

20th June 2008

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 **MONDAY 30th JUNE 2008** at **5.00 P.M.**

AGENDA

Page No.

1. Apologies for absence.
2. Declarations Of Interest

Members are invited to declare any personal and/or prejudicial interests in matters appearing on the agenda and the nature of their interest.

Members should use either of the following declarations:

Personal Interest – to be used where a Member will be remaining and participating in the debate and any vote:

I have a personal interest in agenda item (...) regarding the report on (...) because I am (...)

Personal and Prejudicial Interest – to be used where a Member will be withdrawing from the room for that item:

I have a personal and prejudicial interest in agenda item (...) regarding the report on (...) because I am (...)

Officers are also invited to declare any interest in any matters appearing on the agenda.

NOTE: Members are requested to complete the enclosed declarations form and, after declaring interests verbally, to hand the form in to the Committee Administrator.

3. To consider the draft and unaudited accounts for 2007/08.

1 - 70

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Seamus R. D.', is centered below the text 'Yours faithfully'.

Acting Chief Executive

Members of this Committee: Councillors Mrs Burn, Ferguson*, Grogan, Harrison, Hayton, Kay, Kingston, Mairs, Mowbray, Murphy, Perkins, Mrs Pinkney, J Shuttleworth, Stonehouse, Taylor, Mrs Todd* and Zair.

*Ex-officio, non-voting capacity

Chair: Councillor Harrison

Deputy Chair: Councillor Mairs

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

DECLARATIONS OF INTEREST FORM

NAME AND DATE OF COMMITTEE	AGENDA ITEM NUMBER	NATURE OF INTEREST AND REASONS	PRINT NAME	SIGNATURE

SPECIAL CENTRAL RESOURCES COMMITTEE

30 JUNE 2008

Report of the Strategic Director for Resource Management
DRAFT AND UNAUDITED ANNUAL ACCOUNTS 2007/08

purpose of the report

1. To seek Member approval of the draft and unaudited accounts for 2007/08.

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 third year in which the accounts have to be approved by 30 June.
4. This tight deadline has been achieved despite significant and complicated changes to the format of the accounts as required by the Chartered Institute of Public Finance and Accountancy (CIPFA). There has been a steady shift to modify public sector accounts to become similar in presentation to private sector accounts particularly in accounting for fixed assets and loans. This has unfortunately resulted in the accounts becoming lengthier and more complex to the lay reader.
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 £869,000 on its General Fund in 2007/08 after transferring appropriate sums to earmarked reserves. This compared to a planned deficit of £498,000 when the budget was set in February 2007.
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 2007/08. This is broadly reimbursed by Government in its entirety except for adjustments relating to overpayments.
 - Additional investment interest from improved cash flow due to slippage in the capital programme and higher interest rates earned as a result of external economic factors
 - The Council budgets for all posts to be filled during the whole period of the year. Due to turnover of staff, the creation of new posts and the unavoidable time associated with the recruitment process, posts will inevitably be vacant for a period of time during the year. This has been exacerbated by impending local government re-organisation which has resulted in some posts remaining vacant.
 - A number of smaller items such as one off grants from Government that have not been fully spent

housing revenue account

10. 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.
11. Since its formation at the start of 2006/07, a management fee has been paid 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 £845,000 on its Housing Revenue Account in 2007/08. This compared to a budgeted surplus of £2,000 when the budget was set in February 2007. Due to the vagaries of the rent calendar, an additional week's rent was received in 2007/08 resulting in an improvement in the financial position compared to budget.

capital

13. 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.
14. The Council spent net of external funding £10.8m in 2007/08. This compares to a budgeted spend of £14.8m. A number of schemes were brought forward from the 2006/07 programme. These additional costs were offset by underspends in a number of other schemes due to slippage. A large proportion of these underspends have been carried forward into 2008/09 to

supplement this year's capital programme. There were major underspends in the following schemes:

- Redevelopment of Elite Hall
- Community / Small Village Enhancement Projects
- Improvements to Hope Street, Crook

15. As at 31 March 2008 the Council had available capital receipts of £12.5m from the sale of assets in previous years. A proportion of these receipts are being used to support capital expenditure in 2008/09. In addition to the 2008/09 programme, members should also bear in mind that they have already approved the allocation of £6.5m towards a replacement facility for Woodhouse Close Leisure Centre.
16. Whilst the Council has 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

17. The Council's overall outstanding debt increased by £7.5m due to the expansion of the decent homes programme. The Government fund through housing subsidy the additional cost of servicing that debt. The Council's investments also increased by £3m.
18. 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 such as the decent homes programme.
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 increased from £1.76m to £1.79m. 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 £42,000 during 2007/08. 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 2007/08, be approved.
 2. The Chairman of the Committee signs the accounts.

Officer responsible for the report

Stuart Reid
AD – Finance and I.T.
Ext 258

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 2008 is set out in the following pages. The information and the financial statements are:-

Statement of Accounting Policies (Page 7)

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

The Income and Expenditure Account (Page 13)

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. Notes giving further information on the more significant items are on pages 19 to 24.

Statement of Movement on the General Fund Balance (Page 14)

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 16)

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 Council's net worth for the year.

The Balance Sheet (Page 17)

This shows the Council's balances and reserves and long-term indebtedness and the fixed and net current assets employed in its operations as at 31st March 2008. Notes giving further information are on pages 25 to 40.

The Cash Flow Statement (Page 18)

This summarises the inflows and outflows of cash arising from transactions with other parties for revenue and capital purposes. Notes giving further information are on pages 41 to 42.

The Housing Revenue Account (Page 43)

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 Council housing matters separately.

The Collection Fund (Page 48)

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 50)

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

Annual Governance Statement (Page 58)

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

Statement Of Responsibilities For The Statement Of Accounts (Page 62)

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 63)

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

Approval Of The Statement Of Accounts (Page 64)

Glossary Of Terms Used (Page 65)

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. 2007/08 Summary General Fund Revenue Account

In setting its 2007/08 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 2.4%. A number of cost improvements were identified and resources reallocated to priority areas as indicated by consultation with residents. For example, the street warden scheme was further expanded and investment made to improve the condition and use of private sector housing stock in the district.

The budgeted level of reserves to support the 2007/08 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 2007/08 was £1,674,000 below budget. Due to this favourable position, £703,000 was added to reserves as opposed to a planned reduction of £832,000. This will be used to support the provision of local services 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 2007/08 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	3,188	2,985	(203)
Corporate Services	3,933	2,483	(1,450)
Refuse Collection & Disposal	1,647	1,596	(51)
Housing (General Fund)	450	492	42
Planning and Economic Development	1,397	1,435	38
Environmental Health	471	525	54
Highways	832	728	(104)
Total	11,918	10,244	(1,674)
Capital Expenditure charged to Revenue	560	560	0
Earmarked Reserves used to finance Capital Expenditure	0	139	139
Transfers (from) / to earmarked reserves	(334)	(166)	168
Amounts to be met from Government Grants & Local Taxation	12,144	10,777	(1,367)
Sources of Finance:			
Council Taxpayers	(4,205)	(4,205)	0
General Government Grants	(1,069)	(1,069)	0
Non-Domestic Rate Income	(6,372)	(6,372)	0
Net General Fund Surplus/(Deficit)	(498)	869	1,367
Total Funding	(12,144)	(10,777)	1,367

The Council continues to face significant cost commitments. These include the impact of National Single Status Pay Guidelines, higher pension costs and reductions in external funding. In order to further improve services £1,211,000 of revenue reserves will be used to support the 2008/09 budget.

5. 2007/08 Housing Revenue Account

The Housing Revenue Account made a surplus of £845,000, which was £843,000 more than budgeted. This surplus was achieved mainly due to improved rent collection, a reduction in the number of empty properties and a decrease in Housing Subsidy grant payable to the Government. £432,000 of reserves will be used to support the 2008/09 budget. A summary of the final outturn is shown below:

	Budget	Actual	Difference
	£000s	£000s	£000s
Expenditure			
Repairs and Maintenance	6,204	5,948	(256)
Supervision and Management	3,439	3,440	1
Change in Provision for Bad Debts	0	52	52
Debt Charges	1,765	1,903	138
Housing Subsidy	3,210	2,614	(596)
Other	270	358	88
Total Expenditure	14,888	14,315	(573)
Income			
Rents	(11,474)	(11,755)	(281)
Other	(3,416)	(3,405)	11
Total Income	(14,890)	(15,160)	(270)
Contribution to HRA Balances	(2)	(845)	(843)

6. Capital

In 2007/08, the Council originally budgeted to spend £5.8m net of external funding. Following the achievement of a two star rating for the housing service, permission from government was granted to borrow a further £5m in April 2007. This was allocated to the capital programme managed by Dale and Valley Homes as part of the £27m to be received to bring all dwellings up to the decent homes standard. The 2007-08 programme was further increased by £0.6m being slippage from the previous years programme and £3.4m approved by members in September 2007 as being affordable capital expenditure to help meet the Council's objectives. This resulted in a revised budgeted programme of £14.8m. Actual net spend during the year on capital schemes was £10.8m in 2007/08 (£7.1m on Housing Services and £3.7m on General Fund). The major underspends mainly arose due to slippage of £0.8m on the Decent Homes capital programme, £1.1m on community projects and £1.7m on schemes to redevelop sites for economic regeneration. The capital programme is financed in a number of ways:

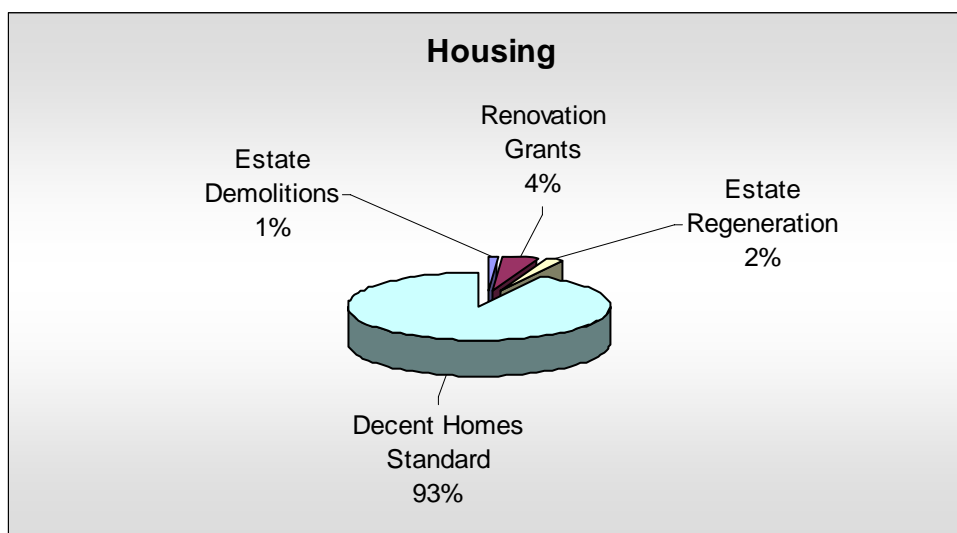
Borrowing – Central Government provide, through grant for General Fund services and Housing subsidy for housing services financial support to fund borrowing to support the capital programme. This supported borrowing approval can be applied to any type of capital expenditure.

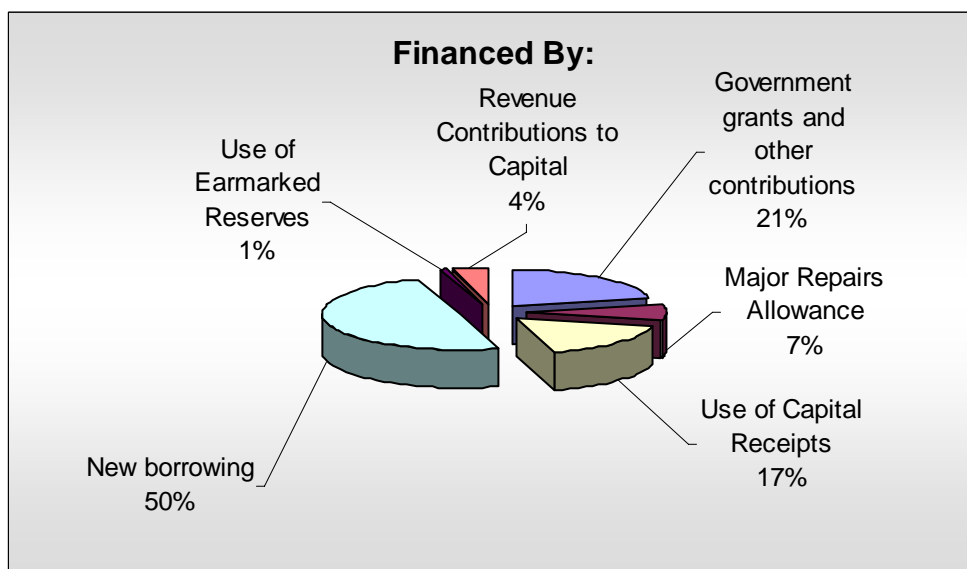
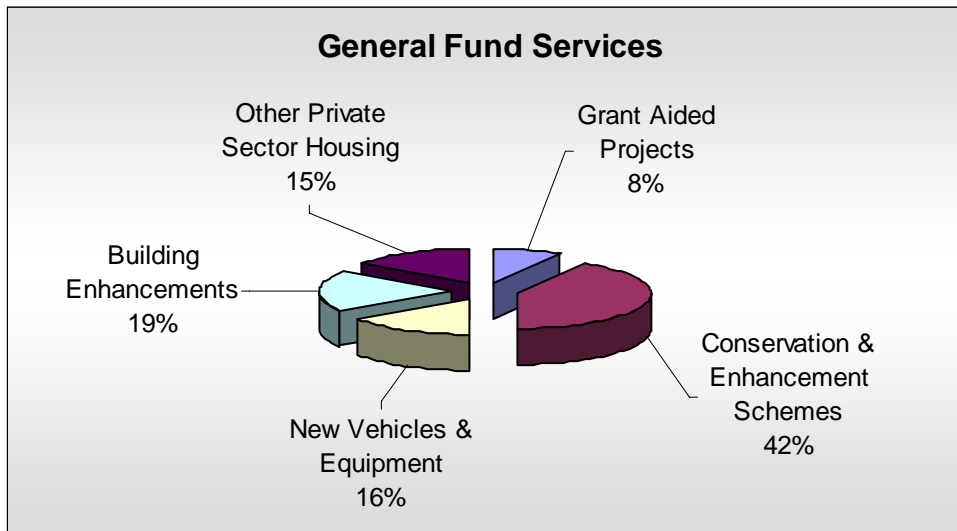
Major Repairs Allowance – Central Government provide a grant which can only be used to improve the Council housing stock. This drives the Government's objective that all council dwellings should meet the Decent Homes Standard by 2012.

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. The Council had as at 31st March 2008 £12.5m 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 the Local Area Agreement 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 2007/08 were:

- £6.7m spent on the Decent Homes Standard mainly replacing kitchens, bathrooms and central heating systems within the Council housing stock
- £2.7m on conservation and enhancement schemes
- £1.0m on new vehicles and equipment
- £1.2m on building enhancements

7. **Balances**

As at the 31st March 2008, total balances stood at:

	£000
General Fund	2,643
Housing Revenue	2,455
Collection Fund	135

Included in the General Fund Balance of £2.6m is a working balance of £0.85m. Included in the Housing Revenue Balance of £2.4m is a working balance of £1.5m. A further £2.6m is held as General Fund earmarked reserves as detailed in note 26 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 increased by £7.5m 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 22 to the Balance Sheet on page 34.

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 13 to be £340,000 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. Premia and Discounts

Balances brought forward at the 1st April 2008 have been derecognised and transferred to the Financial Instrument Adjustment Account in accordance with regulations or statutory guidance along with amounts received in the current financial year.

Transfers out of the Financial Instrument Adjustment Account to the General Fund are made in accordance with statutory guidance and regulations. Transfers to the Housing Revenue Account are in accordance with Item 8 Determinations.

8. 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. Capital grants in respect of schemes where the assets are not depreciated cannot be credited to the Government Grants Deferred Account. In accordance with the 2007 SORP these are credited to the relevant service area in the Income & Expenditure Account and reversed out in the Statement of Movement on the General Fund Balance via the Capital Financing Account.

9. Government Grants Deferred Account

In accordance with SORP 2007 the balance on the account is transferred to the Income and Expenditure Account annually based on the estimated lives of the assets involved. This entry is reversed out in the Statement of Movement on the General Fund Balance.

10. Reserves

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

- the Capital Adjustment Account, comprises the balance brought forward on the Fixed Asset Restatement Account and the Capital Financing Account. It represents a store of capital resources set aside to meet past expenditure.
- the Financial Instrument Adjustment Account is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.
- the Revaluation Reserve, this account stores gains on revaluation of fixed assets not yet realised through sales.

None of these reserves can be used to support spending.

11. Debtors And Creditors

Debtors and Creditors are included in the Balance Sheet as at 31st March 2008 on an accruals basis.

12. 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 2008 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.

13. 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.

14. 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.

15. 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.

16. 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

17. 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 0.7 % lower after the replacement of employer's contributions by current service costs and net operating expenditure is 2.0% 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 14.4%.

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 27)

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.

18. 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.

19. 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).

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. Investments

Short Term Investments are shown in the Balance Sheet at amortised cost. The Council is the sole share holder in Dale & Valley Homes Ltd, which is limited by guarantee.

27. Provision for Bad and Doubtful Debt

All outstanding debts are reviewed on an ongoing basis and known uncollectible 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.

28. 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.

29. 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.

30. 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.

31. 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.

INCOME AND EXPENDITURE ACCOUNT

FOR 2007/08

2006/07 Net Expenditure £000s		2007/08		
		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
199	Central services to the public	10,275	(9,846)	429
7,320	Cultural, environmental & planning services	13,629	(6,588)	7,041
723	Highways, roads and transport services	1,212	(478)	734
3,041	Housing services - General Fund	20,638	(18,623)	2,015
2,388	Housing services - Housing Revenue Account	14,509	(11,921)	2,588
1,518	Corporate and democratic core	2,223	(413)	1,810
84	Non distributed costs	384	0	384
15,273	Net Cost of Services	62,870	(47,869)	15,001
0	Loss on the disposal of fixed assets			33
84	Parish council precepts			192
(13)	(Surpluses)/deficits on trading undertakings not included in Net Cost of Services (note 1)			428
485	Interest payable and similar charges			491
(1,078)	Interest and investment income (note 12)			(1,794)
0	Unapportionable deferred charges			92
0	Discounts received on early resettlement of debt			(39)
230	Pensions interest cost and expected return on pensions assets			260
2,285	Contribution of housing capital receipts to Government Pool			2,022
17,266	Net Operating Expenditure			16,686
(3,906)	Demand on the Collection Fund			(4,205)
(1,159)	General Government Grants			(1,069)
(5,999)	Non-domestic rates redistribution			(6,372)
6,202	Net (Surplus)/Deficit			5,040

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006/07 £000s		2007/08 £000s
6,202	(Surplus)/deficit for the year on the Income and Expenditure Account	5,040
(6,722)	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 15)	(5,909)
(520)	(Increase)/Decrease in General Fund Balance for the Year	(869)
(1,254)	General Fund Balance brought forward	(1,774)
(1,774)	General Fund Balance carried forward	(2,643)

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

2006/07		2007/08
£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	
(2,299)	Write down of deferred charges financed from capital resources	(2,599)
(3,581)	Excess of Depreciation charges to the HRA over the Major Repairs Allowance element of Housing Subsidy	(3,359)
810	Transfer of Pension Liability	0
(968)	Depreciation and impairment of fixed assets	(923)
0	Government Grants Deferred amortisation	56
0	Net loss on sale of fixed assets	(33)
0	Capital Grants Received not allocated to the Government Grants Deferred Account	1,293
0	Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments	35
(1,830)	Net charges made for retirement benefits in accordance with FRS17	(2,130)
(7,868)		(7,660)
	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	
0	Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments	44
525	Minimum revenue provision for capital financing	561
0	Use of Earmarked Reserves to finance capital expenditure	139
0	Capital expenditure charged in-year to the General Fund Balance	560
(2,285)	Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(2,022)
1,760	Employer's contributions payable to the Durham County Pension Fund and retirement benefits payable direct to pensioners	1,790
0		1,072
	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	
384	Surplus on Housing Revenue Account	845
762	Net transfer to or (from) earmarked reserves	(166)
1,146		679
(6,722)	Net additional amount required to be credited to the General Fund Balance for the year	(5,909)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR 2007/08

2006/07		2007/08
£000s		£000s
6,202	(Surplus) or deficit on the Income and Expenditure Account for the year	5,040
(30,312)	(Surplus) or deficit arising on revaluation of fixed assets	(1,023)
(170)	Actuarial gains and losses on pension fund assets and liabilities	(2,600)
(208)	Capital additions financed through grants and credited to Capital Financing Account	0
-24488	Total recognised (gains) and losses for the year	1,417
(24,533)	(Increase)/Decrease in Net Worth	1,461
0	Adjusted opening balances on financial instruments adjustment account	(51)
44	Movement on undistributed Collection Fund Surplus	6
1	Movement on funds	1
-24488	Adjusted movement on Net Worth	1,417

This statement brings together all the gains and losses of the Council for the year and shows the aggregate decrease in its net worth after taking into account adjustments made to the opening balance of the Financial Instruments account, movement on the Collection Fund and other funds.

. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets, re-measurement of the net liability to cover the cost of retirement benefit.

BALANCE SHEET AS AT 31ST MARCH 2008

2006/07 £000s		£000s	2007/08 £000s	Notes
	Fixed Assets			1-5
	Tangible Fixed Assets			
	Operational Assets:			
140,469	Council Dwellings	139,238		
13,717	Other Land and Buildings	13,460		
2,595	Vehicles, Plant, Furniture and Equipment	3,036		
1	Community Assets	1		
	Non-Operational Assets:			
6,027	Investment Properties	6,385		
5,948	Surplus Property and Land	5,976		
168,757	Total Fixed Assets		168,096	
2	Long-term Investments		2	
270	Deferred premiums on early repayment of debt		0	
720	Long-term Debtors		744	10
169,749	Total Long-term Assets		168,842	
	Current Assets			
121	Stocks and Work in Progress	96		11
5,169	Debtors	4,742		14
23,130	Investments	26,892		15
28	Cash and Bank	256		
			31,986	
198,197	Total Assets		200,828	
	Current Liabilities			
(1,133)	Short-term Borrowing	(1,695)		
(14,593)	Creditors	(14,408)		16
(625)	Cash Overdrawn	(272)		
			(16,375)	
181,846	Total Assets Less Current Liabilities		184,453	
(36,992)	Long Term Borrowing		(43,995)	17
(22,240)	Pensions Liability		(19,980)	27
(974)	Government Grants Deferred		(407)	
(323)	Deferred discounts on early repayment of debt		0	
(695)	Provisions		(910)	24
120,622	Total Assets Less Liabilities		119,161	
	Financed by:			
122,739	Capital Adjustment Account		115,997	8
0	Financial Instruments Adjustment Account		29	6
0	Revaluation Reserve		423	7
13,089	Usable Capital Receipts Reserve		12,462	23
720	Deferred Capital Receipts		706	
(22,240)	Pensions Reserve		(19,980)	27
4	Major Repairs Reserve		1,661	9
43	Funds		44	24
2,752	Earmarked Reserves		2,586	26
1,774	General Fund balance		2,643	
1,611	Housing Revenue Account balance		2,455	
130	Collection Fund balance		135	
120,622	Total Net Worth		119,161	

These accounts were authorised for publication by the Acting Strategic Director of Resource Management on 30/06/08.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

2006/07		2007/08
£000s		£000s
	REVENUE ACTIVITIES	
	Cash Outflows	
14,972	Cash paid to and on behalf of employees	16,416
12,829	Other operating cash payments	13,813
7,919	Housing Benefit paid out	8,736
8,943	National non-domestic rate payments to national pool	10,019
22,288	Precepts paid	24,270
2,203	Payments to the Capital Receipts Pool	2,089
69,154		75,343
	Cash Inflows	
(4,411)	Rents (after rebates)	(4,482)
(20,521)	Council Tax receipts	(22,093)
(5,999)	National non-domestic rate receipts from national pool	(6,372)
(9,438)	Non-domestic rate receipts	(9,618)
(1,159)	Revenue Support Grant	(1,069)
(7,060)	DWP grants for benefits	(9,155)
(15,320)	Other government grants (Note 5)	(14,042)
(6,740)	Cash received for goods and services	(10,636)
(70,648)		(77,467)
(1,494)	Revenue Activities Net Cashflow (Note 1)	(2,124)
	Returns on Investments & Servicing of Finance	
2,310	Cash Outflow - Interest Paid	2,249
(1,129)	Cash Inflow - Interest Received	(1,805)
1,181	Returns on Investments & Servicing of Finance Net Cashflow	444
	CAPITAL ACTIVITIES	
	Cash Outflows	
10,118	Payments for Capital Schemes	13,466
	Cash Inflows	
(4,744)	Sale of Fixed Assets	(3,742)
(4,670)	Capital grants received (Note 5)	(4,400)
(58)	Other capital cash receipts	(694)
(9,472)		(8,836)
646	Capital Activities Net Cashflow	4,630
333	Net Cash (Inflow) / Outflow before Financing	2,950
(510)	Management of Liquid Resources (Note 2)	3,335
	FINANCING	
18,427	Cash Outflow - Repayments of amounts borrowed	2,133
(17,500)	Cash Inflow - New Loans Raised	(9,000)
927	Financing Net Cashflow (Note 4)	(6,867)
750	Net (Increase) / Decrease in Cash (Note 3)	(582)

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

1. 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	(221)	
Expenditure	296	
Deficit	75	75
Surplus 2006/07	(28)	

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	(112)	
Expenditure	468	
Deficit	356	356
Deficit 2006/07	16	

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

Turnover	(51)	
Expenditure	48	
Surplus	(3)	(3)
Surplus 2006/07	(1)	

Net (surplus) / deficit on trading operations		428
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2. 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 £118,370 under this power in 2007/08 (£117,998 in 2006/07) and its actual expenditure in the year amounted to £107,253 (£83,130 in 2006/07) mainly on donations to voluntary bodies working in the local area.

3. 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.

	2006/07	2007/08
	£000s	£000s
Recruitment advertising	89	28
Other advertising	78	72
Information relating to regional government	17	47
Other publicity	16	32
Total	200	179

4. 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
	2007/08	2007/08	Control
	£000s	£000s	2007/08
	£000s	£000s	£000s
Expenditure	40	256	296
Income	0	(221)	(221)
(Surplus)/Deficit for Year	40	35	75
Comparitives for 2006/07			
Expenditure	29	199	228
Income	0	(227)	(227)
(Surplus)/Deficit for Year	29	(28)	1

5. 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:-

	2006/07	2007/08
	£000s	£000s
Routine Maintenance	85	13
Total amount reimbursable	85	13

6. Local Authority (Goods & Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During 2007/08 the following services were provided:

	2007/08
	£000s
MOT Testing	11

7. Members' Allowances

There are 40 elected Members of the Council and during 2007/08 a total of £327,776 (2006/07 £283,965) was paid in respect of Members Allowances, made up of £248,066 (2006/07 £216,379) basic allowances and £79,710 (2006/07 £67,585) special responsibility allowances.

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

8. Officers' Emoluments

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

Remuneration Band	2006/07 Number of Employees	2007/08 Number of Employees
£50,000 - £59,999	1	3
£60,000 - £69,999	2	2
£70,000 - £79,999	0	1
£80,000 - £89,999	1	0

9. 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, Durham Police Authority, Durham Fire and Rescue and Town Council's

(See Collection Fund)

Payment to Durham County Pension Fund in respect of Superannuation

(See note 13 to the Income and Expenditure Account)

Spectrum Centre

(£25,000 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.

Bishop Auckland Community Partnership

Payments were made to this organisation which has council members on its board.

Neighbourhood Renewal Fund and Safer / Stronger Communities Fund

During 2007/08 the Authority received funding from 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 2007	(203)	1,208
Receipts	(1,647)	(2,090)
Payments	2,549	1,755
Balance carried forward as at 31st March 2008	699	873

This disclosure note has been prepared using a specific declaration obtained in respect of Related Party Transactions from Members and Senior Officers forming part of the management team.

10. Disclosure of Audit Costs

In 2007/08 Wear Valley District Council incurred the following fees relating to external audit and inspection.

	2006/07 £000s	2007/08 £000s
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	116	124
Fees payable to the Audit Commission in respect of statutory inspection	8	18
Fees payable to the Audit Commission for the certification of grant claims and returns	23	33

11. 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 2007/08 was £42,211 (2006/2007 £53,485). The Authority is committed to making payments of £33,152 under these leases in 2008/09, comprising the following elements:

	2006/07 £000s	2007/08 £000s
Leases expiring in 1 year	5	29
Leases expiring in 2 - 5 years	69	4

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 £42,426.

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).

12. Interest and Investment Income

	2006/07 £000s	2007/08 £000s
Interest received on external investments	928	1,719
Interest received on Housing Association loans	76	75
Loan discounts received	74	0
	1,078	1,794

13. 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:

	2006/07	2007/08
	£000s	£000s
Net Cost of Services		
Current service cost	1,600	1,480
Past Service Cost	0	420
Curtailement	0	(30)
Net Operating Expenditure		
Interest cost	3,210	3,590
Expected return on assets	(2,980)	(3,330)
Amount met from Government Grants and Taxpayers		
Movement on Pension Reserve	(70)	(340)
Actual amount charged against Council Tax		
Employer's contributions payable to scheme	1,760	1,790

Note 27 to the Balance Sheet on Page 38 shows details of the assumptions made in estimating the figures included in this note.

14. Local Area Agreement (LAA)

The Council is a participant in the LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the second year of a three year agreement.

The purposes of the LAA are:

- To form agreement between the partners in County Durham and Government (represented by Government Office North East) as a means of securing significant improvements in services for the people of County Durham.
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public service in County Durham by pooling and aligning funding streams

Accountable Body

Durham County Council acts as accountable body for the LAA. This means that they are responsible for managing the distribution of the grant paid by the Government office to the partners involved, but do not determine which bodies are due payment, this is determined by the partnership.

Identities of Partner Bodies

The County Durham Local Area Agreement consists of the following Partner Bodies:

- Local Government Bodies – Durham County Council, City of Durham Council, District of Easington Council, Sedgefield Borough Council, Wear Valley District Council, Derwentside District Council, Chester-le-Street District Council and Teesdale District Council.
- Community Protection Authorities – Durham Constabulary and Durham and Darlington Fire and Rescue.
- Health Bodies – County Durham Primary Care Trust.
- Learning Bodies – Learning & Skills Council, North East Chamber of Commerce and Connexions.
- Voluntary Organisations – Community & Voluntary Service, DISC, Centrepont.
- Other Organisations – Chester-le-Street LSP, City of Durham LSP, Derwentside LSP, East Durham LSP, Sedgefield Borough LSP, Teesdale LSP, Wear Valley LSP, Jobcentre Plus and Government Office for the North East, County Durham Strategic Partnership, Durham Association of Local Councils, University of Durham.

As a body in receipt of grant from the partnership and not the accountable body, Wear Valley District Council acts as agent to the partnership and has therefore not recognised the full amount of LAA Grant in its financial statements, but only the part to be spent by the council in providing services.

The total amount of LAA grant received by Durham County Council in 2007/08 is £24,120,289 (2006/07 £5,492,067). Wear Valley District Council received £4,254,519 in 2007/08 (2006/07 £1,474,797) of this total to fund its own services.

NOTES TO THE BALANCE SHEET

1. Fixed Assets

Movements of Fixed Assets during 2007/08 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 2007	140,469	13,717	2,595	6,027	1	5,948	168,757
<i>Movement in 2007/08</i>							
Additions	7,259	126	1,120	377	0	116	8,998
Disposals	(2,959)	0	(12)	(25)	0	(756)	(3,752)
Revaluations	338	0	(3)	6	0	682	1,023
Depreciation	(5,869)	(383)	(664)	0	0	(14)	(6,930)
Net book value of assets at 31 March 2008	139,238	13,460	3,036	6,385	1	5,976	168,096

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 under mentioned 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.

A desktop review of the Council House dwellings valuations as at 31st March 2008 was undertaken comparing recent Right to Buy valuations to the 2006 valuation. This revealed an increase in values of 3.1% over the two year period. In view of this low increase, the sample size and the current state of the housing market this increase has not been reflected in the net current value of the Council Dwellings.

3. Information On Assets Held

Fixed assets owned by the Council include the following:-

	31st March 2007	31st March 2008
Council Dwellings	4,406	4,301
Garage Blocks	765	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	7
Royal Corner Shop Units	4	4
Royal Corner Office Units	2	2
Industrial Units - 50% owned by Durham County Council	8	8
Miscellaneous Leased Properties	22	22
Leased Agricultural Land	60 acres	60 acres
Items of Surplus Property and Land	33	31
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

	2006/07 £000s	2007/08 £000s
<i>Capital Investment</i>		
Operational assets	6,702	8,998
Deferred charges	3,094	4,769
<i>Sources of finance</i>		
Government grants and other contributions	(1,975)	(2,952)
Use of Capital Receipts	(2,864)	(2,325)
Major Repairs Allowance	(2,721)	(991)
New borrowing	(2,236)	(6,800)
Use of Earmarked Reserves	0	(139)
Revenue Contributions to Capital	0	(560)
<i>Closing Capital Financing Requirement</i>	0	0

5. Commitments under Capital Contracts

The capital commitments for future years, in respect for schemes that are already underway, are shown below:

	£000s
Housing Stock - Central Heating Upgrades	1,684
Housing Stock - Windows and Doors Replacements	3,585
Housing Stock - Bathroom Replacements	661
Housing Stock - Kitchens	1,260
Housing Stock - Electrical Upgrades	856
Housing Stock - Decent Homes	431
Woodhouse Close Estate Improvements	136
Asbestos Survey	54
Crook Renaissance	265
Total Capital Commitments	8,932

6. Financial Instrument Adjustment Account

	2006/07	2007/08
	£000s	£000s
Balance brought forward		
Discounts/Premia		
Transfer of opening balance	0	(53)
Net Discounts/Premia credited to General Fund	0	6
Net Discounts/Premia credited to Housing Revenue Account	0	36
Net Discounts during the year	0	(122)
	0	(133)
Lender Option/Borrowing Option Loans (LOBO's)		
Adjustment to opening balance of outstanding debt	0	92
2007/08 adjustment of outstanding debt	0	12
Balance carried forward	0	(29)

This is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

7. Revaluation Reserve

	2006/07	2007/08
	£000s	£000s
Balance brought forward	0	0
Depreciation on revalued portion of Fixed assets	0	(18)
Transfer of Fixed Asset disposals included in reserve	0	(582)
Gains (Deficits) arising on revaluation this year	0	1,023
Balance carried forward	0	423

This account stores gains on revaluation of fixed assets not yet realised through sales.

8. Capital Adjustment Account

	2006/07	2007/08
	£000s	£000s
Balance brought forward	20,554	17,369
Capital Receipts set aside	18	13
Capital Financing		
Transfer from Fixed Asset Restatement Reserve as at 1st April 2007	0	105,370
Disposal of Fixed Assets	0	(3,752)
Transfer from Revaluation Reserve relating to disposed Fixed Assets	0	582
Capital Receipts	2,864	2,325
Year end adjustment	20	14
Government Grants transferred	208	1,293
Government Grants Deferred applied to Income and Expenditure Account	0	56
Earmarked reserves applied to Capital	0	139
Revenue Contribution to capital	0	560
Major Repairs Reserve Allocation	2,721	991
MRP less depreciation provision and deferred charges	(8,997)	(8,950)
Less repayment of long term debtors	(19)	(13)
Balance carried forward	17,369	115,997

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.

9. Major Repairs Reserve

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

	2006/07	2007/08
	£000s	£000s
Balance brought forward	50	4
Allowance received in the year	2,675	2,648
Expenditure applied in the year	(2,721)	(991)
Balance carried forward	4	1,661

10. Long Term Debtors

	2006/07	2007/08
	£000s	£000s
Housing Associations	710	698
Sale of Council Houses	10	8
Accrued Interest	0	38
	720	744

11. Stocks And Work In Progress

	2006/07	2007/08
	£000s	£000s
Stocks		
Housing General Stores	76	46
Miscellaneous	45	50
Total Stocks	121	96

12. Trusts

Spectrum Leisure Complex

The Council is the Corporate Trustee of the Spectrum Leisure Centre, which is a separate legal body. The Council made a contribution to the Trust to meet the deficit of the running costs of the Complex up until 12th July 2007 when the Complex was leased to a community based group, Spectrum Leisure and Management.

J. Peases Miners Trust

The Authority is Trustee for J. Peases Miners Trust. The following movement within the Trust Fund took place during 2007/08:

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

13. 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.

Deferred Charges	As at 1st April		Grants & Other Contributions	Consolidated Revenue
	2007 £000s	Expenditure £000s	£000s	Appropriation £000s
General Fund	0	4,434	(2,130)	2,304
Housing Revenue Account	0	335	(40)	295
Total Deferred Charges	0	4,769	(2,170)	2,599

14. Debtors

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

	2006/07 £000s	2007/08 £000s
Amounts falling due in one year:		
Government Departments	1,454	1,714
Other Local Authorities	1,558	1,894
Non-Domestic Ratepayers	49	40
Council Taxpayers	552	595
Housing Rents & Private Works	720	503
Sundry Debtors	2,041	1,157
	6,374	5,903
Less - Bad Debts Provision:		
General Fund	(491)	(426)
Non-Domestic Ratepayers	(30)	(28)
Council Taxpayers	(150)	(158)
Housing Revenue	(534)	(549)
Total Debtors	5,169	4,742

15. Temporary Investments

	2006/07	2007/08
	£000s	£000s
Co-operative Bank	1,130	2,465
Building Societies	22,000	24,000
Accrued Interest	0	427
	23,130	26,892

16. Creditors

	2006/07	2007/08
	£000s	£000s
Government Departments	4,714	3,482
Other Local Authorities	2,090	1,828
Housing Rents	126	153
Sundry Creditors	5,937	7,575
Section 106 Agreements	1,127	888
Council Tax	375	348
Non-Domestic Rates	224	134
Total Creditors	14,593	14,408

17. Borrowing

	As at 31 March 2007	As at 31 March 2008
	£000s	£000s
<i>Analysis of loans by type</i>		
Public Works Loan Board	31,624	33,491
Instalment Loans	6,500	11,603
Total Outstanding	38,124	45,094

The aggregate total of long term borrowing £43,995,000 and short term borrowing £1,695,000 as shown in the Balance Sheet differs from the above figures due to a temporary loan of £1,000 and interest accrued of £595,000

18. SORP 2007 – Financial Instruments Disclosure Notes

INTRODUCTION TO NOTES 19 TO 22

With effect from 1 April 2007, local authorities have had to adopt a major change of accounting policy in order to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom – the Statement of Recommended Practice 2007, issued by the Chartered Institute of Public Finance and Accountancy / LASAAC Joint Committee. This has been based on major changes in international accounting standards which have led to the introduction of new U.K. accounting standards for financial instruments - FRS25, 26 and 29.

This has caused major changes in the accounting treatment of financial instruments, soft loans and guarantees, which have been designed to present a higher quality of information on financial instruments, in line with the private sector. In addition, in order to help identify, quantify and inform on the exposure to and management of risk, new “fair value” disclosure requirements have been introduced. The need for this has arisen in recent years through the high profile failure of a number of financial institutions e.g. Barings, Enron, World Com etc.

Amortised Cost

This change in accounting standards has meant that most financial instruments (whether borrowing or investment) have, in 2007/08, to be valued on an amortised costs basis using the effective interest rate (EIR) method.

However, it should be noted that figures for 31st March 2007 which appear in these disclosure notes are shown unaltered from those which were published in the accounts for 2006/07 i.e. they have not been restated to amortised cost etc. Consequently, the figures for 31st March 2007 and 31st March 2008 are not properly comparable as they have been produced on two different bases. This is a one off problem which will not occur in the accounts for future years when two years' figures will be properly comparable.

Fair Value

In these disclosure notes, financial instruments are also required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Guidance from CIPFA states that as fair value valuations were not calculated as at 31st March 2007, the column for fair value as at 31st March 2007 in these disclosure notes cannot be filled in and so no figures appear.

Compliance

This authority has complied with the following: -

1. It has adopted the CIPFA's Treasury Management in the Public Services: Code of Practice
2. Set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code

19. Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 March 2007 £000s	31 March 2008 £000s	31 March 2007 £000s	31 March 2008 £000s
Borrowings	36,992	43,995	1,133	1,100
Trade Creditors	0		1,800	3,887
Financial Liabilities at amortised cost -accrued interest	0	0	0	594
Total borrowings (at amortised cost)	36,992	43,995	2,933	5,581
Short Term Investments	0	0	23,130	26,465
Trust Fund Investments	2	2		
Housing Association Loans	704	694	16	50
Loans and Receivables at amortised cost - interest accrued	0	0	0	427
Trade Debtors			1,117	762
Total investments (at amortised cost)	706	696	24,263	27,704

20. Financial Instruments Gains and Losses

There were no gains or losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments during 2006/07 or 2007/08.

21. Fair Value of Assets and Liabilities of Amortised Cost

- a. The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below. We have not calculated fair values as at 31.03.07.

Methods and Assumptions in valuation technique

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

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

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

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 064/08.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31-Mar-07		31-Mar-08	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£,000	£'000
PWLB debt	31,625	0	33,963	37,971
Non-PWLB debt	6,500	0	11,726	12,777
Total debt	38,125	0	45,689	50,748
Trade creditors	1,800	0	3,887	3,887
Total Financial liabilities	39,925	0	49,576	54,635
Money market loans < 1 yr	23,130	0	26,465	26,872
Money market loans > 1 yr	0	0	0	0
Accrued interest	0	0	427	427
Long term loans < 1yr	16	0	52	52
Long term loans > 1 yr	706	0	694	694
Trade debtors	1,117	0	762	762
Total Loans and receivables	24,969	0	28,400	28,807

- b. The fair value of financial liabilities is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

The fair value of loans and receivables is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest below current market rates increases the amount that the Council would receive if it agreed to early repayment of loans.

22. Disclosure of nature and extent of risks arising from Financial Instruments

a. Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £3m.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

	Amount at 31st March 2008 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2008 %	Estimated maximum exposure to default and uncollectability £000s
Deposits with banks and financial institutions	26,465	0	0	0
Customers	762	3	3	23
	27,227			23

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

Debtors

The Council does not generally allow credit for customers, such that £693,000 of the £762,000 balance is past its due date for payment. The past due amount can be analysed by age as follows:

	Amount at 31st March 2008 £000s
Less than three months	602
Three to six months	30
Six months to one year	30
More than one year	31
	693

b. Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes: -

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

Loans Outstanding	Amount at 31st March 2008 £000s
Public Works Loan Board	33,490
LOBO's	11,603
Total	45,093
Less than one year	1,100
Between one and two years	869
Between two and five years	1,682
Between five and ten years	627
More than ten years	40,815
	45,093

In the more than ten years category, there are £8.5m of LOBO's which have a call date in the next 12 months and LOBO's of £3m which have a call date in the next 18 months.

c. Market Risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall;
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council’s prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Treasury Management Officer will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs in respect of Housing Subsidy.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

	<u>£000s</u>
Increase in interest payable on variable rate borrowings	92
Increase in interest receivable on variable rate investments	(310)
Increase in government grant receivable for financing costs	(68)
Impact on Income and Expenditure Account	<u>(283)</u>
Share of overall impact credited to the HRA	(3)
Decrease in fair value of fixed rate investment assets (no impact on I & E Account or STRGL)	<u>123</u>
Decrease in fair value of fixed rate borrowings liabilities (no impact on I&E Account or STRGL)	<u>7,599</u>

Price risk

The Council does not invest in equity shares. It therefore has no exposure to loss arising from movements in share prices.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

23. Capital Receipts Unapplied

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

	2006/07	2007/08
	£000s	£000s
Balance brought forward	13,453	13,089
Capital receipts in year from sales of assets	4,803	3,733
Less:		
Capital receipts applied to finance capital expenditure	(2,864)	(2,325)
Capital receipts provided for credit liabilities	(18)	(13)
Payment to Central Government	(2,285)	(2,022)
Balance carried forward	13,089	12,462

24. Provisions And Funds

	Balance as at 31st March 2007 £000s	Receipts in Year £000s	Payments in Year £000s	Balance as at 31st March 2008 £000s
Assistance for Industry	10	0	(10)	0
Provision for Pension Fund (1)	655	123	0	778
Repayment of External Funding (2)	30	10	0	40
Equal Pay Provision (3)	0	92	0	92
	695	225	(10)	910

- 1) This provision relates to the capital cost to the pension fund on early retirements that is met by the Council.
- 2) This provision relates to the potential liability to repay external funding relating to Regeneration schemes.
- 3) This provision relates to a potential liability to fund equal pay claims which are currently being negotiated.

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

	Balance as at 31st March 2007 £000s	Receipts in Year £000s	Payments in Year £000s	Balance as at 31st March 2008 £000s
Cemetery Perpetuity	4	0	0	4
North Bedburn Social Centre	11	1	0	12
Joseph Pease Miners Trust Fund	19	0	0	19
Leisure Facilities - Asset Replacement	9	0	0	9
	43	1	0	44

25. Contingent Liabilities

- 1) 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.
- 2) The Council has received a claim for compensation in respect of a contract dispute. Any settlement costs cannot be quantified at this present time.

26. Financial Reserves

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

	Balance as at 31st March 2007 £000s	Receipts in Year £000s	Payments in Year £000s	Balance as at 31st March 2008 £000s
Asset Management Reserve	141	0	0	141
DSO Relocation	50	0	0	50
Insurance Fund	196	0	0	196
E Government/IT	385	0	(113)	272
Disability Discrimination Act	150	0	(26)	124
In-house Training	120	0	0	120
Risk Management	40	0	0	40
Economic Development Fund	154	0	0	154
Youth Fund	62	0	(14)	48
Service Improvement Fund	101	0	(18)	83
Community Fund	44	0	0	44
Lifelong Learning	31	0	0	31
Neighbourhood Fund	60	0	0	60
Crime & Disorder Fund	20	0	0	20
Health Initiatives	27	0	0	27
SHIP Monies	100	0	0	100
Best Value	10	0	0	10
Budget Support Fund	900	350	(275)	975
General Taxation	60	0	0	60
Sports Halls	21	0	0	21
Twin Bin Implementation	10	0	0	10
Local Development Framework	70	0	(70)	0
	2,752	350	(516)	2,586

27. 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.

The underlying assets and liabilities attributable to the authority as at 31st March 2008 are as follows:-

	2006/07	2007/08
	£000s	£000s
Local Government Pension Scheme		
Estimated share of liabilities in Scheme	(68,400)	(59,100)
Estimated share of assets in Scheme	46,160	39,120
Net asset/(liability)	(22,240)	(19,980)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £19.9m 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:

	2006/07	2007/08
Local Government Pension Scheme	%	%
Rate of inflation	3.2	3.7
Rate of increase in Salaries	4.7	5.2
Rate of increase in Pensions	3.2	3.7
Rate of discount for pension cost over year	5.3	6.8
Rate for Discounting Scheme Liabilities	5.3	6.8
(NB: based on 3.5% real)		
Rate of increase in deferred pensions	3.2	3.7

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 2007	31st March 2008	Long Term Return
	%	%	%
Equity Investments	85	48	7.6
Bonds	8	40	5.7
Other Assets	5	7	6.0
Property	2	5	6.6
	100	100	

	2007/08 £m
Net pensions liability at 1st April 2007	(22.24)
Movements in the year:	
Current service cost	(1.48)
Employer's contributions payable to scheme	1.79
Interest cost	(3.59)
Past service cost	(0.42)
Curtailement	0.03
Expected return on assets in the scheme	3.33
Actuarial gains (losses)	2.60
Net pensions liability at 31st March 2008	(19.98)

28. 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, Sedgfield, 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 £662,779 and can only be spent with the approval of the Partnership Board. In 2007/08 the Council made a contribution of £59,826 to the partnership. The contribution in 2006/07 was £48,611.

The transactions of the Partnership are shown below:

	2006/07 £000s	2007/08 £000s
Balance brought forward	1,115	834
Councils' Contributions	545	675
Interest Earned	34	32
Expenditure in Year	(860)	(878)
Balance carried forward	834	663

29. Coalfields Housing Renewals Partnership

The Coalfields Housing Renewals Partnership was established in November 2006 and includes all the principal Councils within County Durham. The partnership was established as a vehicle to intervene in local housing markets suffering market decline. The partnership aims to reverse this failure in Coalfield areas through a programme of strategic housing investment generated through capital receipts from land sales, and supported through additional funding from English Partnerships National Coalfield programme.

In 2007/2008 Wear Valley District Council made a contribution of £11,187 to the partnership.

30. Summary to Detail of Movements on Reserves

Reserve	Balance 1st April 2007 £000s	Net Movement in Year £000s	Balance 31st March 2008 £000s	Purpose of Reserve
Capital Adjustment Account	122,739	(6,742)	115,997	This comprises the balance brought forward on the Fixed Asset Restatement Account and the Capital Financing Account. It represents a store of capital resources set aside to meet past expenditure.
Usable Capital Receipts Reserve	13,089	(627)	12,462	Proceeds of fixed asset sales available to meet future capital investment
Deferred Capital Receipts	720	(14)	706	Store of capital receipts arising from mortgages on sale of council houses
Revaluation Reserve	0	29	29	This account stores gains on revaluation of fixed assets not yet realised through sales
Financial Instruments Adjustment Account	0	423	423	This is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments
Pensions Reserve	(22,240)	2,260	(19,980)	Balancing account to allow inclusion of pension liability in the Balance Sheet
Major Repairs Reserve	4	1,657	1,661	Resources available to meet capital investment in council housing
Funds	43	1	44	Resources held by the Council as trustee for other bodies
Earmarked Reserves	2,752	(166)	2,586	These are amounts set aside for specific purposes
General Fund balance	1,774	869	2,643	Resources available to meet future running costs for non - housing services
Housing Revenue Account	1,611	844	2,455	Resources available to meet future running costs for council houses
Collection Fund balance	130	5	135	Resources available to transfer into the General Fund
Total	120,622	(1,461)	119,161	

31. Events after the Balance Sheet Date

Non-adjusting event

On 25th July 2007 the Secretary of State announced that she was minded to implement a proposal for a single unitary council for County Durham. This has been enacted. Under this proposal one new Council would replace the existing County and District Councils in County Durham with effect from 1st April 2009. All rights and obligations of the existing council will vest in the new council.

NOTES TO THE CASH FLOW STATEMENT

1. Cash Flow Statement 'Revenue Activities' Reconciliation to Income and Expenditure Account

	£000s
Income & Expenditure Account (Surplus) / Deficit for the year	5,040
Accrual Adjustment	(312)
Items Included in the Cash Flow Statement Revenue Activities, Not included in the Income & Expenditure Account	1,997
Items Excluded From the Cash Flow Statement Revenue Activities, Included in the Income & Expenditure Account	(8,849)
Net Cash (Inflow) / Outflow From Revenue Activities	(2,124)

2. Movement in Liquid Resources

	31 March 2007	31 March 2008	As disclosed in Cashflow Statement
	£000s	£000s	£000s
Short Term Investments at cost	23,130	26,465	3,335
	23,130	26,465	3,335

3. Movement in Cash Balances

	31 March 2007	31 March 2008	As disclosed in Cashflow Statement
	£000s	£000s	£000s
Cash in Hand	28	256	228
Bank Overdraft	(626)	(272)	354
	(598)	(16)	582

4. Reconciliation of Financing

	31 March 2007	31 March 2008	As disclosed in Cashflow Statement
	£000s	£000s	£000s
Short Term Borrowing at cost	(1,133)	(1,677)	(544)
Long Term Borrowing at cost	(36,992)	(43,315)	(6,323)
	(38,125)	(44,992)	(6,867)

5. Analysis of Grants Received

	2006/07	2007/08
	£000s	£000s
Other Government Revenue Grants		
Housing Benefit Administration Subsidy	781	934
Council Tax Benefit	5,920	6,450
Housing Subsidy	(2,773)	(3,441)
Rent Rebates	7,430	8,190
Benefit Fraud Investigation Subsidy	20	0
ERDF	14	0
Neighbourhood Renewal Grant	2,627	651
Single Regeneration Budget	48	0
Planning Delivery Grant	104	227
Lottery Grants	183	100
Supporting People Grant	225	161
Mobile Wellness Centre	73	22
Communities for Health Fund	100	19
Northern Arts	21	21
Sport England	0	133
DEFRA Recycling Grant	25	0
ODPM Homelessness Scheme	24	28
Procurement Grant	16	0
One North East Single Programme	174	181
Concessionary Travel	0	56
Other	308	310
	15,320	14,042
Capital Grants		
One North East Single Programme	1,061	824
Natural England - Weardale Environmental Educational Programme	0	8
Reclamation Grants	4	0
Disabled Facility Grants	135	198
Rural Development Programme	8	0
ERDF	243	0
Countryside Agency	24	0
Major Repairs Allowance	2,675	2,648
LPSA Grant	100	0
DEFRA Recycling Grant	26	0
Other Local Authority Grants	15	5
Neighbourhood Renewal Grant	24	406
LABGI Grant	250	64
Other	105	247
	4,670	4,400

HOUSING REVENUE ACCOUNT FOR 2007/08

2006/07 £000s		2007/08 Note	£000s
	Income		
(10,945)	Dwelling rents (gross)		(11,540)
(204)	Non-dwelling rents (gross)		(215)
(3,294)	Charges for Services and Facilities	3	(3,281)
0	HRA subsidy receivable (including the MRA element)		(34)
(810)	Pension Liability	4	0
(15,253)	Total Income		(15,070)
	Expenditure		
6,304	Repairs and Maintenance		5,948
2,631	Supervision and Management		3,440
209	Negative HRA subsidy payable (including the MRA element)		0
6,250	Depreciation and impairment of fixed assets	7	6,007
0	Deferred Charges		295
42	Debt Management costs		55
38	Increase in bad debt provision	2	52
15,474	Total Expenditure		15,797
	Net Cost of HRA Services per Authority Income and Expenditure Account		727
120	HRA services share of Corporate and Democratic Core		231
	HRA share of other amounts included in the whole authority Net		
370	Cost of Services but not allocated to specific services		127
711	Net cost of HRA Services		1,085
1,748	Interest payable and similar charges		1,848
0	Capital Grants received		(175)
7	Amortisation of premiums and discounts		(83)
(77)	Interest and investment income		(88)
2,389	(Surplus) or deficit for the year on HRA services		2,587

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2006/07		2007/08
£000s		£000s
2,389	(Surplus) or deficit for year on the HRA Income and Expenditure Account	2,587
(2,773)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year (see note on page 37)	(3,432)
(384)	(Increase) or decrease in the Housing Revenue Account Balance	(845)
(1,227)	Housing Revenue Account Balance brought forward	(1,611)
(1,611)	Housing Revenue Account Balance carried forward	(2,456)

NOTE OF RECONCILING ITEMS TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

2006/07		2007/08
£000s		£000s
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year	
(3,583)	Excess of Depreciation charges to the HRA over the Major Repairs Allowance element of Housing Subsidy	(3,359)
0	Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	47
0	Capital Grants Received	175
0	Deferred Charges	(295)
810	Transfer of Pension Liability	0
(2,773)		(3,432)
(2,773)	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(3,432)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

The Council owned 4,301 dwellings at 31st March 2008 (4,406 as at 31st March 2007) of which 4,012 (4,116 as at 31st March 2007) were houses and bungalows, and 289 (290 as at 31st March 2007) were flats.

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.

A desktop review of the Council House dwellings valuations as at 31st March 2008 was undertaken comparing recent Right to Buy valuations to the 2006 valuation. This revealed an increase in values of 3.1% over the two year period. In view of this low increase, the sample size and the current state of the housing market this increase has not been reflected in the net current value of the Council Dwellings.

2. Provision for Bad Debts

Net rent arrears at 31st March 2008 amounted to £350,299 (£404,780 in 2006/07). A provision for non-collection amounting to £318,871 was set aside as at 31st March 2008 (£345,317 as at 31st March 2007). This is an increase of £51,853 (£37,860 in 2006/07) after charging £78,299 (£138,692 in 2006/07) 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 2007/08 (£3.3m in 2006/07) is based upon an agreed fee. On 30th March 2008 the contract to provide the responsive repairs and maintenance service expired and D&VH appointed an external contractor for this service. From 31st March 2008 the Council provides D&VH with a gas servicing, repairs service and tenancy enforcement functions.

4. Pension Settlement

On 31st March 2008 a number of staff transferred from Wear Valley District Council to an external contractor when the housing repairs contract was externalised. Based on provisional information the gain on this curtailment has been estimated by the actuary at 30k. An adjustment will be made next year when further information is available on the transfer.

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 2007	140,469	2,902	143,371
Capital expenditure for the year	7,259		7,259
Disposals	(3,062)	(19)	(3,081)
Depreciation charge for the year	(5,869)	(138)	(6,007)
Revaluation for the year	441		441
Net Book Value as at 31st March 2008	139,238	2,745	141,983

6. Major Repairs Reserve

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

2006/07		2007/08
£000s		£000s
50	Balance as at 1st April 2007	4
6,250	Add: Transfer from HRA	5,989
2,721	Less: Financing of Capital Expenditure	991
3,575	Less: Transfer to HRA	3,341
4	Balance at 31st March 2008	1,661

7. Depreciation Charge

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

2006/07		2007/08
£000s		£000s
6,067	Dwellings	5,829
38	Garages	40
145	Shops etc	138
6,250	Total Depreciation Charge	6,007

8. HRA Capital Financing

The figures below relate to expenditure solely upon the Council's own housing stock and not other capital expenditure classified as being for the HRA and included within the figure shown in note 5 on page 3 of the Explanatory Foreword.

2006/07		2007/08
£000s		£000s
4,015	Improvements to Council Housing	6,691
21	Other Works	310
4,036	Total HRA Capital Expenditure	7,001
	Financed by:	
2,721	Major Repairs Reserve	888
800	Supported Borrowing	5,800
468	Capital Receipts	298
47	Grants	15
4,036	Total	7,001

9. HRA Capital Receipts

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

	Gross Receipt £000s	Usable Element £000s	Reserved Element £000s
Houses	2,754	733	2,021
Land etc.	14	1	13
Total	2,768	734	2,034

10. Housing Subsidy

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

2006/07 £000s		2007/08 £000s
6,330	Management and Maintenance	6,268
2,675	Major Repairs Allowance	2,648
1,847	Capital Charges	1,944
(11,079)	Rent	(11,403)
(1)	Interest on Receipts	(1)
19	Prior year Adjustment	578
(209)	Total Housing Subsidy	34

11. Impairment Charges

There were no charges arising in 2007/08 in respect of impairment of HRA assets.

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 April 2007 £000s	Expenditure £000s	Grants & Other Contributions £000s	HRA Charge 2007/08 £000s
Council House Estate Improvements	0	335	(40)	295
Total Deferred Charges	0	335	(40)	295

13. Exceptional Items and Prior year Adjustments

There were no exceptional items affecting the HRA in 2007/08.

14. Pensions

Due to its statutory nature, the Housing Revenue Account for 2007/08 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 43. Preparation of the accounts in accordance with FRS17 would have resulted in a decreased charge to the HRA in 2007/08 of £19,000.

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 2007/08 is broadly neutral.

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

FOR 2007/08

2006/07 £000s		2007/08 £000s	Note
	Income		
20,515	Income from Council Tax	22,074	3
5,865	Council Tax Benefits	6,245	
9,541	Income Collectable from Business Ratepayers	9,684	
35,921	Total Income	38,003	
	Expenditure		
	Precepts and Demands		
18,568	Durham County Council	19,504	
3,866	Wear Valley District Council	4,145	
1,935	Durham Police Authority	2,659	
1,479	County Durham and Darlington Fire and Rescue Authority	1,573	
	Business Rates		2
9,450	Payment to National Pool	9,594	
91	Cost of Collection	90	
	Bad and Doubtful Debts/Appeals		
(21)	Write Offs - Council Tax	(7)	
(10)	Changes in Provision	2	
	Distribution of Previous Year's Estimated Surplus		
40	Wear Valley District Council	60	
189	Durham County Council	288	
20	Durham Police Authority	30	
15	County Durham and Darlington Fire and Rescue Authority	23	
35,623	Total Expenditure	37,961	
(299)	Movement on Fund Balance	(42)	
(567)	Surplus on Fund Brought Forward	(866)	
(866)	Fund Balance Carried Forward	(908)	1

NOTES TO THE COLLECTION FUND ACCOUNT

1. General

The surplus on the Collection Fund as at 31 March 2008 is £908,127, relating to Council Tax. £403,540 has been used in 2008/09 as follows:-

Wear Valley District Council	£60,000
Durham County Council	£282,289
Durham Police Authority	£38,486
Durham and Darlington Fire and Rescue Authority	£22,765

The estimated surplus for 2008/09 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.

Fund Balance Carried Forward

The council accounted for the Collection Fund balance in its 2007/08 Statement of Accounts as follows:

- In the Balance Sheet at 31 March 2008, the Council included the following creditors and a £135,009 surplus alongside the General Fund balance for Wear Valley District Council:
 £635,275 Durham County Council
 £86,608 Durham Police Authority
 £51,235 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 £5,000 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 44.4p in 2007/08 (43.3p in 2006/07). 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 2008 was £26,492,247 (£26,987,574 at 31st March 2007).

3. Council Tax

The tax base is used to calculate the charge for each Band of property. In 2007/08 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 £27,689,403.91. This amount divided by the tax base of £19,592.16 gives a Band 'D' tax of £1,413.29. 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	17,897	3,471	3,407	2,634	1,121	313	138	33	29,014
Exemptions	(310)	(81)	(63)	(31)	(19)	(11)	(12)	(2)	(527)
Disabled Relief	(33)	18	(16)	(14)	(8)	3	6	(14)	(58)
Discounts	(2,099)	(252)	(199)	(107)	(38)	(9)	(4)	0	(2,706)
Total Equivalent Dwellings	15,456	3,156	3,130	2,483	1,057	297	128	18	25,723
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	10,304	2,455	2,782	2,483	1,292	428	214	35	19,992

TAX BASE CALCULATIONS	
Total Band "D" Equivalent	19,992.00
Bad Debt Provision (2%)	399.84
Tax Base	19,592.16

GROUP INCOME AND EXPENDITURE

ACCOUNT FOR 2007/08

2006/07		2007/08
£000s		£000s
44,641	Group expenditure	51,467
(29,698)	Group Income	(36,932)
14,943	Net Expenditure on the continuing operations of the local authority group	14,535
12,201	Gross expenditure on the Housing Revenue Account of the local authority group	8,772
(11,987)	Gross Income on the Housing Revenue Account of the local authority group	(8,640)
214	Net Expenditure on the Housing Revenue Account of the local authority group	132
2,285	Contribution of housing capital receipts to Government Pool	2,022
0	Loss on disposal of fixed assets	33
84	Parish council precepts	192
(13)	(Surpluses)/deficits on trading undertakings not included in Net Cost of Services	428
485	Interest payable and similar charges	491
(74)	Discounts received on early resettlement of debt	(39)
(1,010)	Interest and investment income (note 3)	(1,814)
0	Deferred Charges	92
0	Taxation on surplus from ordinary activities	5
240	Pensions interest cost and expected return on pensions assets	260
17,154	Net Expenditure	16,337
(3,906)	Demand on the Collection Fund	(4,205)
(1,159)	General Government Grants	(1,069)
(5,999)	Non-domestic rates redistribution	(6,372)
6,090	Group (surplus)/deficit for the year	4,691

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

	2007/08 £000s
(Surplus) / deficit on the Authority Income and Expenditure Account	5,040
Adjustments for transactions with other group entities	0
(Surplus) / deficit on the Group Income and Expenditure Account attributable to the authority	5,040
(Surplus) / deficit attributable to group entities:	
subsidiaries	(349)
(Surplus) / deficit for the year on the Group Income and Expenditure Account	4,691

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR 2007/08

2006/07 £000s		2007/08 £000s
6,090	Net (Surplus) or deficit for the year	4,691
(30,312)	(Surplus) or deficit arising on revaluation of fixed assets	(1,023)
(230)	Actuarial gains and losses on pension fund assets and liabilities	(2,910)
810	Pensions Fund Transfer	0
0	Net charges made for retirement benefits in accordance with FRS17	(200)
0	Employer's contributions payable to the Durham County Pension Fund and retirement benefits payable direct to pensioners	230
0	Adjusted opening balance on financial instruments adjustment account	51
(208)	Capital additions financed through grants and credited to Capital Financing Account	0
(44)	Movement on undistributed Collection Fund Surplus	(6)
(1)	Movement on funds	(1)
(23,895)	Total recognised gains and losses for the year	832

GROUP BALANCE SHEET AS AT 31ST MARCH 2008

2006/07 £000s		2007/08		
		£000s	£000s	Notes
	Fixed Assets			
	Tangible Fixed Assets			
	Operational Assets:			
140,469	Council Dwellings	139,238		
13,717	Other Land and Buildings	13,460		
2,595	Vehicles, Plant, Furniture and Equipment	3,036		
1	Community Assets	1		
	Non-Operational Assets:			
6,027	Investment Properties	6,385		
5,948	Surplus Property and Land	5,976		
168,757	Total Fixed Assets		168,096	
2	Long-term Investments		2	
270	Deferred premiums on early repayment of debt		0	
720	Long-term Debtors		744	
169,749	Total Long-term Assets		168,842	
	Current Assets			
121	Stocks and Work in Progress	96		
5,169	Debtors	4,742		
23,130	Investments	26,892		
28	Cash and Bank	256		
			31,986	
198,197	Total Assets		200,828	
	Current Liabilities			
(1,133)	Short-term Borrowing	(1,695)		
(14,471)	Creditors	(13,937)		2
(625)	Cash Overdrawn	(272)		
			(15,904)	
181,968	Total Assets Less Current Liabilities		184,924	
(36,992)	Long Term Borrowing		(43,995)	
(23,000)	Pensions Liability		(20,460)	3
(974)	Government Grants Deferred		(407)	
(323)	Deferred discounts on early repayment of debt		0	
(695)	Provisions		(910)	
119,984	Total Assets Less Liabilities		119,152	
	Financed by:			
122,739	Capital Adjustment Account		115,997	
0	Financial Instruments Adjustment Account		29	
0	Revaluation Reserve		423	
13,089	Usable Capital Receipts Reserve		12,462	
720	Deferred Capital Receipts		706	
(23,000)	Pensions Reserve		(20,460)	3
4	Major Repairs Reserve		1,661	
43	Funds		44	
2,752	Earmarked Reserves		2,586	
1,774	General Fund balance		2,643	
1,611	Housing Revenue Account balance		2,455	
130	Collection Fund balance		135	
122	Dale and Valley Homes (excluding pensions reserve)		471	4
119,984	Total Net Worth		119,152	

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.

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. The charge in respect of Wear Valley District Council is reversed out in the Group Income and Expenditure account as Council Tax is based upon cash payable in the year. The following transactions have been made in the Group Income and Expenditure Account during the year:

	2006/07			2007/08		
	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	1,600	150	1,750	1,480	190	1,670
Past service cost	0	0	0	420	40	460
Curtailement	0	0	0	(30)	0	(30)
Net Operating Expenditure						
Interest cost	3,210	110	3,320	3,590	140	3,730
Expected return on assets	(2,980)	(100)	(3,080)	(3,330)	(140)	(3,470)
Amount met from Government Grants and Taxpayers						
Movement on Pension Reserve	(270)	0	(270)	(340)	(30)	(370)
Actual amount charged against Group Income and Expenditure Account	1,560	160	1,720	1,790	200	1,990

3. Interest and Investment Income

Interest receivable by Dale and Valley Homes was £20,000 (£6,000 in 2006/07), 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 £124,000 (£116,000 in 2006/07). There were fees of £18,000 payable by Wear Valley District Council to the Audit Commission for statutory inspections in 2007/08 (£8,000 in 2006/07). Fees payable by Wear Valley District Council in respect of certification of grant claims in the year were £33,000 (£23,000 in 2006/07).

No fees have been paid in the last two years by Dale and Valley Homes to the Audit Commission. £16,000 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.

NOTES TO GROUP BALANCE SHEET AS AT 31ST MARCH 2008

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

	2007/08		
	Wear Valley District Council	Dale and Valley Homes	Total
	£000s	£000s	£000s
Government Departments	3,482	8	3,490
Other Local Authorities	1,828	0	1,828
Housing Rents	153	0	153
Sundry Creditors	7,575	9	7,584
Section 106 Agreements	888	0	888
Council Tax	348	0	348
Non-Domestic Rates	134	0	134
Total Creditors	14,408	17	14,425

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 2008 are as follows:-

	2007/08		
	Wear Valley District Council	Dale and Valley Homes	Total
	£000s	£000s	£000s
Local Government Pension Scheme			
Estimated share of liabilities in Scheme	(59,100)	(2,720)	(61,820)
Estimated share of assets in Scheme	39,120	2,240	41,360
Net asset/(liability)	(19,980)	(480)	(20,460)

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £20.5m 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:

	2007/08		
	Wear Valley District Council	Dale and Valley Homes	Total
	£m	£m	£m
Net pensions liability at 1st April 2007	(22.24)	(0.76)	(23.00)
Movements in the year:			
Current service cost	(1.48)	(0.19)	(1.670)
Employer's contributions payable to scheme	1.79	0.20	1.99
Interest cost	(3.59)	0.00	(3.590)
Past service cost	(0.42)	(0.04)	(0.460)
Curtailement	0.03	0.00	0.03
Expected return on assets in the scheme	3.33	0.00	3.33
Actuarial gains (losses)	2.60	0.31	2.91
Net pensions liability at 31st March 2008	(19.98)	(0.48)	(20.46)

ANNUAL GOVERNANCE STATEMENT - 2007/08

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 responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Council's functions and which includes arrangements for the management of risk.

Wear Valley District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.wearvalley.gov.uk or can be obtained from

Wear Valley District Council
Civic Centre
North Terrace
Crook
Co. Durham
DL15 9ES

This statement explains how Wear Valley District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes and cultures and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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.

The governance framework has been in place at Wear Valley District Council for the year ended 31st March 2008 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the District Council's governance arrangements 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 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 Acting Chief Executive 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. Members receive regular updates on compliance with the strategy and an updated strategic risk register. 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 Assistant Director – Finance & I.T. 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.
- There is a significant amount of training available to Members throughout their term of office. As well as an initial induction programme, training in other areas will continue throughout their tenure.
- The operation of a standards committee to promote and maintain high standards of conduct amongst members
- 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 the Overview and Scrutiny committee 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.
- The Council sends out a quarterly newsletter (Wear Valley Matters) to all residents.
- Residents can communicate with the Council by post, telephone, e-mail, or visiting the Civic Centre First Stop Shop.
- Committee meetings are open to the public except where confidential or personal matters are being discussed.
- The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint against the service received from the Council. Complaints can be made in writing or on-line and the Council has set targets for responding to all complaints received, ensuring accountability to its Stakeholders.

4. REVIEW OF EFFECTIVENESS

Wear Valley District Council has the responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior officers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework 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 Internal Audit Manager reports annually to the Council’s Overview and Scrutiny Committee on the internal control environment based upon the work carried out in the year
- Structured training given to senior staff on financial management, standing orders and officer codes of conduct
- Monitoring of the operation of the Constitution by the Council’s “Monitoring Officer”
- The capability of the Overview and Scrutiny Committee (O&S) as the Council’s “audit committee” to review Council policy and decisions and require attendance by members and officers at sittings of the Committee to answer questions
- O&S Committee in its capacity as an audit committee reviewing the performance of the internal audit function.
- The submission of reports to senior officers on system audits that evaluate levels of internal control. These reports include agreed actions to be undertaken by designated officers within specific time-scales. Follow up audits are undertaken to ensure that recommendations have been implemented
- The terms of reference of the Internal Audit function include the ability to refer areas of concern for review by the Overview and Scrutiny Committee
- The Internal Audit function is subject to regular inspection by the Council’s external auditors who place reliance on the work carried out by the section.
- Internal and External Audit work together to review and provide opinions of the control framework, governance arrangements and validity of the final accounts.
- 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 e.g. Dale and Valley Homes
- Formal liaison meetings take place on a regular basis between the Council and Dale and Valley Homes
- All Officers employed by the Council receive an annual PRADS (Performance Review and Development Scheme) at which performance can be measured against set objectives. Training needs are also identified as part of this process and addressed via the Human Resources service and/or individual service as appropriate.
- Regular review of member training is undertaken to feedback into training programme.
- The Council issues satisfaction surveys to customers to receive their feedback.
- An annual review of complaints and response times is reported to Committee.

5. SIGNIFICANT GOVERNANCE ISSUES

The following significant governance issues have been identified:

No.	Issue	Action
1	Preparation for the formation of a new unitary authority covering County Durham involves significant staff resource	The Council has approved a transition plan which focuses

	and affects the Council's ability to recruit and retain staff. This may have adverse consequences for maintaining existing systems of internal control.	resource on our key priorities thus freeing capacity. A full staff complement has been budgeted to fill vacancies where required.
2	Dale and Valley Homes receive significant funding from the Council to deliver a variety of housing services on its behalf. Due to the legal relationship, the Council is exposed to a variety of risks.	Formal liaison / monitoring arrangements with Dale and Valley Homes are strengthened

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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 2008.

In preparing this Statement of Accounts, the Acting 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 7 to 57 fairly state the position of Wear Valley District Council as at 31st March 2008.

Stuart Reid C.P.F.A.
Acting 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 2007/2008 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.