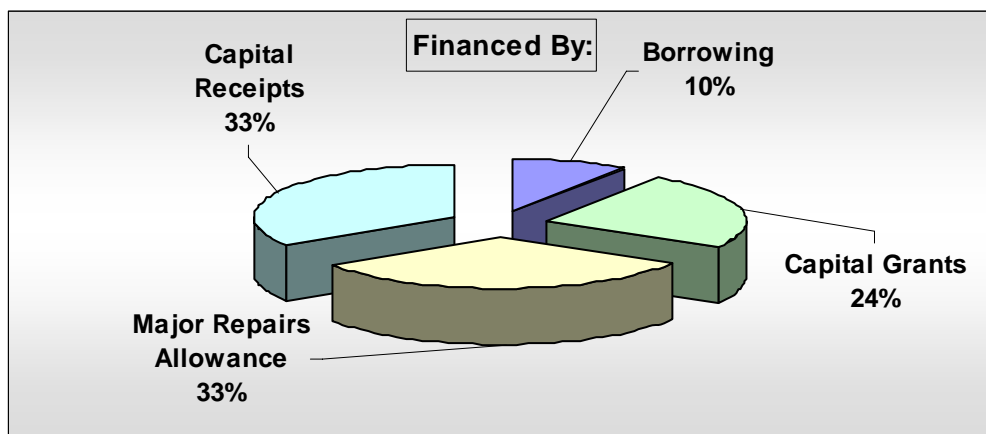
Major Repairs Allowance – Central Government provide a grant which can only be used to improve the Council housing stock. This drives the Government’s objective that all council dwellings should meet the Decent Homes Standard by 2012.

Capital Receipts – Capital receipts arise when the Council disposes of an asset. The Council is able to use 25% of capital receipts from the sale of Council houses and 100% for all other assets. This includes the use of 100% of proceeds from the sale of housing land as the Council approved a resolution that such receipts were earmarked for affordable housing and regeneration projects in line with Government rules. Due to an improved level of asset sales, the Council had as at 31st March 2007 £13.1m of receipts that could be used to support the capital programme in future years.

Capital Grants - Various grants are received from other public bodies such as One North-East and allocations from other income streams such as Neighbourhood Renewal Funding to fund capital expenditure.

The following charts show the major items on which gross capital expenditure, before the receipts of grants has been incurred and how the gross capital programme was financed.





The major areas of capital expenditure in 2006/07 were:

- £2.7m spent on replacing kitchens, bathrooms and central heating systems within the Council housing stock
- £0.4m on a programme of environmental improvements at Dene Valley including refurbishment of private dwellings
- £0.2m on demolition of council properties to improve the balance between demand and supply and combat vandalism and anti-social behaviour
- £0.2m on improvements to public and community buildings

7. Balances

As at the 31st March 2007, total balances stood at:

	£000
General Fund	1,774
Housing Revenue	1,611
Collection Fund	130

Included in the General Fund Balance of £1.8m is a working balance of £0.85m. Included in the Housing Revenue Balance of £1.6m is a working balance of £1.5m. A further £2.7m is held as General Fund earmarked reserves as detailed in note 20 to the Balance Sheet. These balances are consistent with the Council's Medium Term Financial Strategy, which matches current and future estimated resources with priorities set down in the Council Plan.

8. Borrowing

The Council's overall borrowing decreased by £0.5m 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 Balance Sheet on page 28.

9. 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 Income and Expenditure Account on page 12 to be £70,000 greater than it otherwise would have been. This has no impact upon the overall amount to be met from Government grants and local taxation.

10. 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 (SSAP's), Statements of Recommended Practice (SORPs) and Financial Reporting Standards (FRSs) have also been taken into account.

The financial statements contained in the Statement of Accounts takes into account the recommended accounting principles wherever possible and any departures from the recommended practice are identified in the accounts.

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 FRS15.

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

- 1) Redemption of Debt – It is necessary for all authorities to comply with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans. This is now based upon the Capital Financing Requirement of the Authority, and is applicable to non-housing only. The rate is 4% of the non-housing Capital Financing Requirement.
- 2) Interest Charges – External interest payable on borrowing is apportioned between the Housing Revenue Account (HRA) and the General Fund in accordance with regulations governing charges made to the HRA (item 8 debit). This is based upon the average weighted external interest rate and the HRA Capital Financing Requirement. Any remaining interest remains as a charge in the Income and Expenditure Account.
- 3) External interest receivable on investments is allocated to the HRA based upon the balance at each year-end together with an adjustment for transactions in the year. The balance remains in the General Fund as investment interest.

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. Grants are credited to the appropriate revenue account in the case of revenue grants and to the government grants deferred account in respect of capital grants.

8. Reserves

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

- the Fixed Asset Restatement Account, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
- the Capital Financing Account, 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 2007 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 2007 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 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

The Council has to set aside from revenue a specified amount for repayment of its debt.

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 FRS17 '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 0.27 % higher after the replacement of employer's contributions by current service costs and net operating expenditure is 0.41% 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 15.56%.

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 FRS17, are shown by way of a note to the Balance Sheet. (See Note 21)

However the Council is of the opinion that the statutory prescribed nature of the Housing Revenue Account 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 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 Income and Expenditure 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 Income and Expenditure Account.
- (b) Extraordinary items will be disclosed and described on the face of the Income and Expenditure 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 is the sole share holder in Dale & Valley Homes Ltd, which is limited by guarantee.

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, maintenance and management of the Council housing stock and a working balance available to 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 FRS11 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. Neighbourhood Renewal Fund / Safer/Stronger Communities Fund

The Council acts as Accountable Body for the Neighbourhood Renewal Fund and also the Safer/Stronger Communities 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 Income and Expenditure Account and the Balance Sheet relate to the Council's own schemes.

29. 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. Following the creation of an Arms Length Management Organisation (Dale and Valley Homes Ltd) on the 1st April 2006 it is now a requirement to produce group accounts which will show the position of the Authority as a whole, with a view to enhancing the information provided to the public. The group accounts which combine the Council's and Dale and Valley Homes Ltd income/expenditure after adjustments for transactions between the two organisations are produced in the group accounts section of these statements.

30. Pooling of Housing Capital Receipts

With effect from 1st April 2004 the DCLG changed how the 'set aside' element of capital receipts was to be accounted for within the Authority's accounts. Previously the relevant proportion of the receipts generated had to be set aside for the repayment of external loan debt (irrespective of whether it was actually used to repay any debt). Housing Subsidy was subsequently adjusted to reflect this notional set aside. Since the 1st April 2004 the set aside portion of relevant capital receipts is paid directly to the DCLG on a quarterly basis with no subsequent adjustment to Housing Subsidy. The Income and Expenditure Account format has been amended to reflect this change.

31. Changes in Accounting Practice

Government grants received in respect of capital works have been credited to the Government Grants Deferred Account. Previously they were written off directly to the Capital Financing Account.

Capital Financing charges for the use of fixed assets are no longer made to the Service Revenue Accounts, Support Services and Trading Accounts.

INCOME AND EXPENDITURE ACCOUNT FOR 2006/07

2005/06 Net Expenditure £000s		Gross Expenditure £000s	2006/07 Gross Income £000s	Net Expenditure £000s
506	Central services to the public	6,623	(6,424)	199
6,774	Cultural, environmental & planning services	12,051	(4,731)	7,320
194	Highways, roads and transport services	1,152	(429)	723
2,350	Housing services - General Fund	20,115	(17,074)	3,041
843	Housing services - Housing Revenue Account	17,669	(15,281)	2,388
1,437	Corporate and democratic core	1,865	(347)	1,518
102	Non distributed costs	84	0	84
12,206	Net Cost of Services	59,559	(44,286)	15,273
82	Parish council precepts			84
(19)	(Surpluses)/deficits on trading undertakings not included in Net Cost of Services (note 2)			(13)
623	Interest payable and similar charges			485
(1,087)	Interest and investment income (note 13)			(1,078)
610	Pensions interest cost and expected return on pensions assets			230
2,613	Contribution of housing capital receipts to Government Pool			2,285
15,028	Net Operating Expenditure			17,266
(3,755)	Demand on the Collection Fund			(3,906)
(4,155)	General Government Grants			(1,159)
(1,770)	Non-domestic rates redistribution			(5,999)
5,348	Net General Fund (surplus)/deficit			6,202

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2005/06 £000s		2006/07 £000s
5,348	(Surplus)/deficit for the year on the Income and Expenditure Account	6,202
(5,129)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (see note on page 14)	(6,722)
219	(Increase)/Decrease in General Fund Balance for the Year	(520)
(1,473)	General Fund Balance brought forward	(1,254)
(1,254)	General Fund Balance carried forward	(1,774)

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 the usable capital receipts balance 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 above reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2005/06		2006/07
£000s		£000s
	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	
(1,627)	Write down of deferred charges financed from capital resources	(2,299)
(1,509)	Excess of Depreciation charges to the HRA over the Major Repairs Allowance element of Housing Subsidy	(3,581)
0	Transfer of Pension Liability	810
(833)	Depreciation and impairment of fixed assets	(968)
(2,060)	Net charges made for retirement benefits in accordance with FRS17	(1,830)
(6,029)		(7,868)
	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	
480	Loans fund principal repayments	525
(2,613)	Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(2,285)
1,660	Employer's contributions payable to the Durham County Pension Fund and retirement benefits payable direct to pensioners	1,760
(473)		0
	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	
666	Surplus on Housing Revenue Account	384
707	Net transfer to or (from) earmarked reserves	762
1,373		1,146
(5,129)	Net additional amount required to be credited to the General Fund Balance for the year	(6,722)

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

1. Prior Period and Exceptional/Extraordinary Items

a) Prior Period

In the 2006/07 Statement of Accounts, the Council has adopted a new accounting policy that impact on the comparative figures for 2005/06 in the Income and Expenditure Account. Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table):

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000s	Removal of capital financing charges £000s	2005/06 Comparitives in Income and Expenditure Account £000s
Central Services to the Public	520	(14)	506
Cultural, Environmental and Planning Services	7,333	(559)	6,774
Highways, Roads and Transport Services	293	(99)	194
Housing Services - General Fund	2,372	(22)	2,350
Corporate and Democratic Core	1,455	(18)	1,437
Non Distributed Costs	102	0	102
Impact on Net Cost of Services	12,075	(712)	11,363
Surplus on Trading Undertakings	(16)	(3)	(19)
Asset Management Revenue Account (Interest payable and similar charges in 2006/07)	(92)	715	623
Impact on Net Operating Expenditure	11,967	0	11,967

b) Exceptional/Extraordinary Items

There were no exceptional/extraordinary items affecting the Income and Expenditure Account in 2006/07.

2. 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.

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

Turnover	(227)	
Expenditure	<u>199</u>	
Surplus		(28)
Surplus 2005/06	(24)	

The Council lets various industrial units in conjunction with Durham County Council and Wear Valley Development Agency. The trading objective is to break even.

Turnover	(25)	
Expenditure	<u>41</u>	
Deficit		16
Deficit 2005/06	1	

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

Turnover	(53)	
Expenditure	<u>52</u>	
Surplus		(1)
Deficit 2005/06	7	

Net surplus on trading operations

(13)

3. 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 £117,998, under this power in 2006/07 (£117,070 in 2005/06) and its actual expenditure in the year amounted to £83,130 (£102,010 in 2005/06) mainly on donations to voluntary bodies working in the local area.

4. 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.

	2005/06	2006/07
	£000s	£000s
Recruitment advertising	63	89
Other advertising	59	78
Information relating to regional government	0	17
Other publicity	18	16
Total	<u>140</u>	<u>200</u>

5. 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.

	Non-chargeable	Chargeable	Total Building
	2006/07	2006/07	Control
	£000s	£000s	2006/07
	£000s	£000s	£000s
Expenditure	29	199	228
Income	0	(227)	(227)
(Surplus)/Deficit for Year	29	(28)	1
Comparitives for 2005/06			
Expenditure	46	180	226
Income	0	(204)	(204)
(Surplus)/Deficit for Year	46	(24)	22

6. Agency Work

The Council acts as an agent of Durham County Council in respect of verge maintenance and gully cleansing. 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:-

	2005/06	2006/07
	£000s	£000s
Routine Maintenance	78	79
Administrative costs	6	6
Total amount reimbursable	84	85

7. Local Authority (Goods & Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During 2006/07 the following services were provided:

	2006/07
	£000s
MOT Testing	11
Wardens Service and Alarm Monitoring for Housing Associations	3

8. Members' Allowances

There are 40 elected Members of the Council and during 2006/07 a total of £283,965 (2005/06 £279,045) was paid in respect of Members Allowances, made up of £216,379 (2005/06 £213,383) basic allowances and £67,585 (2005/06 £65,662) special responsibility allowances.

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

9. Officers' Emoluments

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

Remuneration Band	2005/06 Number of Employees	2006/07 Number of Employees
£50,000 - £59,999	0	1
£60,000 - £69,999	4	2
£70,000 - £79,999	0	0
£80,000 - £89,999	1	1

10. Related Party Transactions

In accordance with FRS8, 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 14 to the Income and Expenditure Account)

Spectrum Centre

(£46,000 deficit funding of the Spectrum Trust to which the Council is the Corporate Trustee)

Dale & Valley Homes Ltd

The Council formed an arms length management organisation on 1st April 2006 and appoints 5 of the 15 board members.

During 2006/07 the Authority acted as the Accountable Body for the Neighbourhood Renewal Fund (N.R.F.) and the Safer / Stronger Communities Fund. (S.S.C.F.) Transactions during the year were as follows:

	N.R.F. £000s	S.S.C.F. £000s
Balance brought forward as at 1st April 2006	(78)	0
Receipts	(2,627)	(117)
Payments	2,502	1,325
Balance carried forward as at 31st March 2007	(203)	1,208

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

11. Disclosure of Audit Costs

In 2006/07 Wear Valley District Council incurred the following fees relating to external audit and inspection.

	2005/06	2006/07
	£000s	£000s
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	94	116
Fees payable to the Audit Commission in respect of statutory inspection	9	8
Fees payable to the Audit Commission for the certification of grant claims and returns	41	23

12. Operating Leases

a) The Authority has provided certain I.T. equipment and photocopiers financed under the terms of an operating lease. The amount paid under these arrangements in 2006/07 was £53,485 (2005/2006 £104,992). The Authority is committed to making payments of £74,512 under these leases in 2007/08, comprising the following elements:

	2005/06	2006/07
	£000s	£000s
Leases expiring in 1 year	1	5
Leases expiring in 2 - 5 years	113	69
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 is £47,500.

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

The Royal Corner - leases range from periods of 3 years to 25 years. The total market rent charged was £39,607.

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).

13. Interest and Investment Income

	2005/06	2006/07
	£000s	£000s
Interest received on external investments	1,008	928
Interest received on Housing Association loans	77	76
Loan discounts received	2	74
	1,087	1,078

14. 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.

The Authority recognises 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 Authority 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 in the Statement of Movement on the General Fund Balance. This is shown in detail in the Note of Reconciling Items for the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account during the year:

	2005/06	2006/07
	£000s	£000s
Net Cost of Services		
Current service cost	1,450	1,600
Net Operating Expenditure		
Interest cost	3,210	3,210
Expected return on assets	(2,600)	(2,980)
Amount met from Government Grants and Taxpayers		
Movement on Pension Reserve	(400)	(70)
Actual amount charged against Council Tax		
Employer's contributions payable to scheme	<u>1,660</u>	<u>1,760</u>

Note 21 to the Balance Sheet on Page 30 shows details of the assumptions made in estimating the figures included in this note.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR 2006/07

2005/06		2006/07
£000s		£000s
5,348	(Surplus) or deficit on the Income and Expenditure Account for the year	6,202
(9,151)	(Surplus) or deficit arising on revaluation of fixed assets	(30,312)
(2,170)	Actuarial gains and losses on pension fund assets and liabilities	(170)
(1,468)	Capital additions financed through grants and credited to Capital Financing Account	(208)
(32)	Movement on undistributed Collection Fund Surplus	(44)
0	Movement on funds	(1)
(7,473)	Total recognised gains and losses for the year	(24,533)

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

BALANCE SHEET AS AT 31ST MARCH 2007

2005/06 £000s		2006/07		
		£000s	£000s	Notes
	Fixed Assets			1-5
	Tangible Fixed Assets			
	Operational Assets:			
115,980	Council Dwellings	140,469		
13,765	Other Land and Buildings	13,717		
2,689	Vehicles, Plant, Furniture and Equipment	2,595		
1	Community Assets	1		
	Non-Operational Assets:			
5,594	Investment Properties	6,027		
5,720	Surplus Property and Land	5,948		
143,749	Total Fixed Assets		168,757	
2	Long-term Investments		2	
329	Deferred premiums on early repayment of debt		270	
740	Long-term Debtors		720	9
144,820	Total Long-term Assets		169,749	
	Current Assets			
149	Stocks and Work in Progress	121		10
4,432	Debtors	5,169		13
23,640	Investments	23,130		14
153	Cash and Bank	28		
			28,448	
173,194	Total Assets		198,197	
	Current Liabilities			
(2,667)	Short-term Borrowing	(1,133)		
(14,195)	Creditors	(14,593)		15
0	Cash Overdrawn	(625)		
			(16,351)	
156,332	Total Assets Less Current Liabilities		181,846	
(36,385)	Long Term Borrowing		(36,992)	16
(23,150)	Pensions Liability		(22,240)	21
0	Government Grants Deferred		(974)	
(216)	Deferred discounts on early repayment of debt		(323)	
(492)	Provisions		(695)	18
96,089	Total Assets Less Liabilities		120,622	
	Financed by:			
79,843	Fixed Asset Restatement Account		105,370	6
20,554	Capital Financing Account		17,369	7
13,453	Usable Capital Receipts Reserve		13,089	17
740	Deferred Capital Receipts		720	
(23,150)	Pensions Reserve		(22,240)	21
50	Major Repairs Reserve		4	8
42	Funds		43	18
1,990	Earmarked Reserves		2,752	20
1,254	General Fund balance		1,774	
1,227	Housing Revenue Account balance		1,611	
86	Collection Fund balance		130	
96,089	Total Net Worth		120,622	

These accounts were authorised for publication by the Strategic Director of Resource Management on 28/06/07.

NOTES TO THE BALANCE SHEET

1. Fixed Assets

Movements of Fixed Assets during 2006/07 were as follows:

	Council Dwellings £000s	Other land and buildings £000s	Vehicles, plant etc £000s	Investments £000s	Community Assets £000s	Surplus Properties £000s	Total £000s
Net book value of assets at 31 March 2006	115,980	13,765	2,689	5,594	1	5,720	143,749
<i>Movement in 2006/07</i>							
Additions	4,107	899	911	482	0	303	6,702
Disposals	(3,114)	0	0	(49)	0	(1,621)	(4,784)
Revaluations	29,601	(576)	(277)	0	0	1,564	30,312
Depreciation	(6,105)	(371)	(728)	0	0	(18)	(7,222)
Net book value of assets at 31 March 2007	140,469	13,717	2,595	6,027	1	5,948	168,757

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 (RICS), 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 Housing assets within the Authority's property portfolio have been valued as at 1st April 2006 by external qualified valuer, P Wilkinson, MRICS, District Valuer in accordance with the regulatory framework for the valuation of local authority housing stocks provided by the guidance on stock valuation issued by the Government 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 49% as this is more in line with recent sales of Right to Buy properties.

In view of the national trend of levelling housing prices during 2006/07 and the fact that the Housing Assets had been completely revalued as at 1st April 2006, a desktop review of the Council House dwellings valuations as at 31st March 2007 was not felt necessary.

3. Information On Assets Held

Fixed assets owned by the Council include the following:-

	31st March 2006	31st March 2007
Council Dwellings	4,606	4,406
Garage Blocks	799	765
Garage Sites	230	230
Operational Buildings		
Civic Centre	1	1
Other Offices	6	6
Leisure Centres and Pools	4	4
Community Centres/Community Rooms	20	20
Public Conveniences	7	7
Depots and Stores	1	1
Car Parks	18	18
Markets	2	2
Bus Station	1	1
Non Operational Property		
Business Centres	2	2
Council Owned Shops	8	8
Royal Corner Shop Units	4	4
Royal Corner Office Units	2	2
Industrial Units - 50% owned by Durham County Council	11	8
Miscellaneous Leased Properties	22	22
Leased Agricultural Land	60 acres	60 acres
Items of Surplus Property and Land	34	33
Retail Property Investments	3	3
Community Assets		
Allotments	33	33
Cemeteries	19	19
Parks and Open Spaces	200 hectares	200 hectares

4. Summary of Capital Expenditure and Sources of Finance

	2005/06 £000s	2006/07 £000s
Capital Investment		
Operational assets	6,319	6,702
Deferred charges	2,887	3,094
Sources of finance		
Government grants and other contributions	(2,728)	(1,975)
Use of Capital Receipts	0	(2,864)
Major Repairs Allowance	(2,688)	(2,721)
New borrowing	(3,790)	(2,236)
Closing Capital Financing Requirement	0	0

5. Capital Commitments

The Council has contractually committed £4,270,000 in respect of capital schemes as at 31st March 2007. There are no capital expenditure schemes which have been approved in principle but not yet contracted as at 31st March 2007. A summary of these commitments is shown below:

	Expenditure Approved and Contracted at 31st March 2007	Expenditure Approved but not Contracted at 31st March 2007
	£000s	£000s
Housing Services - Central Heating Upgrades	697	0
Housing Services - Windows and Doors Replacements	1,300	0
Housing Services - Minor Works	386	0
Housing Services - Kitchen & Bathroom Replacements	250	0
Housing Services - Kitchens	370	0
Housing Services - Estate Remodelling	351	0
Housing Services - Electrical Upgrades	252	0
Demolition of Council Properties	234	0
Dene Valley Renewal	430	0
Total Capital Commitments	4,270	0

6. Fixed Asset Restatement Account

	2005/06	2006/07
	£000s	£000s
Balance brought forward	82,216	79,843
Disposal of fixed assets	(13,551)	(4,785)
Gains (Deficits) arising on revaluation this year	11,178	30,312
Balance carried forward	79,843	105,370

The account 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 Account

	2005/06	2006/07
	£000s	£000s
Balance brought forward	22,565	20,554
Capital Receipts set aside	10	18
Capital Financing		
Capital Receipts	0	2,864
Year end adjustment	11	20
Government Grants	1,468	208
Major Repairs Reserve Allocation	2,688	2,721
MRP less depreciation provision and deferred charges	(6,176)	(8,997)
Less repayment of long term debtors	(12)	(19)
Balance carried forward	20,554	17,369

The capital financing account 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.

	2005/06	2006/07
	£000s	£000s
Balance brought forward	50	50
Allowance received in the year	2,688	2,675
Expenditure applied in the year	(2,688)	(2,721)
Balance carried forward	50	4

9. Long Term Debtors

	2005/06	2006/07
	£000s	£000s
Housing Associations	724	710
Sale of Council Houses	16	10
	740	720

10. Stocks And Work In Progress

	2005/06	2006/07
	£000s	£000s
Stocks		
Housing General Stores	81	76
Miscellaneous	68	45
Total Stocks	149	121

11. Trusts

Spectrum Leisure Complex

The Council is the Corporate Trustee of the Spectrum Leisure Centre, 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 2006/07:

	£000s
Balance brought forward	18
Receipts in year	1
Payments in year	0
Balance carried forward	19

12. Deferred Charges

A deferred charge is a classification which represents expenditure which may properly be capitalised, but which does not result in tangible fixed assets. Such charges are amortised to revenue in the year of account unless benefit is received over a longer period, in which case it would be classified as an Intangible Asset.

	As at 1st		Grants &	Consolidated
Deferred Charges	April 2006	Expenditure	Other	Revenue
	£000s	£000s	Contributions	Appropriation
			£000s	£000s
Land Reclamation & Environ Imp'ts	0	801	(662)	(139)
Other Private Sector Housing	0	2,293	(132)	(2,161)
Total Deferred Charges	0	3,094	(794)	(2,300)

13. Debtors

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

	2005/06	2006/07
	£000s	£000s
Amounts falling due in one year:		
Government Departments	904	1,454
Other Local Authorities	1,241	1,558
Non-Domestic Ratepayers	46	49
Council Taxpayers	496	552
Housing Rents & Private Works	653	720
Sundry Debtors	2,376	2,041
	5,716	6,374
Less - Bad Debts Provision:		
General Fund	(653)	(491)
Non-Domestic Ratepayers	(47)	(30)
Council Taxpayers	(138)	(150)
Housing Revenue	(446)	(534)
Total Debtors	4,432	5,169

14. Temporary Investments

	2005/06	2006/07
	£000s	£000s
Co-operative Bank	1,640	1,130
Building Societies	22,000	22,000
	23,640	23,130

15. Creditors

	2005/06	2006/07
	£000s	£000s
Government Departments	5,295	4,714
Other Local Authorities	1,704	2,090
Housing Rents	132	126
Sundry Creditors	4,944	5,937
Section 106 Agreements	908	1,127
Council Tax	417	375
Non-Domestic Rates	314	224
Total Creditors	13,714	14,593

16. Long Term Borrowing

	As at 31 March 2006 £000s	As at 31 March 2007 £000s
<i>Analysis of loans by type</i>		
Public Works Loan Board	32,551	31,624
Instalment Loans	6,500	6,500
Total Outstanding	39,051	38,124
<i>Analysis of loans by maturity</i>		
Between 1 and 2 years	1,133	1,100
Between 2 and 5 years	4,684	2,106
Between 5 and 10 years	3,444	997
More than 10 years	27,123	32,788
	36,384	36,991

The aggregate total of long term borrowing £36,992,000 and short term borrowing £1,133,000 as shown in the 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.

	2005/06 £000s	2006/07 £000s
Balance brought forward	4,541	13,453
Capital receipts in year from sales of assets	11,535	4,803
Less		
Capital receipts applied to finance capital expenditure	0	(2,864)
Capital receipts provided for credit liabilities	(10)	(18)
Payment to Central Government	(2,613)	(2,285)
Balance carried forward	13,453	13,089

18. Provisions And Funds

	Balance as at 31st March 2006 £000s	Receipts in Year £000s	Payments in Year £000s	Balance as at 31st March 2007 £000s
Assistance for Industry (1)	10	0	0	10
Provision for Pension Fund (2)	452	203	0	655
Repayment of External Funding (3)	30	0	0	30
	492	203	0	695

- 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 2006 £000s	Receipts in Year £000s	Payments in Year £000s	Balance as at 31st March 2007 £000s
Cemetery Perpetuity	4	0	0	4
North Bedburn Social Centre	11	0	0	11
Joseph Pease Miners Trust Fund	18	1	0	19
Leisure Facilities - Asset Replacement	9	0	0	9
	42	1	0	43

19. Contingent Liabilities

- 1) At the year end, 6 unsettled claims had been lodged for Housing Disrepair and were outstanding. It is expected that the settlement value of the outstanding claims including costs will be in the region of £5,000.
- 2) The Council is in the process of finalising pay arrangements in accordance with National Single Status Pay guidelines. When finalised, this may lead to claims for back pay from previous years. At this stage the amount of the potential liability cannot be estimated.

20. Financial Reserves

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

	Balance as at 31st March 2006 £000s	Receipts in Year £000s	Payments in Year £000s	Balance as at 31st March 2007 £000s
Asset Management Reserve	146	0	(5)	141
DSO Relocation	50	0	0	50
Insurance Fund	196	0	0	196
E Government/IT	390	0	(5)	385
Disability Discrimination Act	150	0	0	150
In-house Training	82	38	0	120
Risk Management	40	0	0	40
Economic Development Fund	154	0	0	154
Youth Fund	47	15	0	62
Service Improvement Fund	83	18	0	101
Community Fund	25	19	0	44
Lifelong Learning	20	11	0	31
Neighbourhood Fund	0	60	0	60
Crime & Disorder Fund	0	20	0	20
Health Initiatives	27	0	0	27
SHIP Monies	100	0	0	100
Best Value	10	0	0	10
Budget Support Fund	400	500	0	900
General Taxation	0	60	0	60
Sports Halls	0	21	0	21
Twin Bin Implementation	0	10	0	10
Local Development Framework	70	0	0	70
	1,990	772	(10)	2,752

21. Retirement Benefits

In accordance with the requirements of Financial Reporting Standard No. 17 – Retirement Benefits (FRS17), 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 pension’s 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.

On 1st April 2006 a number of staff transferred from Wear Valley District Council to Dale and Valley Homes. The deficit in the fund in respect of the transferring members at that date was determined to be £0.636m on the ongoing funding basis, and this deficit was passed across to Dale and Valley Homes. The liabilities that transferred using FRS17 assumptions were slightly higher than that based on the ongoing funding basis and as a result the liabilities transferred were £0.81m more than the assets transferred. This is included in the disclosure as a settlement gain, which in turn has reduced the net services cost by £0.81m.

The underlying assets and liabilities attributable to the authority as at 31st March 2007 are as follows:-

	2005/06	2006/07
	£000s	£000s
Local Government Pension Scheme		
Estimated share of liabilities in Scheme	(68,070)	(68,400)
Estimated share of assets in Scheme	44,920	46,160
Net asset/(liability)	(23,150)	(22,240)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £22.2m 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:

	2005/06	2006/07
Local Government Pension Scheme	%	%
Rate of inflation	3.0	3.2
Rate of increase in Salaries	4.5	4.7
Rate of increase in Pensions	3.0	3.2
Rate of discount for pension cost over year	4.9	5.3
Rate for Discounting Scheme Liabilities	4.9	5.3
(NB: based on 3.5% real)		
Rate of increase in deferred pensions	3.0	3.2

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 2006	31st March 2007	Long Term Return
	%	%	%
Equity Investments	87	85	7.7
Bonds	8	8	5.0
Other Assets	3	5	5.6
Property	2	2	6.7
	100	100	

	2006/07 £m
Net pensions liability at 1st April 2006	(23.15)
Movements in the year:	
Current service cost	(1.60)
Employer's contributions payable to scheme	1.76
Interest cost	(3.21)
Pension transfer to ALMO	0.81
Expected return on assets in the scheme	2.98
Actuarial gains (losses)	0.17
Net pensions liability at 31st March 2007	(22.24)

22. County Durham E-Government Partnership

The County Durham E-Government Partnership was established in November 2003. The partnership includes Durham County Council and the seven district councils (Wear Valley, Easington, City of Durham, Sedgefield, Derwentside, Teesdale and Chester-le-Street) within the boundaries of County Durham. The Council acts as the Accountable Body for the above partnership.

The aim of the partnership is to promote the use of technology to offer all local taxpayers the freedom to access services provided by the member authorities in different ways. The funds, which are included in Creditors in the Balance Sheet, amount to £834,000 and can only be spent with the approval of the Partnership Board. In 2006/07 the Council made a contribution of £48,611 to the partnership. The contribution in 2005/06 was £122,562 due to the availability of funding from central government, which was no longer available in the 2006/07 financial year.

The transactions of the Partnership are shown below:

	2005/06	2006/07
	£000s	£000s
Balance brought forward	174	1,115
Councils' Contributions	1,786	545
Interest Earned	29	34
Expenditure in Year	(874)	(860)
Balance carried forward	1,115	834

23. Summary to Detail of Movements on Reserves

Reserve	Balance 1st	Net	Balance 31st	Purpose of Reserve	Further Detail of Movements
	April 2006	Movement in	March 2007		
	£000s	Year	£000s		
Fixed Asset Restatement Account	79,843	25,527	105,370	Store of gains on revaluation of fixed assets	Note 6 to the Core Financial statements, page 25.
Capital Financing Account	20,554	(3,185)	17,369	Store of capital resources set aside to meet past expenditure	Note 7 to the Core Financial statements, page 25.
Usable Capital Receipts Reserve	13,453	(364)	13,089	Proceeds of fixed asset sales available to meet future capital investment	Note 17 to the Core Financial statements, page 28.
Deferred Capital Receipts	740	(20)	720	Store of capital receipts arising from mortgages on sale of council houses	
Pensions Reserve	(23,150)	910	(22,240)	Balancing account to allow inclusion of pension liability in the Balance Sheet	Note 21 to the Core Financial statements, page 30.
Major Repairs Reserve	50	(46)	4	Resources available to meet capital investment in council housing	Note 8 to the Core Financial statements, page 26.
Funds	42	1	43	Resources held by the Council as trustee for other bodies	Note 18 to the Core Financial statements, page 28.
Earmarked Reserves	1,990	762	2,752	These are amounts set aside for specific purposes	Note 20 to the Core Financial statements, page 29.
General Fund balance	1,254	520	1,774	Resources available to meet future running costs for non - housing services	Statement of Movement on the General Fund Balance, page 13.
Housing Revenue Account	1,227	384	1,611	Resources available to meet future running costs for council houses	HRA Statements, page 36.
Collection Fund balance	86	44	130	Resources available to transfer into the General Fund	Supplementary statements, page 40.
Total	96,089	24,533	120,622		

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

2005/06 £000s		2006/07 £000s
	REVENUE ACTIVITIES	
	Cash Outflows	
13,010	Cash paid to and on behalf of employees	14,972
10,327	Other operating cash payments	12,829
7,396	Housing Benefit paid out	7,919
7,936	National non-domestic rate payments to national pool	8,943
21,080	Precepts paid	22,288
2,082	Payments to the Capital Receipts Pool	2,203
61,831		69,154
	Cash Inflows	
(4,432)	Rents (after rebates)	(4,411)
(19,499)	Council Tax receipts	(20,521)
(1,770)	National non-domestic rate receipts from national pool	(5,999)
(8,911)	Non-domestic rate receipts	(9,438)
(4,155)	Revenue Support Grant	(1,159)
(7,639)	DWP grants for benefits	(7,060)
(15,647)	Other government grants (Note 5)	(15,489)
(4,135)	Cash received for goods and services	(6,571)
(66,188)		(70,648)
(4,357)	Revenue Activities Net Cashflow (Note 1)	(1,494)
	Returns on Investments & Servicing of Finance	
2,323	Cash Outflow - Interest Paid	2,310
(943)	Cash Inflow - Interest Received	(1,129)
1,380	Returns on Investments & Servicing of Finance Net Cashflow	1,181
	CAPITAL ACTIVITIES	
	Cash Outflows	
9,640	Payments for Capital Schemes	10,118
	Cash Inflows	
(11,581)	Sale of Fixed Assets	(4,744)
(3,892)	Capital grants received (Note 5)	(4,699)
(12)	Other capital cash receipts	(29)
(15,485)		(9,472)
(5,845)	Capital Activities Net Cashflow	646
(8,822)	Net Cash (Inflow) / Outflow before Financing	333
10,260	Management of Liquid Resources (Note 2)	(510)
	FINANCING	
5,176	Cash Outflow - Repayments of amounts borrowed	18,427
(7,500)	Cash Inflow - New Loans Raised	(17,500)
(2,324)	Financing Net Cashflow (Note 4)	927
(886)	Net (Increase) / Decrease in Cash (Note 3)	750

NOTES TO THE CASH FLOW STATEMENT

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

2005/06 £000s		2006/07 £000s
219	(Surplus) / Deficit for the year	(520)
(666)	Add (less) contributions to (from) HRA reserves	(384)
(210)	Add (less) contributions to (from) Collection Fund	(299)
(707)	Add (less) contributions to (from) Earmarked Reserves	(762)
	Non Cash Transactions	
(314)	Minimum Revenue Provision	(525)
269	Other non cash transactions	(339)
(1,409)		(2,829)
	Items on an Accruals Basis	
56	Movement on Stocks	(28)
892	Movement in Debtors	1,315
(2,516)	Movement in Creditors	(771)
0	Movement in Provisions	(203)
(1,568)		313
	Items classified elsewhere in Cash Flow Statement	
0	Payments to the Capital Receipts Pool	2,203
943	Investment Income	1,129
(2,323)	External Interest Paid	(2,310)
(1,380)		1,022
(4,357)	Net cash (inflow) / outflow from Revenue Activities	(1,494)

2. Movement in Liquid Resources

	31 March 2006	31 March 2007	As disclosed in Cashflow Statement
	£000s	£000s	£000s
Short Term Investments	23,640	23,130	(510)
	23,640	23,130	(510)

3. Movement in Cash Balances

	31 March 2006	31 March 2007	As disclosed in Cashflow Statement
	£000s	£000s	£000s
Cash in Hand	153	28	(125)
Bank Overdraft	0	(625)	(625)
	153	(597)	(750)

4. Reconciliation of Financing

	31 March 2006	31 March 2007	As disclosed in Cashflow Statement
	£000s	£000s	£000s
Short Term Borrowing	(2,667)	(1,133)	1,534
Long Term Borrowing	(36,385)	(36,992)	(607)
	(39,052)	(38,125)	927

5. Analysis of Grants Received

	2005/06	2006/07
	£000s	£000s
Other Government Revenue Grants		
Housing Benefit Administration Subsidy	757	781
Council Tax Benefit	5,163	5,920
Housing Subsidy	(2,486)	(2,773)
Rent Rebates	7,755	7,430
Benefit Fraud Investigation Subsidy	59	20
European Regional Development Fund	69	14
Neighbourhood Renewal Grant	2,919	2,627
Neighbourhood Fund (LAA)	0	88
Single Regeneration Budget	116	48
Planning Delivery Grant	411	104
Lottery Grants	384	183
Building Safer Communities	127	81
Supporting People Grant	0	225
Mobile Wellness Centre	0	73
Communities for Health Fund	0	100
Northern Arts	21	21
DEFRA Recycling Grant	0	25
ODPM Homelessness Scheme	0	24
Procurement Grant	0	16
One North East Single Programme	186	174
Other	166	308
	15,647	15,489
Capital Grants		
One North East Single Programme	457	1,061
English Heritage	42	0
Reclamation Grants	6	4
Disabled Facility Grants	122	135
Rural Development Programme	0	8
European Regional Development Fund	298	243
Countryside Agency	0	24
Major Repairs Allowance	2,688	2,675
Local Public Service Agreement Grant	0	100
DEFRA Recycling Grant	0	26
Other Local Authority Grants	36	15
Neighbourhood Renewal Grant	0	24
Liveability Fund (LAA)	0	29
Local Authority Business Growth Incentives Grant	0	250
Implementing E-Government Grant	200	0
Other	43	105
	3,892	4,699

HOUSING REVENUE ACCOUNT FOR 2006/07

2005/06 £000s		2006/07 Note	£000s
	Income		
(10,698)	Dwelling rents		(10,945)
(197)	Non-dwelling rents		(204)
0	Charges for Services and Facilities	3	(3,294)
0	Pension Liability	4	(810)
(10,895)	Total Income		(15,253)
	Expenditure		
2,930	Repairs and Maintenance		6,304
1,542	Supervision and Management		2,631
12	Rents, rates, taxes and other charges		0
164	Negative housing revenue account subsidy payable		209
4,197	Depreciation and impairment of fixed assets		6,250
34	Debt Management costs		42
17	Increase in bad debt provision	2	38
8,896	Total Expenditure		15,474
(1,999)	Net Cost of HRA Services per Authority Income and Expenditure Account		221
200	HRA services share of Corporate and Democratic Core		120
	HRA share of other amounts included in the whole authority		
925	Net Cost of Services but not allocated to specific services		370
(874)	Net cost of HRA Services		711
1,698	Interest payable and similar charges		1,748
64	Amortisation of premiums and discounts		7
(45)	Interest and investment income		(77)
843	(Surplus) or deficit for the year on HRA services		2,389

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2005/06 £000s		2006/07 £000s
843	(Surplus) or deficit for year on the HRA Income and Expenditure Account	2,389
(1,509)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(2,773)
(666)	(Increase) or decrease in the Housing Revenue Account Balance	(384)
(561)	Housing Revenue Account surplus brought forward	(1,227)
(1,227)	Housing Revenue Account surplus carried forward	(1,611)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

The Council owned 4,406 dwellings at 31st March 2007 (4,606 as at 31st March 2006) of which 4,116 (4,268 as at 31st March 2006) were houses and bungalows, and 290 (338 as at 31st March 2006) were flats.

2. Provision for Bad Debts

Net rent arrears at 31st March 2007 amounted to £404,780 (£521,252 in 2005/06). A provision for non-collection amounting to £345,317 was set aside as at 31st March 2007 (£446,149 as at 31st March 2006). This is an increase of £37,860 (£17,350 in 2005/06) after charging £138,692 (£169,818 in 2005/06) for debts written off.

3. Charges for Services and Facilities

The Council formed Dale and Valley Homes (D&VH) on 1st April 2006, an arms length management organisation, to manage and maintain the Council's housing stock. D&VH has contracted with the Council for the provision of a responsive repairs and maintenance service and tenancy enforcement function. The income received by the Council of £3.3m for the provision of these services in 2006/07 is based upon an agreed fee.

4. Pension Settlement

The establishment of D&VH resulted in the TUPE transfer of employees who were previously employed by the Council. The share of the pension fund deficit as calculated by an independent actuary relating to those employees was also transferred.

5. Housing Revenue Account Fixed Assets

The Vacant Possession Value of £300m 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
	£000s	£000s	£000s
Net Book Value as at 1st April 2006	115,980	3,047	119,027
Capital expenditure for the year	4,107	0	4,107
Disposals	(6,306)	0	(6,306)
Depreciation charge for the year	(6,105)	(145)	(6,250)
Revaluation for the year	32,793	0	32,793
Net Book Value as at 31st March 2007	140,469	2,902	143,371

6. Major Repairs Reserve

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

2005/06		2006/07
£000s		£000s
50	Balance as at 1st April 2006	50
4,197	Add: Transfer from HRA	6,250
2,688	Less: Financing of Capital Expenditure	2,721
1,509	Less: Transfer to HRA	3,575
50	Balance at 31st March 2007	4

7. Depreciation Charge

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

2005/06		2006/07
£000s		£000s
3,968	Dwellings	6,067
85	Garages	38
144	Shops etc	145
4,197	Total Depreciation Charge	6,250

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 6 on page 3 of the Explanatory Foreword.

2005/06		2006/07
£000s		£000s
3,633	Improvements to Council Housing	4,015
70	Other Works	21
3,703	Total HRA Capital Expenditure	4,036
	Financed by:	
2,688	Major Repairs Reserve	2,721
927	Supported Borrowing	800
0	Capital Receipts	468
88	Grants	47
3,703	Total	4,036

9. HRA Capital Receipts

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

	Gross Receipt	Usable Element	Reserved Element
	£000s	£000s	£000s
Houses	3,158	829	2,329
Land etc.	1,513	1,495	18
Total	4,671	2,324	2,347

10. Housing Subsidy

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

2005/06		2006/07
£000s		£000s
5,847	Management and Maintenance	6,330
2,688	Major Repairs Allowance	2,675
1,826	Capital Charges	1,847
(10,522)	Rent	(11,079)
(3)	Interest on Receipts	(1)
0	Prior year Adjustment	19
(164)	Total Housing Subsidy	(209)

11. Impairment Charges

There were no charges arising in 2006/07 in respect of impairment of HRA assets.

12. Deferred Charges

There were no charges in respect of deferred charges attributable to the HRA for 2006/07.

13. Exceptional Items and Prior year Adjustments

There were no exceptional items affecting the HRA in 2006/07.

14. Pensions

Due to its statutory nature, the Housing Revenue Account for 2006/07 has not been prepared in accordance with FRS17 "Retirement Benefits". On this basis, all FRS17 adjustments have therefore been excluded from the Housing Revenue Account shown on page 35. Preparation of the accounts in accordance with FRS17 would have resulted in an increased charge to the HRA in 2006/07 of £9,000.

15. 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 2006/07 is broadly neutral.

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

FOR 2006/07

2005/06 £000s		2006/07 £000s	Note
	Income		
19,329	Income from Council Tax	20,515	3
5,620	Council Tax Benefits	5,865	
8,619	Income Collectable from Business Ratepayers	9,541	
33,568	Total Income	35,921	
	Expenditure		
	Precepts and Demands		
17,554	Durham County Council	18,568	
3,715	Wear Valley District Council	3,866	
1,823	Durham Police Authority	1,935	
1,394	County Durham and Darlington Fire and Rescue Authority	1,479	
	Business Rates		2
8,527	Payment to National Pool	9,450	
92	Cost of Collection	91	
	Bad and Doubtful Debts/Appeals		
1	Write Offs - Council Tax	(21)	
(15)	Changes in Provision	(10)	
	Distribution of Previous Year's Estimated Surplus		
40	Wear Valley District Council	40	
191	Durham County Council	189	
20	Durham Police Authority	20	
16	County Durham and Darlington Fire and Rescue Authority	15	
33,358	Total Expenditure	35,623	
(210)	Movement on Fund Balance	(299)	
(357)	Surplus on Fund Brought Forward	(567)	
(567)	Fund Balance Carried Forward	(866)	1

NOTES TO THE COLLECTION FUND ACCOUNT

1. General

The surplus on the Collection Fund as at 31 March 2007 is £866,052, relating to Council Tax. £401,150 has been used in 2007/08 as follows:-

Wear Valley District Council	£60,000
Durham County Council	£288,175
Durham Police Authority	£30,026
Durham and Darlington Fire and Rescue Authority	£22,949

The estimated surplus for 2007/08 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.

The council accounted for the Collection Fund balance in its 2006/07 Statement of Accounts as follows:

- In the Balance Sheet at 31 March 2007, the Council included the following creditors and a £130,000 surplus alongside the General Fund balance:
 £622,132 Durham County Council
 £64,833 Durham Police Authority
 £49,555 Durham and Darlington Fire and Rescue Authority
- In the Statement of Total recognised Gains and Losses, the Council inserted a new line for attributable movement on the Collection Fund balance to record a £44,000 surplus.

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 43.3p in 2006/07 (42.2p in 2005/06). 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 2007 was £26,987,574 (£26,679,438 at 31st March 2006).

3. Council Tax

The tax base is used to calculate the charge for each Band of property. In 2006/07 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 £25,763,376.55. This amount divided by the tax base of £19,193.11 gives a Band 'D' tax of £1,342.32. 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	17,874	3,292	3,313	2,497	1,070	297	135	33	28,511
Exemptions	(289)	(63)	(64)	(28)	(16)	(12)	(14)	(2)	(487)
Disabled Relief	(29)	14	(16)	(12)	(10)	3	6	(14)	(58)
Discounts	(2,129)	(247)	(191)	(101)	(35)	(8)	(4)	(0)	(2,715)
Total Equivalent Dwellings	15,427	2,996	3,042	2,357	1,009	281	124	17	25,307
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	10,285	2,330	2,704	2,357	1,234	406	207	34	19,585

TAX BASE CALCULATIONS	
Total Band "D" Equivalent	19,584.81
Bad Debt Provision (2%)	391.70
Tax Base	19,193.11

GROUP INCOME AND EXPENDITURE

ACCOUNT FOR 2006/07

2005/06 £000s		2006/07 £000s
41,150	Group expenditure	44,641
(28,278)	Group Income	(29,698)
12,872	Net Expenditure on the continuing operations of the local authority group	14,943
16,416	Gross expenditure on the Housing Revenue Account of the local authority group	12,201
(17,082)	Gross Income on the Housing Revenue Account of the local authority group	(11,987)
(666)	Net Expenditure on the Housing Revenue Account of the local authority group	214
2,613	Contribution of housing capital receipts to Government Pool	2,285
82	Parish council precepts	84
(19)	(Surpluses)/deficits on trading undertakings not included in Net Cost of Services	(13)
623	Interest payable and similar charges	485
2	Gains and Losses on the repurchase or early settlement of borrowing	(74)
(1,089)	Interest and investment income (note 3)	(1,010)
610	Pensions interest cost and expected return on pensions assets	240
15,028	Net Expenditure	17,154
(3,755)	Demand on the Collection Fund	(3,906)
(4,155)	General Government Grants	(1,159)
(1,770)	Non-domestic rates redistribution	(5,999)
5,348	Group (surplus)/deficit for the year	6,090

NOTES TO THE GROUP INCOME AND EXPENDITURE ACCOUNT

1. General

Dale and Valley Homes was established as an Arms Length Management Organisation by Wear Valley District Council on 1st April 2006 to carry out the management and maintenance of council houses. Both organisations have a year end closure date of 31st March each year. The Board of Dale and Valley Homes has a total of 15 members of which 5 are members from Wear Valley District Council. The notes shown in the single entity accounts will apply to these group accounts unless changed by any of the following notes.

2. Superannuation

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

The Group 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.

The Group recognises 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 Group 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 Group Income and Expenditure Account. The following transactions have been made in the Group Income and Expenditure Account during the year:

	2005/06			2006/07		
	Wear Valley District Council £000s	Dale and Valley Homes £000s	Total £000s	Wear Valley District Council £000s	Dale and Valley Homes £000s	Total £000s
Net Cost of Services						
Current service cost	1,450	0	1,450	1,600	150	1,750
Net Operating Expenditure						
Interest cost	3,210	0	3,210	3,210	110	3,320
Expected return on assets	(2,600)	0	(2,600)	(2,980)	(100)	(3,080)
Amount met from Government Grants and Taxpayers						
Movement on Pension Reserve	(400)	0	(400)	(270)	0	(270)
Actual amount charged against Group Income and Expenditure Account	1,660	0	1,660	1,560	160	1,720

3. Interest and Investment Income

Interest receivable by Dale and Valley Homes was £6,000, (£0 in 2005/06), the remainder was in respect of Wear Valley District Council.

4. External Audit Fees

Fees payable by Wear Valley District Council to the Audit Commission for external audit in the year were £116,000 (£94,000 in 2005/06). Fees payable by Wear Valley District Council to the Audit Commission for statutory inspections were £8,000 (£9,000 in 2005/06). Fees payable by Wear Valley District Council in respect of certification of grant claims in the year were £23,000 (£41,000 in 2005/06).

No fees have been paid in the last two years by Dale and Valley Homes to the Audit Commission. £15,000 is payable by Dale and Valley Homes to their external auditor for a variety of audit services.

5. Accounts of Dale and Valley Homes

Further information on the accounts of Dale and Valley Homes is available from their Director of Resources, David Sanders, Civic Centre, Crook, Co. Durham, DL15 9ES.

RECONCILIATION OF THE SINGLE ENTITY SURPLUS /DEFICIT TO THE GROUP SURPLUS/DEFICIT

	2006/07 £000s
(Surplus) / deficit on the Authority Income and Expenditure Account	6,202
Adjustments for transactions with other group entities	0
(Surplus) / deficit on the Group Income and Expenditure Account attributable to the authority	6,202
(Surplus) / deficit attributable to group entities:	
subsidiaries	(112)
(Surplus) / deficit for the year on the Group Income and Expenditure Account	6,090

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR 2006/07

2005/06 £000s		2006/07 £000s
5,348	Net (Surplus) or deficit for the year	6,090
(9,151)	(Surplus) or deficit arising on revaluation of fixed assets	(30,312)
(2,170)	Actuarial gains and losses on pension fund assets and liabilities	(230)
0	Pensions Fund Transfer	810
(1,468)	Capital additions financed through grants and credited to Capital Financing Account	(208)
(32)	Movement on undistributed Collection Fund Surplus	(44)
0	Movement on funds	(1)
(7,473)	Total recognised gains and losses for the year	(23,895)

GROUP BALANCE SHEET AS AT 31ST MARCH 2007

2005/06 £000s		2006/07		
		£000s	£000s	Notes
	Fixed Assets			
	Tangible Fixed Assets			
	Operational Assets:			
115,980	Council Dwellings	140,469		
13,765	Other Land and Buildings	13,717		
2,689	Vehicles, Plant, Furniture and Equipment	2,595		
1	Community Assets	1		
	Non-Operational Assets:			
5,594	Investment Properties	6,027		
5,720	Surplus Property and Land	5,948		
143,749	Total Fixed Assets		168,757	
2	Long-term Investments		2	
329	Deferred premiums on early repayment of debt		270	
740	Long-term Debtors		720	
144,820	Total Long-term Assets		169,749	
	Current Assets			
149	Stocks and Work in Progress	121		
4,432	Debtors	5,169		
23,640	Investments	23,130		
153	Cash and Bank	28		
			28,448	
173,194	Total Assets		198,197	
	Current Liabilities			
(2,667)	Short-term Borrowing	(1,133)		
(14,195)	Creditors	(14,471)		2
0	Cash Overdrawn	(625)		
			(16,229)	
156,332	Total Assets Less Current Liabilities		181,968	
(36,385)	Long Term Borrowing		(36,992)	
(23,150)	Pensions Liability		(23,000)	3
0	Government Grants Deferred		(974)	
(216)	Deferred discounts on early repayment of debt		(323)	
(492)	Provisions		(695)	
96,089	Total Assets Less Liabilities		119,984	
	Financed by:			
79,843	Fixed Asset Restatement Account		105,370	
20,554	Capital Financing Account		17,369	
13,453	Usable Capital Receipts Reserve		13,089	
740	Deferred Capital Receipts		720	
(23,150)	Pensions Reserve		(23,000)	3
50	Major Repairs Reserve		4	
42	Funds		43	
1,990	Earmarked Reserves		2,752	
1,254	General Fund balance		1,774	
1,227	Housing Revenue Account balance		1,611	
86	Collection Fund balance		130	
0	Dale and Valley Homes (excluding pensions reserve)		122	4
96,089	Total Net Worth		119,984	

NOTES TO GROUP BALANCE SHEET AS AT 31ST MARCH 2007

1. General

The notes shown in the single entity accounts will apply to these group accounts unless changed by any of the following notes.

2. Creditors

	2006/07		
	Wear Valley District Council	Dale and Valley Homes	Total
	£000s	£000s	£000s
Government Departments	4,714	21	4,735
Other Local Authorities	2,090	0	2,090
Housing Rents	126	0	126
Sundry Creditors	5,794	0	5,794
Section 106 Agreements	1,127	0	1,127
Council Tax	375	0	375
Non-Domestic Rates	224	0	224
Total Creditors	14,450	21	14,471

3. Pensions Liability/ Reserve

In accordance with the requirements of Financial Reporting Standard No. 17 – Retirement Benefits (FRS17), the Group 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, both Wear Valley District Council and Dale and Valley Homes offer retirement benefits. Although these benefits will not actually be payable until employees retire, both organisations have a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Group 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 pension's liabilities with investment assets.

In addition, the Group 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 as at 31st March 2007 are as follows:-

	2006/07		
	Wear Valley District Council	Dale and Valley Homes	Total
	£000s	£000s	£000s
Local Government Pension Scheme			
Estimated share of liabilities in Scheme	(68,400)	(2,470)	(70,870)
Estimated share of assets in Scheme	46,160	1,710	47,870
Net asset/(liability)	(22,240)	(760)	(23,000)

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £23.0m has an impact on the net worth of the Group as recorded in the balance sheet, showing a reduction. However, statutory arrangements for funding the deficit mean that the financial position of the Group 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. An analysis of the movement in the fund during the year is shown below:

	2006/07		
	Wear Valley District Council	Dale and Valley Homes	Total
	£m	£m	£m
Net pensions liability at 1st April 2006	(23.15)	(0.81)	(23.96)
Movements in the year:			
Current service cost	(1.60)	(0.15)	(1.75)
Employer's contributions payable to scheme	1.76	0.15	1.9
Interest cost	(3.21)	(0.11)	(3.32)
Pension transfer to Dale and Valley Homes	0.81	0.00	0.8
Expected return on assets in the scheme	2.98	0.10	3.1
Actuarial gains (losses)	0.17	0.06	0.2
Net pensions liability at 31st March 2007	(22.24)	(0.76)	(23.00)

GROUP CASH FLOW STATEMENT

All cash payments and receipts for Dale and Valley Homes are managed through the same bank account as operated by Wear Valley District Council although accounted for separately. Therefore the group cash flows are identical to those of the Council. Consequently, a separate group cash flow statement has not been prepared.

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 2006-2009.
- 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 and the chief officer of the Corporate Development Unit 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 and agreed by Council.
- 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. The Director for Resource Management (DRM) 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 approved an update to the risk management strategy in 2006 that ensures a systematic process for dealing with risks. Service plans also include a section on key risks with planned actions to be undertaken by nominated officers to manage these risks
- The financial management of the Council is conducted in accordance with its Financial Regulations. The Council has designated the Director of Resource Management 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 and quarterly summary reports to Members
- Allocation of resources 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.
- An agreed protocol for partnership working was agreed
- The operation of a standards committee to promote and maintain high standards of conduct amongst members
- The operation of the Overview and Scrutiny Committee (O&S) in its capacity as the Council’s audit committee
- There is a formal management agreement and delivery plan with Dale and Valley Homes that sets out the responsibilities, monitoring and reporting mechanisms for the services which have been delegated to them

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 on a regular basis to ensure it remains relevant to organisational objectives.
- Annual review of service planning process
- Regular risk management update provided to members
- 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 evaluated by the Audit Commission. 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 and six monthly by members
- Production and review of policies on health and safety and emergency planning.
- Directors certify annually and produce evidence to support effectiveness of the internal control arrangements within their Department.
- The Senior Internal Auditor reports annually to the Council’s O&S 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 Council’s “Monitoring Officer”
- The capability of the O&S Committee 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 O&S 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.
- Formal governance arrangements in place for significant partnerships
- Formal liaison meetings take place on a regular basis between the Council and Dale and Valley Homes

5. SIGNIFICANT INTERNAL CONTROL ISSUES

The following significant internal control issues have been identified:

No.	Issue	Action
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1	The effectiveness of the governance relationship with Dale and Valley Homes could be subject to improvement. Current arrangements may expose the Council to legal and value for money risk.	Formal liaison arrangements with Dale and Valley Homes are strengthened
---	---	---

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 Strategic Director of Resource Management.
- 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 2007.

In preparing this Statement of Accounts, the Strategic Director of Resource Management has:-

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

The Strategic Director of Resource Management 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 6 to 48 fairly state the position of Wear Valley District Council as at 31st March 2007.



Gary Ridley C.P.F.A.
Strategic Director of Resource Management
Wear Valley District Council

AUDITOR'S REPORT TO THE COUNCIL

The accounts hereby presented are 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 2006/2007 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.

DCLG (The Department for Communities and Local Government)

A Government department created on the 5th May 2006 with responsibility for local government replacing the Office of the Deputy Prime Minister.

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.

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 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.