

Public Document Pack

17 June 2008

Dear Councillor

A meeting of the District Council will be held in the **Council Chamber, Civic Centre, Newcastle Road, Chester-le-Street, Co Durham, DH3 3UT on Thursday, 26th June, 2008 at 6.00 pm**

Yours sincerely

A handwritten signature in black ink, appearing to read 'Roy Templeman', is written over a light grey rectangular background.

R TEMPLEMAN

Chief Executive

AGENDA:

1. Apologies for Absence
2. To confirm the minutes held 29 May 2008 (Pages 1 - 12)
3. Public Speaking
4. To receive declarations of interest from Members
5. Report from the Leader of the Council
6. Reports from Portfolio Holders
 - a) Neighbourhood Services Portfolio
 - b) Regeneration and Strategic Planning Portfolio
 - c) Resources and Value for Money Portfolio
 - d) Community Engagement and Partnerships Porfolio

7. Questions to Leader and Executive Members
8. Correspondence
9. Overview and Scrutiny Annual Report 2007/2008 (Pages 13 - 28)
Report Of Scrutiny Officer
10. Private Sector Empty Property Transitional Policy (Pages 29 - 60)
Report Of Director of Development Services
11. Member Approval of the Statement of Accounts for 2007/2008 (Pages 61 - 168)
Report Of Head of Corporate Finance
12. Conferences
13. Common Seal

Following conclusion of the items of business, there will be a presentation of the Annual Community Awards 2007.

THE DISTRICT COUNCIL OF CHESTER-LE-STREET

Report of the Annual Council Meeting in the Council Chamber, Civic Centre, Newcastle Road, Chester-le-Street, Co Durham, DH3 3UT on Thursday, 29 May 2008 at 6.00 pm.

PRESENT:

Councillors

A Humes	W Laverick
A Turner	M D May
L Armstrong	P H May
J W Barrett	P B Nathan
L E W Brown	J M Proud
R Court	D L Robson
L Ebbatson	M Sekowski
M Gollan	J Shiell
R Harrison	T J Smith
A K Holden	D Thompson
D M Holding	F Wilkinson
C J Jukes	A Willis

Officers: R Templeman (Chief Executive), I Forster (Director of Corporate Services), T Galloway (Director of Development Services), C Potter (Head of Legal and Democratic Services), L Dawson (Acting Head of Regeneration), J Henderson (Acting Head of Resources Directorate), J Elder (Acting Head of Resources) and A Kinsey (Housing Strategy Officer), M Welsh (Principal Internal Auditor), Sue Pearson (Personal Secretary), K Glasper (Personal Secretary) and D Allinson (Democratic Services Assistant)

The retiring Chairman, Councillor Humes advised that it was great to be back but also sad as it was his last night in the Chair. He thanked everyone who had helped him throughout the year which had been an experience of a lifetime. He had made lots of friends and had been fortunate to be Chairman in a year which had been one of the most exciting in the Council's history. He advised that we were the first Council in the Country to move from a poor rating to become a good one and that we had seen massive regeneration in the Town Centre and the development of the Civic Heart. There had also been considerable regeneration taking place in the outlying Districts at Pelton Fell, Sacriston and Grange Villa.

We saw an increase in business complexes on our Industrial Estates provide many jobs for local people. The Council had won numerous awards of which there were too many to list. We had moved from being a District Council to become part of the Unitary Authority. All in all he felt it had been a sensational year and it was with a heavy heart that he handed over to his successor.

He conveyed his thanks to all Members for their support during the past year, in particular the Leader Linda Ebbatson and Deputy Leader Simon Henig for making his job an easy one. He gave special thanks to Roy Templeman Chief Executive who had the enviable task of keeping him right during the Council Meetings. He also gave special thanks to Councillors Westrip and Nathan for their lively and positive contribution to the Council Meetings.

Thanks were also given to his Vice Chairman Allen Turner and his wife Margaret for their support, his secretary Sue Pearson, and to all the Officers and staff for the part they played in making this past year the most memorable in the Council's history.

He concluded by conveying thanks and best wishes to Jayne Henderson (who was leaving the Authority) for the phenomenal job she had done in improving the Benefits Service and wished her well for the future in her new role.

1. TO ELECT A CHAIRMAN OF THE COUNCIL FOR 2008/2009

Councillor A Humes invited nominations for the appointment of Chairman of the Council for the ensuing year.

Councillor L Ebbatson proposed and Councillor L Armstrong seconded that Councillor D Thompson be elected Chairman of the Council.

There being no further nominations the Council RESOLVED:

“That Councillor D Thompson be elected Chairman of the Council for the ensuing year.”

Councillor Thompson thanked everyone for giving him this opportunity. He advised that the final year of the Council should be a year of celebration and about making sure that Members and employees achievements are recognised, celebrated and most importantly communicated. Let's make it an unforgettable year!

2. TO APPOINT A VICE-CHAIRMAN OF THE COUNCIL FOR 2008/2009

The newly appointed Chairman invited the retiring Vice Chairman Councillor Allen Turner to say a few words.

Councillor Turner said that as most of you know he had previously been Chairman of this Council and he was therefore well aware of the workload and responsibility that came with that position. He was also aware of the increase in workload and responsibility since becoming a new County Councillor. To attempt both jobs he felt would be absolutely impossible and he felt it was therefore correct that after the recent Election he gave up any possibility of becoming Chairman of this Council. However as always he was still committed to this Council. He offered his best wishes to the new Chairman

and Vice Chairman and hoped that they and their families enjoyed their new positions as much as he and Margaret had done in the past.

The Chairman invited nominations for the appointment of Vice Chairman of the Council for the ensuing year.

Councillor L Ebbatson proposed and Councillor L Armstrong seconded that Councillor F Wilkinson be appointed Vice Chairman of the Council.

There being no further nominations, the Council RESOLVED:

“That Councillor F Wilkinson be appointed Vice Chairman of the Council for the ensuing year.”

The Chairman invited the Leader to say a few words.

The Leader took the opportunity to thank those people who were leaving the Authority and welcome the new comers. Particular thanks and appreciation was given to Councillors Turner and Humes for the work that they had done over the past year. She advised that Councillor Humes had been a particularly good Civic Head and public face of Chester-le-Street and thanked him for being a charming and entertaining host. The Leader requested that thanks and appreciation also be passed on to Councillor Turner and Councillor Humes’s wives.

The Leader welcomed Councillor David Thompson and Councillor Frank Wilkinson and advised that she looked forward to working with them over the coming year.

3. APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors G Armstrong, S Barr, G K Davidson, S C L Westrip, M Potts and K Potts.

4. TO CONFIRM THE MINUTES OF THE MEETING HELD 24 APRIL 2008

It was proposed and seconded that the minutes of the proceedings at the meeting of the District Council held 24 April 2008, copies of which had previously been circulated be approved.

The Council RESOLVED:

“That the minutes be confirmed as a correct record.”

The Chairman proceeded to sign the minutes.

5. TO RECEIVE DECLARATIONS OF INTEREST FROM MEMBERS

There were no declarations of interest received from Members.

6. TO APPOINT A LEADER OF THE COUNCIL FOR 2008/2009 AND TO AGREE THE MAXIMUM NUMBER OF EXECUTIVE MEMBERS.

The Chairman invited nominations for the appointment of Leader of the Council when it was proposed by Councillor L Armstrong and seconded by Councillor M Sekowski that Councillor L Ebbatson be appointed Leader of the Council.

There being no further nomination, the Council RESOLVED:

- “1. That Councillor L Ebbatson be appointed Leader of the Council.”
2. That the maximum number of Executive Members remain as 10.”

7. TO NOTE THE APPOINTMENT OF PORTFOLIO HOLDERS

The Leader thanked everyone for their confidence and support in electing her as Leader of the Council. She thanked members of the Executive who were standing down, namely Councillor S Barr, Councillor M Potts and Councillor S Henig.

She advised that the overall aim of the Executive for the coming year was to achieve our People and Place priority bringing people together to help communities thrive.

It was agreed that the Executive for 2008-2009 would be as follows:

Councillor SCL Westrip	- Neighbourhood Services Portfolio - Lead Member on Neighbourhoods Action Learning Set
Councillor CJ Jukes	- Regeneration and Strategic Planning Portfolio - Lead Member on Town Centre Action Learning Set
Councillor L Armstrong	- Resources and Value for Money Portfolio
Councillor M Sekowski	-Community Engagement and Partnerships Portfolio -Lead Member on Partnerships for the Future Action Learning Set

The Leader advised that because there would now only be 5 Members instead of 6 she had requested that the budget saving be used to provide a budget for Scrutiny to assist in their new role.

She advised that Councillor Tracie Smith had agreed to be the Champion for Sport in the Community. Her role would be to liaise with the Executive on the

District and County- wide play strategies and the 2012 Olympiad where the District was working with other Councils in the region to welcome visiting teams.

The Council RESOLVED:

“That the appointment of Portfolio Holders be noted.”

8. ANNUAL REVIEW OF THE COUNCIL'S CONSTITUTION

Consideration was given to a report from the Head of Legal and Democratic Services to review the Council's Constitution as part of the Council's commitment to continuous improvement.

He advised of changes he wished to make on pages 22 and 23 of the report and outlined the amendments to the Constitution in relation to Overview and Scrutiny and the composition of the Planning Committee and the Licensing Committee for all Members to serve on these Committees.

In relation to the Overview and Scrutiny it was proposed for 29 Members to be on this Committee with only one Overview and Scrutiny Committee.

The Council RESOLVED:

“That the changes set out in the report and Appendices be incorporated into the revised Constitution and adopted with immediate effect and that the said fully revised Constitution be formally agreed and adopted with immediate effect.”

9. TO APPROVE A PROGRAMME OF ORDINARY MEETINGS OF THE COUNCIL.

Councillor L Ebbatson proposed and Councillor L Armstrong seconded that the programme of meetings for the year be agreed as circulated.

The Council RESOLVED:

“That the programme of meetings for the year as detailed on the schedule circulated be agreed.”

10. APPOINTMENT OF COMMITTEES, ANNUAL REVIEW OF POLITICAL BALANCE, DISAPPLICATION OF POLITICAL BALANCE RULES, ALLOCATION OF SEATS AND APPOINTMENTS AND NOMINATIONS TO BODIES.

Consideration was given to a report from the Head of Legal and Democratic Services on the appointment of Committees, the annual review of Political Balance, disapplication of Political Balance Rules, allocation of seats and appointment and nominations to other bodies. Additional amendments were

outlined by the Head of Legal and Democratic Services a copy of which had previously been circulated.

The Council RESOLVED:

- “1. That the annual review of the political balance on the Council be noted.
2. That the Council bodies that existed immediately before the end of the last municipal year be re-established with their Schemes of Delegation unchanged with the exceptions that (1) all four Overview and Scrutiny Committees are replaced by a single Overview and Scrutiny Committee and (2) that the Standards Committee be increased by an additional Parish Representative and two independent Members, with in both such cases the respective Schemes of Delegation agreed in the 2008 Review of the Constitution Report (3) the Planning Committee is increased to all 34 elected Members and (4) the Licensing Committee is increased to all 34 elected Members subject to the proviso at (3) and (4) that no Members shall be entitled to participate in any decision-making on such Committees unless training has been undertaken by such a member to the satisfaction of the Chief Executive.
3. That the Council continues to disapply the political balance requirements from the Performance Committee.
4. That the Council following the above review determines the allocation of seats to the political groups in accordance with the statutory rules as set out in Appendix 1 to this report.
5. That the Council appoints members to the Council bodies as set out in Appendix 3 to this report and appoints Members and nominates Members to serve on outside bodies as set out in Appendix 4 to this report.
6. That the amendments proposed by the Head of Legal and Democratic Services to the report be approved.

Overview and Scrutiny Committee

All Non-Executive Members

Standards Committee

Councillor MJ Gollan
Councillor SCL Westrip
Councillor W Laverick

Planning Committee

All Members

Licensing Committee

All Members

Statutory Licensing Committee

Councillor G Armstrong
Councillor L Armstrong
Councillor S Barr
Councillor JW Barrett
Councillor MJ Gollan
Councillor S Greatwich
Councillor AK Holden
Councillor CJ Jukes
Councillor M Potts
Councillor J Shiell
Councillor T Smith
Councillor D Thompson
Councillor JM Proud
Councillor A Willis
Councillor PH May

Personnel Committee

Councillor J W Barrett
Councillor P Ellis
Councillor SA Henig
Councillor DM Holding
Councillor K Potts
Councillor M Sekowski
Councillor A Turner
Councillor SCL Westrip
Councillor JM Proud
Councillor P Nathan
Councillor M May

Personnel Committee Appeals Panel

Any 5 Members of the Personnel Committee

Personnel Committee Appointments Panel

Leader of the Council
Deputy Leader of the Leader
Councillor CJ Jukes
Chair of Overview and Scrutiny Committee
Councillor JM Proud

Appeals Committee

Any three Members of the Overview and Scrutiny Committee

Audit Committee

Councillor G Armstrong
Councillor R Harrison
Councillor J Shiel
Councillor JM Proud

Electoral Arrangements Advisory Group

Councillor SA Henig
Councillor G Armstrong
Councillor JW Barrett
Councillor P Ellis
Councillor AK Holden
Councillor K Potts
Councillor A Turner
Councillor R Court
Councillor W Laverick

Performance Committee

Councillor L Ebbatson
Councillor SA Henig
Councillor SCL Westrip

Other Bodies

Association of North East Councils	Councillor L Ebbatson
Association of Public Service Excellence	Councillor TH Harland
Age Concern	Councillor A Turner
Cestria Housing Association Limited	Councillor AK Holden Councillor DL Robson Councillor A Turner Councillor SCL Westrip Isobel Smith
Chester-le-Street Amateur Swimming Club	Councillor T Smith
Chester-le-Street & City of Durham Enterprise Agency	Councillor CJ Jukes Councillor MJ Gollan
Chester-le-Street Community Association	Councillor CJ Jukes

	Councillor T Smith
Chester-le-Street District Youth and Community Committee	Councillor MJ Gollan
Chester-le-Street District Scout Executive Committee	Councillor AK Holden
Chester-le-Street & Durham Victim Support Group	Councillor L Ebbatson
Chester-le-Street Learning District Partnership	Councillor L Armstrong
Chester-le-Street Unit of Sea Cadet Corps Committee	Councillor R Harrison
Chester-le-Street Youth Centre Management Committee	Councillor T Smith
Citizens Advice Bureau Management Committee	Councillor S Barr
The Alliance (Coalfields Communities Regeneration)	Councillor CJ Jukes
County Durham e-Government Partnership	Councillor L Armstrong
County Health Scrutiny Sub Committee	Councillor G Armstrong Councillor R Harrison
Crime Prevention Panel	Councillor D Thompson
Durham County Association of Local Authorities	Councillor L Ebbatson Councillor SCL Westrip
Durham County Waste Partnership	Councillor SCL Westrip
Durham Rural Community Council	Councillor M Sekowski
Great North Forest	Councillor AK Holden Councillor D Thompson
Groundwork West Durham	Councillor GK Davidson
ENCAMS	Councillor JW Barrett
Local Arts Forum	Councillor GK Davidson
Local Childrens Board	Councillor M Sekowski

Local Police/Public Consultative Committee	Councillor S Barr Councillor R Harrison
Local Government Association General Assembly	Councillor L Ebbatson
North East Assembly	Councillor L Ebbatson
North Eastern Regional Employer's Organisation	Councillor L Armstrong Councillor SCL Westrip
Northern Consortium of Housing Authorities	Councillor S Barr
Northern Regional Executive Committee For National Housing & Town Planning Council	Councillor R Harrison
Pelton Community Association	Councillor M Sekowski Councillor S Greatwich
Roseberry Grange Golf Course Committee	Councillor K Potts
Sacriston Development Group	Councillor DL Robson
Town Twinning Association	Councillor DM Holding Councillor R Harrison Councillor A Willis
School Governors	
Chester-le-Street South Pelaw Infant School	Councillor CJ Jukes
Chester-le-Street Cestria Primary School	Councillor P Ellis
Chester-le-Street Newker Primary School	Councillor GK Davidson
Chester-le-Street Bullion Lane Primary School	Councillor SA Henig
Pelton Roseberry Primary School	Councillor S Barr
Chester-le-Street Park View School and Community Shared Use Scheme	
Community Association Committee (3)	Councillor MJ Gollan Councillor CJ Jukes

11. TO ACCEPT THE REPORT OF THE AUDIT COMMITTEE HELD 3 APRIL 2008.

The Council RESOLVED:

“That the report of the meeting of the Audit Committee held 3 April 2008, copies of which had previously been circulated.”

12. INTERNAL AUDIT ANNUAL REPORT 2007/2008

Consideration was given to a report from the Acting Head of Internal Audit containing the opinion on the effectiveness of the control environment for the 2007/08 financial year.

Councillor Harrison spoke in relation to the performance of the Internal Audit Section for 2007/08 and the assignments they had completed during the year and highlighted the key points in the report. He thanked the Members of staff in the audit section for their hard work over the past year.

The Council RESOLVED:

“That the Internal Audit Annual Report 2007/08 be noted.”

13. HOUSING STRATEGY.

The Housing Strategy Officer proceeded to give a background on the report and to seek approval of the revised Housing Strategy.

The Leader thanked the Officers concerned on the work they had undertaken on producing this Strategy.

The Council RESOLVED:

“That the Housing Strategy be approved, subject to the data being checked on the table 2.12 , page 108 of the report.”

14. CORRESPONDENCE

There were no items of correspondence.

15. CONFERENCES

There were no invitations to attend conferences.

16. COMMON SEAL

The Council RESOLVED:

“That the action of the Officer in affixing the Common Seal of the Council to the following documents be confirmed:

Transfer in duplicate relating to land at Woodstone Village, Fencehouses
Section 106 Agreement in duplicate relating to Land at Drum Road, Chester-
le-Street

The meeting terminated at 7.00 pm



Chester-le-Street District Council

Report: Council

Date of Meeting: 26 June 2008

Report from: Overview and Scrutiny

Title of Report: Scrutiny Annual Report 2007-2008 – Covering Report

Agenda Item Number:

1. PURPOSE AND SUMMARY

- 1.1 To present the Scrutiny Annual Report, attached at Appendix 1, to Council detailing the work of scrutiny through the Municipal Year 2007-2008.
- 1.2 The Council's Constitution requires that Overview and Scrutiny shall review its own progress at least annually and the Chair of Overview and Scrutiny shall report to Council on Overview and Scrutiny's performance.

2. CONSULTATION

- 2.1 The Head of Corporate Services, Head of Legal and Democratic Services and the Democratic Services Team were consulted in the preparation of the annual report.

3. TRANSITION PLAN AND PEOPLE AND PLACE PRIORITY

- 3.1 The Transition Plan sets out the council's new single **People and Place** priority. It has been agreed, and supported by the Executive and Scrutiny Panels, the current priorities will be retained for the purposes of this year's plan. The Plan however, makes it clear that during the year the council will re-address its priorities and decide upon new ones in order to develop next year's budget. This is in the light of change in the district and within the organisation.

4. IMPLICATIONS

4.1 Financial and Value for Money Statement

There are no financial implications relating to this report at this current time. However the future of scrutiny and the development of a new work programme to reflect the new People and Place priority may have a cost implications attached.

4.2 Legal Implications

There are no legal implications relating to this report at this current time.

4.3 Personnel Implications

There are specific personnel issues as a result of this report.

4.4 Diversity Implications

There are no diversity implications relating to this report at the current time.

4.5 Risk Implications

There are no risk implications relating to this report at this current time.

4.6 Crime and Disorder Implications

There are no crime and disorder implications relating to this report at the current time.

4.7 Data Quality

Every care has been taken in the development of this report to ensure that the information and data used in its preparation and the appendices attached are accurate, timely, consistent and comprehensive. The council's Data Quality Policy has been complied with in producing this report.

5. BACKGROUND, POSITION STATEMENT AND OPTION APPRAISAL

5.1 The Scrutiny Annual Report has been produced in line with requirements from within the Council's Constitution and provides detail of the scrutiny function and the work that has been undertaken by Members engaged in the scrutiny process throughout the Municipal Year.

5.2 The Annual Report is attached at Appendix 1 of this report.

6. RECOMMENDATIONS

6.1 That Members note the information contained within the report.

7. BACKGROUND PAPERS/DOCUMENTS REFERED TO:

- Scrutiny Handbook
- Principles of Good Scrutiny – CfPS
- Overview and Scrutiny Management Board minutes
- Leisure and Neighbourhood Overview & Scrutiny Panel minutes
- Regeneration and Housing Overview & Scrutiny Panel minutes
- Partnership and Efficiency Overview & Scrutiny Panel minutes

AUTHOR NAME: Nigel Cummings
DESIGNATION: Scrutiny Officer
DATE OF REPORT: 7 May 2008
VERSION: 1.1

This page is intentionally left blank



Chester-le-Street
District Council

Overview and Scrutiny Annual Report 2007/2008



The Scrutiny Year

MAY 2008

CONTENTS

FOREWORD	3
SCRUTINY IN CHESTER-LE-STREET	4
WHAT IS OVERVIEW AND SCRUTINY	5
THE STRUCTURE OF SCRUTINY	6
OVERVIEW & SCRUTINY MANAGEMENT BOARD	6
PARTNERSHIP & EFFICIENCY OSP	7
REGENERATION & HOUSING OSP	8
LEISURE & NEIGHBOURHOOD OSP	9
FUTURE OF SCRUTINY	11
BACKGROUND PAPERS	12

ANNUAL REPORT OF OVERVIEW & SCRUTINY 2007-2008

Foreword



The Council's Constitution provides that an Annual Report on the work of the Scrutiny Panels be produced and as Chair of the Overview and Scrutiny Management Board it gives me great pleasure to introduce the 2007/08 Annual Report of Overview and Scrutiny.

Scrutiny has continued to work closely with council officers and, where appropriate, Executive Members to maintain the contribution which the scrutiny process makes to services. The CPA judgement was a fantastic result for the council reflecting the hard work achieved by everyone and saw scrutiny improve from underdeveloped to effective. The biggest challenges have come in generating public interest in scrutiny and this is an area that we will continue to address.

Local Government Review sees us all working, in a variety of ways, towards a new unitary authority for County Durham and this is a potentially exciting time for everyone. Scrutiny is already working in partnership across the county with members and officers from county and district level working together on reviews into local transport and young people who are NEET (Not in Education, Employment or Training).

As for the future of scrutiny within Chester-le-Street District Council it seems prudent in the light of LGR to take stock of the process and structure of scrutiny and look at how best we can continue to serve the people and communities of Chester-le-Street in the remaining life of the council.

Finally I speak for all scrutiny members in thanking officers of the council for their invaluable help and contribution, throughout the year, to the work of the scrutiny panels.

A handwritten signature in cursive script, reading "G. Armstrong", written in dark ink on a light background.

Cllr Geoff Armstrong

Chair of Overview and Scrutiny Management Board

Scrutiny in Chester-le-Street

CHAIRS OF SCRUTINY

Councillor Geoffrey Armstrong
Chair of Overview & Scrutiny
Management Board and
Chair of Leisure & Neighbourhood
Overview and Scrutiny Panel

Councillor David Holding
Chair of Partnership & Efficiency
Overview and Scrutiny Panel

Councillor Keith Potts
Chair of Regeneration & Housing
Overview and Scrutiny Panel

VICE-CHAIRS OF SCRUTINY

Councillor Bill Barrett
Vice-Chair of Overview & Scrutiny
Management Board and
Vice-Chair of Leisure &
Neighbourhood Overview and
Scrutiny Panel

Councillor Martin Gollan
Vice-Chair of Partnership &
Efficiency Overview and Scrutiny
Panel

Councillor Paul Ellis
Vice-Chair of Regeneration &
Housing Overview and Scrutiny
Panel

OFFICERS

Nigel Cummings
Scrutiny Officer
0191 387 2251

Dawn Allinson
Democratic Services Assistant for
Partnership & Efficiency and
Regeneration & Housing OSP's
0191 387 2024

Martine Fell
Democratic Services Assistant for
Partnership & Efficiency and
Regeneration & Housing OSP's
0191 387 2029

Shelley Marshall
Democratic Services Assistant for
Overview & Scrutiny Management
Board and Leisure and
Neighbourhood OSP
0191 387 2013

Ian Forster
Director of Corporate Services
0191 387 2130

Chris Potter
Head of Legal and Democratic
Services
0191 387 2011

Colin Turnbull
Democratic Services Officer
0191 387 2017

ANNUAL REPORT 2007/2008 OVERVIEW AND SCRUTINY

1 What is Overview and Scrutiny?

- 1.1 The Local Government Act 2000 brought in a requirement for all local authorities to revise their political management function. Chester-le-Street District Council adopted a Leader and Executive model with an independent scrutiny function. This change to arrangements effectively resulted in decisions being taken on behalf of the council regarding most major issues by a reduced number of councillors. The Executive, acting collectively as the Executive Board, makes decisions in line with council approved policy.
- 1.2 Members not on the Executive are charged with keeping an overview of council business and scrutinising areas of particular interest or concern. Their role is to hold the Executive to account in the business they undertake, when required, and to assist in the development and review of council policies. The latter task may involve looking in detail at areas of service delivery or issues of general concern in the local area and making recommendations to the Executive or to the whole council.
- 1.3 Overview and Scrutiny councillors are not limited to looking at services provided by the council itself and may choose to review any kind of provision that affects the people and communities within its area.
- 1.4 Overview and Scrutiny meetings are open to members of the public to attend.

Good Public Scrutiny

- 1.5 In the Good Scrutiny Guide the Centre for Public Scrutiny highlights 4 main principles to good scrutiny. These are:
 - i. Providing a 'Critical Friend' challenge to executive policy-makers and decisions makers
 - ii. Enabling the voice and concerns of the public
 - iii. Is carried out by 'independent minded governors' who lead and own the scrutiny role
 - iv. Drives improvement in public services

(Source: Centre for Public Scrutiny www.cfps.org.uk)

2 The Structure of Scrutiny

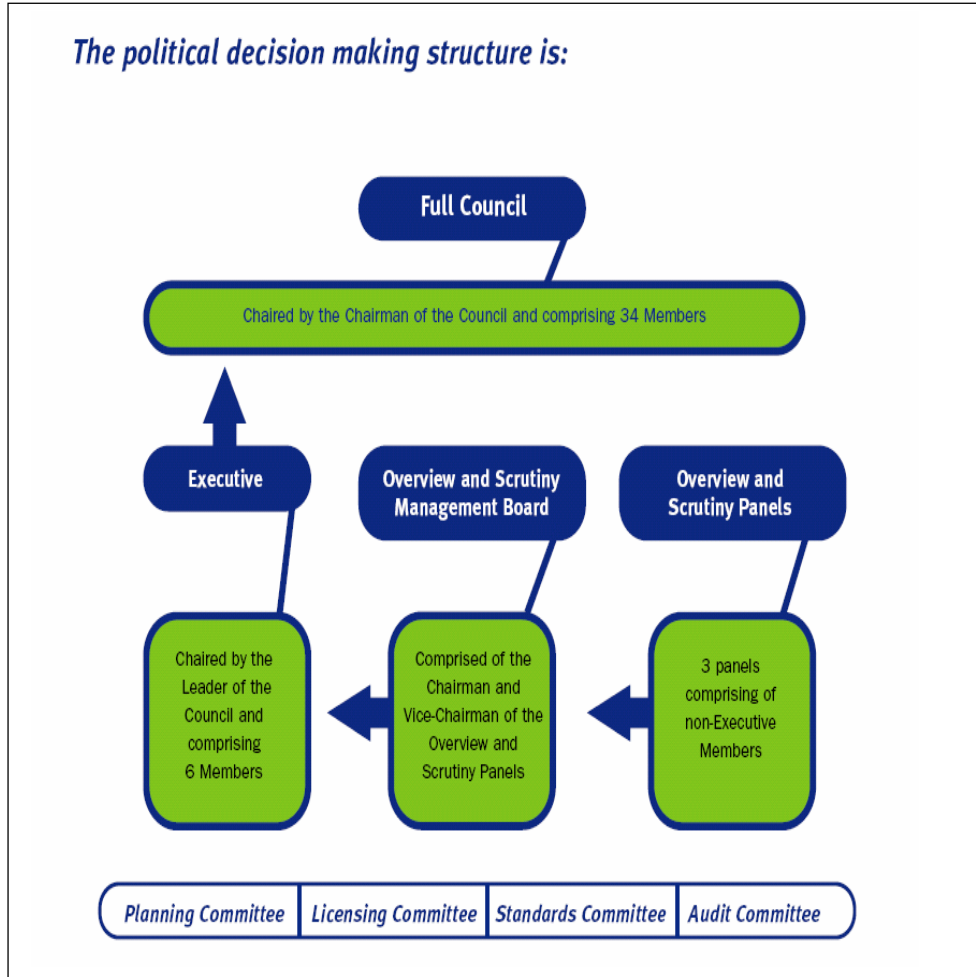


Figure 1: Scrutiny Function Chester-le-Street District Council

3 Overview and Scrutiny Management Board

- 3.1 The board's scope of responsibility covers areas relating to cross-cutting issues, the scrutiny panel work programmes and management of the scrutiny process. The membership is as follows:

Councillor Geoff Armstrong (Chair), Councillor Bill Barrett (Vice-Chair), Councillors David Holding, Martin Gollan, Keith Potts, Paul Ellis, Lance Brown, Keith Davidson and Alan Holden.

Meetings & Attendance

- 3.2 During the Municipal Year 2007/08 the panel met 6 times.

- 3.3 The average Members attendance during the Municipal Year was 6 Members from a membership of 9.

Presentations and Witnesses at Scrutiny

- 3.4 The Overview and Scrutiny Management Board received presentations on Local Government Review (Director of Corporate Services), Land Matters (Acting Head of Regeneration) and Councillor Call for Action (Scrutiny Officer).
- 3.5 At each of the Board meetings the Chairs of the respective scrutiny panels provided verbal updates on their work programmes and progress on any reviews being undertaken. The Executive Forward Plan and work programmes are also routinely scrutinised at management board meetings.
- 3.6 All scrutiny panel review documents, prior to presentation at Executive, were presented to the OSMB for comment and final approval. The OSMB received the following review reports during 2006/07:

- Leisure Activities for Young People
- Public Toilet Provision in Chester-le-Street Town Centre
- Community Partnerships
- Review into Industrial/Business Sites
- Clean Neighbourhoods and Environment Act 2005.

Call-ins

- 3.7 There were no call-ins during 2007/08.

Scrutiny Report to Executive

- 3.8 The Ad-Hoc Scrutiny Panel which was established through the OSMB to look into the financial viability of Industrial Estates presented their findings to Executive on 2 April 2007.

4 Partnership and Efficiency OSP

- 4.1 The panel's scope of responsibility covers areas of customer excellence, partnership working and maximising efficiencies. The membership is as follows:

Councillor David Holding (Chair), Councillor Martin Gollan (Vice-Chair), Councillors Lawson Armstrong, Richard Court, Syd Greatwich, Philip Nathan, Mike Sekowski, John Shiell and Tracie Smith.

Work Programme 2007/08

- 4.2 Key areas identified for the work programme and topics discussed during the municipal year included the following:
- Budget Review

- Review on Effectiveness of Community Partnerships
- Corporate Performance – Annual Report
- Corporate Performance – Quarterly Report
- Community Call for Action
- Financial Monitoring – Mid-term
- Revised Whistle Blowing Policy.

Meetings & Attendance

- 4.3 During the Municipal Year 2007/08 the panel met 8 scheduled times with an additional 5 meetings to tackle issues related to scrutiny reviews being undertaken.
- 4.4 The average Members attendance during the Municipal Year to scrutiny panel meetings was 6 Members from a membership of 9.

Presentations and Witnesses at Scrutiny

- 4.5 The Partnership and Efficiency Overview & Scrutiny Panel received presentations, information and reports on Corporate Performance Information (Director of Corporate Services), Councillor Call for Action (Scrutiny Officer), Revised Whistling Blowing Policy (Head of Internal Audit), Financial Monitoring (Accountancy Manager).
- 4.6 During the panels review into Community Partnerships evidence was received from the following witnesses as part of the review process; Community Strategy Manager, Community Development Manager, Community Engagement Officer, Leader Chester-le-Street District Council, Portfolio Holder – Community Engagement & Partnership Working, Chester-le-Street & District CVS, Staff from Gateshead Council, Pelton Area Community Partnership Representative, Chester-le-Street Area Community Partnership Representatives, Durham County PCT, Durham Police Authority and Durham County Council.
- 4.7 The panel also visited the headquarters of the Nexus (Tyne & Wear Passenger Transport Executive) Transport Company while investigating the potential of the LinkUp service for Chester-le-Street.

Scrutiny Reports to Executive

- 4.8 The Partnership and Efficiency Overview and Scrutiny Panel's Review into the Nexus LinkUp Bus Service was presented to the Executive on 2 April 2007 and the Review into Community Partnerships was presented to the Executive on 7 April 2008.

5 Regeneration and Housing OSP

- 5.1 The panel's scope of responsibility covers areas of housing and the regeneration of the district. The membership is as follows:

Councillor Keith Potts (Chair), Councillor Paul Ellis (Vice-Chair), Councillors Lawson Armstrong, Thomas Harland, Ralph Harrison, Peter May, Derek Robson, Allen Turner and Audrey Willis.

Work Programme 2007/08

5.2 Key areas identified for the work programme and topics discussed during the municipal year included the following:

- Homelessness Performance Information
- Housing Options Bulletin
- Locations of New Youth Development Programme
- Community Services Performance Information
- Corporate Performance – Annual Report
- Corporate Performance – Quarterly Report
- Review of Estate Walkabouts
- Affordable Housing Policy
- Bond Scheme
- Prevention Fund – Strategy Document.

Meetings & Attendance

5.3 During the Municipal Year 2007/08 the panel met 7 times.

5.4 The average Members attendance during the Municipal Year to scrutiny panel meetings was 6 Members from a membership of 9.

Presentations and Witnesses at Scrutiny

5.5 The Regeneration and Housing Overview & Scrutiny Panel received information, presentations and reports on Homelessness Performance Information (Housing Options Manager), DLO Health Check (Director of Community Services), Youth Development Programme (Community Development Manager), Community Services Performance Information (Acting Director Community Services), Review of Estate Walkabouts (Estates Services Team Leader), Corporate Performance Information (Director of Corporate Services), Bond Scheme (Housing Options Manager), Prevention Fund (Housing Options Manager), Affordable Housing Policy (Housing Strategy Manager) and Councillor Call for Action (Scrutiny Officer).

5.6 At the beginning of February 2008 the Council's housing stock was transferred to Cestria Community Housing which has affected the remit and role of the Regeneration and Housing Overview and Scrutiny Panel.



Figure2: Scrutiny Consultation Exercise

Scrutiny Reports to Executive

- 5.7 The Regeneration and Housing Overview and Scrutiny Panel presented the findings of the Review into Leisure Activities for Young People to Executive on 4 June 2007. The Review into Public Toilet Provision in the Town Centre was presented to Executive on 6 August 2007.

6 Leisure and Neighbourhood OSP

- 6.1 The panel's scope of responsibility covers areas of neighbourhood management and leisure services. The membership is as follows:

Councillor Geoff Armstrong (Chair), Councillor Bill Barrett (Vice-Chair), Councillors Keith Davidson, Alan Holden, William Laverick, Maureen May, Mike Sekowski, David Thompson and Frank Wilkinson.

Work Programme 2007/08

- 6.2 Key areas identified for the work programme and topics discussed during the municipal year included the following:

- Energy Efficiency and Affordable Warmth
- Environmental Services – Overview
- Neighbourhood Management
- Review of Local Watercourses
- Corporate Performance – Annual Report
- Corporate Performance – Quarterly Report
- Draft County Waste Strategy
- Leisure Services – Overview
- Bonfire Policy – Annual update.

Meetings & Attendance

- 6.3 During the Municipal Year 2007/08 the panel met 8 scheduled times with an additional 6 meetings to tackle issues related to scrutiny reviews being undertaken.
- 6.4 The average Members attendance during the Municipal Year to scrutiny panel meetings was 7 Members from a membership of 9.

Presentations and Witnesses at Scrutiny

- 6.5 The Leisure and Neighbourhood Overview & Scrutiny Panel received presentations, information and reports on Corporate Performance Information (Director of Corporate Services), Derelict Land (Operations Manager), Section 106 Agreements (Development and Building Control Manager), Energy Efficiency and Affordable Warmth (Senior Sustainability Officer), Environmental Services Overview (Environmental Services Manager), Neighbourhood Management (Director Development Services), Leisure Services Overview (Leisure Services Manager), County Waste Strategy (Environmental Services Manager) and Councillor Call for Action (Scrutiny Officer).
- 6.6 During the panels review into The Quality of Local Watercourses evidence and presentations were received from the following witnesses as part of the review process; Environment Agency, Hydrogeochemical Engineering Research and Outreach – Newcastle University, Durham County Council, The Coal Authority, Bournmoor Parish Council and Bournmoor Conservationist Group.



Figure3: Scrutiny Members on a site visit

Scrutiny Reports to Executive

- 6.7 The Leisure and Neighbourhood Overview and Scrutiny Panel presented their Review of Clean Neighbourhoods and Environment Act 2005 to Executive on 4 June 2007.
- 6.8 A Review into the Quality of Local Watercourses is nearing completion and will be presented to the Executive in due course. This piece of work has been completed in partnership with Bournmoor Parish Council and the local conservationist group.

7 Scrutiny Performance

- 7.1 The Council has made significant improvement and this has been acknowledged in the CPA judgement moving the council from the poor to good category, the first in the country to do so. The CPA also reported that scrutiny had improved from underdeveloped to effective.
- 7.2 The scrutiny function has also contributed to managing council performance through quarterly performance monitoring reports received by the respective

scrutiny panels. This contribution has helped in the Council's annual audit and inspection letter received during the year.

- 7.3 Improvements in the Council's scrutiny function were also recognised by the Centre for Public Scrutiny in two publications;
- Scrutiny, Performance & Improvement: The Road to Excellence
 - Scrutiny Frontiers: Experiences from the Scrutiny Frontline.
- 7.4 The then Assistant Chief Executive (now Head of Corporate Services) and Scrutiny Officer were invited to a launch event in London to share their experiences within scrutiny with fellow officers and councillors.

8 The Future of Scrutiny

- 8.1 Local Government Review and the formation of a new unitary authority for County Durham have direct implications for the structure and purpose of scrutiny within Chester-le-Street District Council. To this end corporate priorities have been refocused and concentrated into a single 'People and Place' priority for the final year of the council. This leaves the current scrutiny panels, aligned to previous corporate priorities, in an indeterminate state.
- 8.2 A single scrutiny panel is a potential way forward for the final year with all non-executive members' part of this panel. A series of concise time-focused task and finish groups would look at matters of particular concern or with implications beyond the life of the current council.
- 8.3 A workshop is to be arranged to provide members with a range of options and the impetus to drive these changes forward. The workshop will facilitate the model and processes to be employed and allow for members to shape and develop the work programme.

9 Background Papers

- Executive Papers 2007-2008
- Overview and Scrutiny Management Board Papers 2007-2008
- Regeneration and Housing Overview & Scrutiny Panel Papers 2007-2008
- Leisure and Neighbourhood Overview & Scrutiny Panel Papers 2007-2008
- Partnership and Efficiency Overview & Scrutiny Panel Papers 2007-2008
- Scrutiny Handbook 2007-2008
- Good Scrutiny Guide Book – Centre for Public Scrutiny
- Corporate Plan 2007/2010



Chester-le-Street
District Council

Report to:	Council
Date of Meeting:	26 June 2008
Report from:	Director of Neighbourhood Services
Title of Report	Private Sector Empty Property Transitional Policy
Agenda Item Number:	

1. PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to ask Council to endorse and approve Chester-le-Street's Private Sector Empty Property Transitional Policy which is attached at Appendix 1 and thereby confirm the decision taken by Executive on the 2nd June 2008 as well as agreeing that the Overview and Scrutiny Committee monitor progress of the Policy and the implementation of the Action Plan. This demonstrates the Council's commitment to the effective management of empty homes in the District as well as fulfilling key actions identified in The Housing Strategy 2008.
- 1.2 The Empty Property Strategy sets out the key objectives that the Council and it's partners will work towards achieving in order to reduce the number of empty properties within the District. The overall outcome of the Strategy is to deal with empty properties efficiently so as to result in properties standing empty for shorter periods of time leading to fewer empty properties in the district.
- 1.3 The Strategy covers private sector houses which have been empty for more than 12 months. The Strategy will be reviewed on a regular basis so as to incorporate any changes which may occur in both local and national policy.

2. CONSULTATION

- 2.1 Consultation has taken place with Housing Strategy, Legal Services, the Council's Home Improvement Agency and externally with officers from Gateshead and South Tyneside local authorities. The Strategy

attached at Appendix 1 is viewed as an interim strategy to take the Council up to reorganisation when a new overarching strategy will be developed for the new Council. Nevertheless all are agreed on the present need to develop and implement an effective and imaginative Empty Property Strategy in order to reduce the number of vacant homes within the District.

3. TRANSITION PLAN AND PEOPLE AND PLACE PRIORITY

- 3.1 The Empty Property Strategy clearly linked into the Corporate Plan especially Priority 4 “Regenerating the District”. Ensuring that empty homes become occupied results in improved environmental and social conditions as well as being a sustainable way to meet future housing demand. Consequently it will now contribute to two of the elements of the new single “People and Place Priority” namely Strengthening Partnerships and Neighbourhoods. This will sustain existing community engagement as well as supporting the Council’s Housing Strategy 2008. It also illustrates the Council’s multi-disciplined approach to improving the quality of life for residents in the Council’s district. Finally the Strategy supports the Private Sector Housing Renewal Policy by working to improve the condition of empty properties and bring them back into use.

4. IMPLICATIONS

4.1 Financial Implications and Value for Money Statement

All costs of implementing the Empty Property Strategy at this stage can be met from existing budgets. However, there may be future resource implications for Environmental Health and Legal Services associated with an increased level of enforcement activities when dealing with empty properties. Any required increase in financial support would of course be the subject of further Member consideration in due course.

4.2 Local Government Reorganisation

The Strategy is clearly important in setting up an empty property database and enabling local solutions to be developed which will allow the Council to take a fuller part in the LGR process.

4.3 Legal

The Council has clearly defined statutory duties and powers in relation to improving standards in private sector housing. The Housing Act 2004 includes duties to keep housing conditions in the Council’s district under review and to take action when conditions fall below a certain standard. The development and subsequent implementation of the Empty Property

Strategy will assist in ensuring that those duties and powers are appropriately met.

4.4 Personnel

There are no immediate implications for personnel. The duties of the Empty Property Officer can be absorbed within existing environmental health staff.

4.5 Other Services

The Empty Property Strategy may well impact upon the work of other council departments in particular:

- (i) Finance Section. Fees and charges associated with empty properties and enforcement action.
- (ii) Legal Services. Proceedings resulting from enforcement action, land searches and land charges.
- (iv) Community Safety. Bringing empty properties back into use should bring about a reduction in anti-social behaviour and a reduction in crime statistics.

4.6 Diversity

The Empty Property Strategy will provide a key source of assistance to vulnerable people particularly in the private rented sector by bringing empty properties back into use and thereby securing improvements to privately rented houses. This will improve housing conditions and property management which in turn will also help create more sustainable communities. The Empty Property Strategy is an effective means of intervention for vulnerable private sector residents.

4.7 Risk

There are a number of risks associated with not implementing the Empty Property Strategy. It would reduce the Council's contribution towards effective regeneration of neighbourhoods and the promotion of sustainable communities. It could also contribute to housing market decline and possible market failure.

It may attract criticism from the Audit Commission because the Government expects local authorities to adopt an Empty Property Strategy.

4.8 Crime and Disorder

Clear links exist between the proposed interventions as a result of the Empty Property Strategy and the Council's remit to tackle crime and disorder. The Empty Property Strategy will help reduce the crime and anti-social behaviour associated with empty properties

4.9 Data Quality

Every care has been taken in the development of this report to ensure that the information and data used in its preparation are accurate, timely, consistent and comprehensive. The Council's Data Quality Policy has been fully complied with in producing this report.

4.10 Other Implications

There are no other implications associated with this report.

5. BACKGROUND, POSITION STATEMENT AND OPTION APPRAISAL

5.1 Chester-le-Street's Empty Property Transitional Policy is attached at Appendix 1 to this report.

The number of empty homes is a significant issue locally and whilst there will always be a need to build new homes, bringing empty properties back into use will provide much needed affordable housing which is more economically viable than new build. The attached Policy sets out the overall vision for reducing the number of empty homes in the District through a combination of partnership working, media publicity, enforcement and the use of all sources of available funding. It sets out the objectives and priorities which will turn this vision into reality.

Ensuring that empty homes become re-occupied results in improved social conditions as well as a reduction in crime, anti-social behaviour and blight often associated with empty, derelict properties and the surrounding neighbourhoods. Environmentally it is essential to make every effort to renovate existing properties and by doing so minimise the need to develop greenfield sites.

The implementation of this Strategy will work towards minimising the number of empty properties within the Council's district. Initially it is intended to target properties in the worst physical condition, those which have been unoccupied the longest and those with a history of complaints. An action plan has been developed around the strategic objectives supporting the Policy. It is intended that performance against the action

plan will be monitored and reviewed by the Overview and Scrutiny Committee. Members will be kept fully informed of progress made.

6. RECOMMENDATIONS

- 6.1 Council is asked to endorse and approve the Private Sector Empty Property Transitional Policy attached at Appendix 1 to this report as well as agreeing that the Overview and Scrutiny Committee monitor progress of the Policy and the implementation of the Action Plan.

7. BACKGROUND PAPERS / DOCUMENTS REFERRED TO

- 7.1 Government: "Empty Properties – Unlocking the Potential."

DCLG: "A Cure for Empty Properties."

Gateshead Council: Empty Property Strategy 2005-2008.

South Tyneside: Private Sector Empty Property Strategy.

Chester-le-Street: Private Sector Housing Renewal Policy.

Chester-le-Street District Council: Draft Housing Strategy 2008.

AUTHOR NAME: David Farquhar
DESIGNATION: Environmental Health Officer
DATE OF REPORT: 9th May 2007
VERSION NUMBER: 1.0

AUTHOR CONTACT DETAILS:

Extension: 2205 davidfarquhar@chester-le-street.gov.uk

This page is intentionally left blank

Transitional Private Sector Empty Property Policy 2008/9

TRANSITIONAL PRIVATE SECTOR EMPTY PROPERTY STRATEGY 2008/9

Background

Introduction

1. This is Chester-le-Street District Council's Transitional Empty Property Strategy and has been introduced to reduce the number of empty homes within the council's district. The need to reduce the number of empty homes has been widely recognised for several years mainly through the campaigning of organisations such as the Empty Homes Agency and in response the Government has introduced a number of measures aimed at encouraging the reuse of empty homes. The Government has proposed that each Local Authority adopts an Empty Property Strategy and appoints an Empty Property Officer. Chester-le-Street District Council has designated an EHO to act as its Empty Property Officer to oversee and take appropriate action in respect of empty properties within the Council's district. In developing the Council's Empty Property Strategy consideration has been given to government's guidance to both owners and local authorities entitled "*Empty Properties-Unlocking the Potential*". A Housing Green Paper was published on July 2007 entitled "*Homes for the Future: More affordable, More sustainable*". In this paper the government states that local authorities, as part of their strategic housing role, should make better use of empty homes when looking to increase the housing supply. The overall outcome that this strategy sets out to achieve is to provide a corporate response to deal with empty properties promptly and efficiently resulting in properties standing empty for shorter periods of time and consequently fewer empty properties within the Council's district.

2. The Empty Property Strategy has been developed to target and deal with empty private sector properties which have been empty for 12 months or more. It sits alongside and links into a range of other key Council plans and policies especially the Corporate Plan, the Housing Strategy, the Community Strategy and the Private Sector Housing Renewal Policy all of which identify the aims and objectives for achieving the Council's vision for Chester-le-Street by setting out priorities for improvement in areas such as health, employment, crime and anti-social behaviour, education, private sector housing and employment. In particular the Private Sector Empty Homes Strategy supports our wider strategic housing objectives which are set out in our Housing Strategy Statement and Private Sector Housing Renewal Policy.

3. We are committed at Chester-le-Street to providing the best possible services for everyone within the district. Our Corporate Policy Framework is designed to ensure we have a joined-up approach to policy development across the Council. This ensures that our policies, plans and strategies are absolutely focused on

delivering our priorities and that all plans and strategies are consulted on and are based on robust policy and data analysis. Chester-le-Street District Council recognises the need to develop and implement an effective and imaginative Empty Homes Strategy in order to reduce the number of vacant homes within its district.

In light of the forthcoming Local Government Review in April 2009 the policy has been written as a transitional policy with an emphasis on;

- building an accurate local picture and awareness raising
- identifying local underlying causes
- developing practical options

This should enable the legacy of the Policy to be incorporated into any potential longer term County-wide policy.

The National Perspective

4. Bringing empty homes back into use links into wider government objectives at the heart of which is one overarching aim to create thriving, vibrant, sustainable communities which will improve everyone's quality of life. A sustainable community is a place where people want to live and work now and in the future. The government's agenda also includes tackling low demand housing and market failure, anti-social behaviour, the provision of affordable homes and ensuring that homes meet the decent homes standard. The Empty Property Strategy clearly aligns itself with these central government objectives.

5. Local Government has a key role to play. The emerging policy agenda around "place-shaping" describes how Local Government can work with residents to develop and deliver high quality public services that meet the needs and preferences of local people. The "place-shaping" role brings together local partners and communities giving the Council a stronger role in improving services as well as developing and shaping the local economy and identity. This forms the basis for much that we do in Chester-le-Street including our approach to empty homes.

6. The Empty Homes Agency (EHA) is an independent charity set up to highlight the waste of empty properties represent. They have been successful in their campaign to allow Local Authorities the discretion to set the level of Council Tax charged on empty properties, and have been the main driving force behind new legislation in the Housing Act 2004, which gives Local Authorities new powers to tackle the problems of long-term empty properties.

7. They have also been instrumental in bringing about changes in the VAT system which has gone some way to reducing the levels of VAT charged when

renovating long-term empty properties. They are currently campaigning on a number of issues including:

- The complete harmonisation of VAT charged for repairs to empty properties against that of new build properties;
- A requirement for Local Authorities to have an empty property component in their Housing Strategy;
- Support for a housing market renewal fund to tackle the issue of low demand;
- Occupation of Public Sector empty properties;
- Regional Mobility Schemes, which encourage people living in areas of high housing, demand to move to areas of low housing demand;
- Promoting Short-life Housing Schemes, and the option for Local Authorities to charge higher levels of Council Tax on long term empty properties.

8. Statistics produced by the then Office of the Deputy Prime Minister (ODPM) in 2004 showed that there were over 689,000 empty homes in England. In the North East region alone it has been estimated there were a total of 46,669 empty properties of which 34,879 (75%) were in the private sector. In some areas these numbers were increasing due to problems of low demand. Overall however figures from the Empty Property Agency have shown that the numbers of empty properties in the north are declining and recently stood at 34,597, although it stressed that more work is needed if this situation is to continue.

9. The Housing Act 2004 granted councils increased powers to tackle empty properties. It enables local authorities to make Empty Homes Management Orders on long-term empty properties to bring them back into use where there is a good case for this. In developing this strategy we have considered the Government's Guidance Note on Empty Dwelling Management Orders, which sets out in detail the mechanisms to be used in implementing the powers contained in the Housing Act 2004 to deal with empty homes.

10. The government until April 2008 measured and compared local authority performance on empty properties using Best Value Performance Indicator 64 (BVPI64). This requires authorities to report annually the number of empty properties brought back into use as a result of direct action by the local authority. This indicator will be retained locally to allow the impact of the policy to be assessed.

Existing legislative provisions to deal with empty properties.

11. The main legislative provisions available to the Local Authority in respect of empty properties are shown attached in Appendix 1. The Council has a wide range of legislative mechanisms available to deal with the problems associated with empty homes and these have now been supplemented with the Empty Dwelling Management Order provisions in the Housing Act 2004.

The Local Perspective

Introduction

12. The District currently has 292 empty properties as at April 2008. As properties are identified they are externally inspected to establish their condition and a questionnaire is issued to the owner to ascertain their intention for the property and reason for it being empty. By April 2008 over 140 questionnaires had been issued and 70 properties inspected. Table One provides a breakdown of the number of properties and the length of time they have been unoccupied. As can be seen 168 properties fall within the definition of an empty property for the purpose of this Strategy i.e. unoccupied for 12 months or more.

Table One

Length of Time Properties Have Been Empty

	Time			
	6 months	6-12 months	12-24 months	Over 24 months
Number of Properties	3	121	62	106

Table two provides a breakdown of the condition of the properties inspected to date using the criteria discussed at paragraph 27.

Table Two

Property Condition

Percentage of Properties	Condition Category
2%	A
5%	B
8%	C
20%	D
65%	E

Table three summarises the results of the questionnaire survey of property owners for the reasons properties are unoccupied.

Table Three

Reasons for Properties Being Unoccupied

Property condition	Percentage of total
Second home	8%
Unable to sell	13%
Bought as an investment	8%
Refurbishing	20%
Left in a will/other legal reasons	10%
Holiday home	3%
Not specified	38%

Issues affecting the Empty Property Strategy

Introduction

13. Empty properties represent an enormous inefficiency and waste of resources from the housing market to the wider effect on economic, social and environmental fabric of the community. Consequently the empty property issue will continue to maintain a high profile with Local Authorities who are under constant pressure from Government and other external agencies to adopt a robust strategy which will result in a worthwhile reduction in the number of empty properties in their area.

14. Whilst there will continue to be a need to build new homes, extension of the built environment can be limited by taking the opportunities offered by existing under-used or empty properties. Bringing them back into use provides much needed, high quality, affordable housing and is more economically viable than new-build.

15. Although the number of empty homes within our district is not currently a major issue nevertheless it is essential to make every effort to bring them back into use and utilise unused space in order to minimise the need to develop Greenfield sites. Ensuring that empty homes become occupied can result in improved environmental and social conditions as well as improving the sustainability of an area as a result of a reduction in the level of crime, anti-social behaviour and blight often associated with empty derelict properties and the surrounding neighbourhoods.

What is an empty home?

16. Empty homes occur for a variety of reasons and those reasons are detailed below. Some are empty for short periods while they are being sold or let and come back into occupation fairly quickly without causing problems. Others will remain empty while they are being renovated or improved. The primary focus of this strategy is to deal with those properties which remain empty for significant periods of time and are not likely to be brought back into use without addressing the underlying reasons for them being empty. For the purposes of this strategy therefore our definition of a long term empty home is **“a residential property which has been unoccupied for at least 12 months”**.

Why do properties become and remain vacant?

17. There are a number of reasons why properties become and remain empty for protracted periods of time. These include:

- Abandonment by owners leaving areas with poor reputations.
- Low desirability of particular types of accommodation in certain locations.
- Transitional empty properties pending a change of owner.
- Extensive maintenance problems combined with low value of the property.
- Perceived problems with renting the property.
- Owners not being aware or understanding the options available to bring properties back into use.
- Properties which are left empty by the resident moving into residential care.
- Properties where the owner has died and the property is in probate.
- Owner awaiting an upturn in the market and other housing market conditions such as leaving houses empty in order to achieve a quick sale.
- Properties bought as buy to let with initial vacancies.
- Lack of funding for repair work.
- Family disputes/Divorce settlements.
- Repossessions.
- Lack of suitable information and advice.

What are the effects of long term empty properties?

18. This strategy is committed to reducing the number of long-term empty properties in the district particularly those which cause continuing problems and affect the sustainability of an area. Properties that are left empty for long periods of time have a number of negative effects on the local area as follows:

- They are a wasted resource both financially and in terms of potential housing or community use. Council tax revenues are reduced because of empty property discounts.

- They attract crime and anti-social behaviour including vandalism, litter and sometimes arson.
- Market values are often reduced as neighbours move away and confidence is reduced.
- The reduced spending power of the local area impacts on local businesses and the general economic stability of the area.
- There are also implications for public services such as schools or leisure activities if the population of a particular area is reduced.

19. This strategy brings together all of the work being done in relation to empty properties in Chester-le-Street and sets the approach for future action. The implementation of this strategy will tackle the issues associated with empty properties by reducing the number that are empty and making Chester-le-Street a more attractive place to live and work.

What are the benefits of bringing empty properties back into use?

20. Bringing empty homes back into use will have significant benefits for the residents of the district including:

- Enhancing the Local Environment - boarded up or derelict properties do not look attractive and can seriously affect the value of neighbouring properties. Bringing a property back into use can dramatically improve the local environment.
- Reducing Vandalism and Anti-social Behaviour - vandalism and anti-social behaviour are often associated with empty properties. Returning empty properties back to use has a positive effect in reducing such problems and contributes to the 'Respect Agenda'.
- Increasing the Provision of Affordable Housing - with the continually increasing costs of purchasing properties there is an increasing demand for quality affordable housing.
- Reducing the Need for New Build on Greenfield Sites - we are facing increasing pressure to build more new homes, taking up valuable Greenfield sites. Using space we already have is a vital part of relieving this pressure.
- Regenerating Run-down Areas - re-occupying empty properties has a positive impact on regenerating run-down or deprived areas, particularly in areas where large numbers of properties are vacant.
- Improving Housing Standards - many of the empty properties are below current legal standards or in a state of disrepair. Renovating such properties contributes to the raising of housing standards.
- Helping to Tackle Homelessness - returning properties to the housing stock is a positive step towards tackling homelessness in the Borough.
- Bringing New Life into Town Centres - converting space within existing commercial premises into units of accommodation contributes to the vitality of our town centres.

- Increasing the Availability and Range of Tenanted Properties - the need for additional housing, particularly in the private rented sector can be offset by making long-term empty properties available to rent.
- Increase in Council Tax Revenues - currently empty properties receive a 50% reduction in council tax which would not apply if the property was brought back into use.

Council Tax Issues.

21. Owners of empty unfurnished properties which are in a habitable condition can currently apply for a 6 month exemption from council tax followed by a 50% reduction in the charge until the property is re-occupied. Recent changes to council tax legislation allow local authorities the discretion to set the levels of discount awarded for empty properties. Imposing a greater charge on long term problematic empty properties is an effective tool for encouraging owners to bring them back into use and is an option which needs to be considered.

Targeting the Problem.

Introduction.

22. In order to effectively target the problem of empty properties in the district this strategy must have clearly defined aims as well as providing a framework within which the Council can work with other organisations and private individuals to bring empty properties back into use. These aims are as follows:

- To support the sustainable regeneration and growth of the district.
- To reduce the number of empty properties within the district and to limit the effect of empty properties within the community.
- To deal effectively with any problems associated with empty properties.
- To minimise the need for future development of Greenfield sites.
- To support Brownfield development sites and improve the existing built environment.
- To work in partnership with other organisations involved with empty properties.
- To be proactive in the identification of empty properties and raise awareness of empty property issues.
- To ensure the re-use of empty properties through encouragement and advice.
- To effectively use enforcement powers to secure the re-use of empty properties as well as preventing the problems that empty properties can create.
- To create good quality, affordable housing for those in housing need.
- To provide a strategic fit with other corporate objectives and create effective cross-departmental working relationships.

Types of Empties.

23. In order to function effectively the housing market needs vacant homes to allow for residential mobility, redevelopment and improvements to take place and consequently at any given time there will be a period of vacancy between changes in occupation. It is important therefore to define what is considered to be an empty property within the context of this strategy so as to be able to target resources and remedial action in the best possible way. Research has shown that there are two main types of empty properties:

- Transitional vacancies - these are a normal part of the operation of the housing market and seldom cause problems or require the intervention of the Council.
- Problematic vacancies – these are the long term empty properties that are inactive in the housing market and are constantly the subject of complaints to environmental health because of problems with vandalism, long term disrepair, nuisance and being open to access. These are the properties which will need to be considered when assessing the extent of the problem and how best to selectively target and prioritise action on a worst first basis.

Location of Problematic Empties.

24. It is essential to know the number and location of empty properties within the Council's district in order to effectively target action and resources. At present long term empty properties are identified from council tax records and using this information an empty homes condition survey is currently being carried out to identify the extent and scale of the problem. This information will be collated and used to decide which properties to target on a worst first basis. It is initially intended to identify and target those properties, in the worst external physical condition, those which have been empty for the longest period of time and those which are associated with anti-social behaviour or have a history of complaints against them. Council tax data will continue to be used to give robust information about the number of empty homes within the district although this will be supplemented with local intelligence as the Policy matures.

Establishing Ownership of Empty Properties.

25. Establishing ownership is a major problem faced by officers dealing with empty properties especially if owners do not live locally and need to be contacted in order to find out what their intentions are for a particular empty property. The Council's designated Empty Property Officer will have responsibility for establishing ownership of empty properties using various means including enquiries through the following:

- Revenues and benefits.
- Accommodation and managing agents.

- Electoral register.
- Use of neighbours and other local information.
- Land registry.
- Use of Section 16 Local Government (Miscellaneous Provisions) Act 1976 to requisition information regarding ownership.

A questionnaire is currently being sent to known owners of long term empty properties in the district in order to try and find out and understand the underlying reasons why the properties have become long term vacant. It is proposed to carry out this exercise on a regular basis in addition to a regular physical inspection of each property in order to ascertain what plans owners have to bring properties back into use and also to determine the extent of any deterioration which may have occurred and the appropriateness of implementing any enforcement action. This information will be collated and used to help find practical ways of helping owners bring their properties back into use. The questionnaire and condition survey form are shown attached in Appendix 2.

Empty Property Database.

26. The Council currently maintains a database of information about empty properties. In order to monitor and assess the extent and condition of private sector empty homes within the district it is intended to update this database every month in partnership with Revenues and Benefits using council tax records as baseline information. It is also proposed to link the database with the Council's GIS mapping system to allow clear and precise presentation of analytical data.

Categorisation of Empty Properties.

27. In order to deal with empty properties on a worst first basis as well as targeting resources effectively it is intended to categorise properties according to priority. A simplistic categorising format will be used to establish priority as follows for properties which have been empty for more than 12 months

Category A – The property is derelict or severely neglected. It may be open to access and its condition attracts fly tipping, vandalism or other anti social behaviour. It is the subject of constant complaints from the public.

Category B – The property is in a state of serious disrepair and is likely to be currently uninhabitable.

Category C – The property requires repairs to vital areas but it would be inhabitable with ongoing repairs. The property does not give rise to complaints from the public nor is it causing nuisance to neighbours or the surrounding community.

Category D – The property requires some obvious repairs but could be inhabited immediately.

Category E – The property appears in general good repair and is immediately inhabitable with little or no repair required.

Functions of the Empty Property Officer.

28. In order to have a pro-active and co-ordinated approach when targeting empty properties it is important that the functions and duties of the Council's Empty Property Officer are clearly defined as follows:

- Overall co-ordination, implementation and development of the Empty Property Strategy.
- Maintain, establish and extend contacts with internal and external partners (other service areas, landlords, residents, financial institutions, developers, RSLs etc).
- Maximise funding sources.
- Initiate and promote publicity in local/council press.
- Identify empty properties for action according to priority. Establish ownership, make contact and decide on further action.
- Promote the reporting of empty properties through facilitation within communities.
- Actively engage with local residents, residents groups and other stakeholders who are affected by problem properties to acquire local intelligence.
- Work with owners, landlords and landlords agents to offer advice, information and assistance including funding options all with the intention of bringing the property back into use through voluntary action on the owner's part.
- Where negotiation and other options have failed take the appropriate enforcement action to ensure that the property is in a habitable condition and brought back into occupation.

Available Options and Solutions to Deal with Empty Properties.

Introduction.

29. Dealing with empty properties is a complex and time consuming process which unfortunately is unavoidable if as a Council we are to prevent an increase in the numbers as well as securing the early return to use of empty properties. A coordinated and pro-active approach must be adopted using a comprehensive mix of tools that best suit the challenges faced in the district. This will be achieved using a combination of advice, assistance and enforcement. The overall outcome of this strategy must be to ensure that empty properties are dealt with efficiently resulting in properties standing empty for shorter periods of time and consequently fewer empty properties within the Council's district. If

properties are not brought back into use by voluntary means then the Council will have no option but to use the wide range of enforcement powers at its disposal. The following options and solutions are available to deal with empty properties.

Advice and Information.

30. It is essential that appropriate advice and information is provided to owners and landlords on the options available to them to deal with empty properties because this alone may result in some empty properties being brought back into use on a voluntary basis. Often the owners of empty properties have acquired their property through inheritance or some other unplanned event so are unsure about the most suitable course of action. Advice will be offered to owners about sale, refurbishment, renovation and health and safety standards and to owners or prospective landlords about the legal aspects of letting the property as well as giving prospective tenants advice about tenancies. It is also important to work with members of the Landlords Forum and the Landlord Accreditation Scheme to provide advice and assistance to those who may wish to let the property and manage it themselves or alternatively purchase empty properties.

Partnership Working.

31. The Council recognises that in order to achieve the aims of the Empty Property Strategy partnership working both internally and externally is essential across all areas of its activities. These partnerships must be developed and maintained in order to deliver this Strategy effectively.

32. Internally a corporate approach is essential and in addition to the Private Sector Housing Team in the Environmental Health Department other teams within the Council are important contributors to the success of the Empty Property Strategy as follows:

- Planning and Building Control – refurbishment and conversions.
- Revenues and Benefits especially Council Tax – Empty property database.
- Financial and Legal Services – Advice on financial and legal matters.
- Community Safety – Anti social behaviour associated with empty properties.
- Housing Strategy – Increases to the housing stock.

33. External partnerships are equally important to the success of this Strategy and it is through such partnerships that the assistance available to the owners of empty properties can be increased and help ensure the return to use of empty properties as follows:

- Registered Social Landlords (RSLs) - The Council has an effective communication network with Registered Social Landlords (RSLs) operating within the Chester-le-Street district. Generally RSL's have very low numbers of empty properties but where appropriate we will work in partnership with them. We will also encourage Housing Associations and other RSLs to

procure Housing Corporation funds to acquire and renovate empty properties that are currently uninhabitable. Partnership working with local RSLs as detailed in paragraphs 44, 45 and 46 below can bring many empty properties back into use.

- Private Landlords – Private landlords play an important role in the provision of local housing. It is intended to work closely with private landlords through the Landlords Forum and provide advice, information sharing and assistance to landlords who procure empty properties.
- North East Empty Property Forum – Continued partnership working with members of the forum will ensure an integrated approach across the Northern Region enabling the sharing of good practice.
- Empty Homes Agency – The Council will continue to liaise with the agency who provide excellent support and guidance when tackling problems associated with empty properties. This in turn promotes best practice.
- Police and other Anti Social Behaviour Agencies – Closer partnerships will be developed to assist in the reduction of crime and anti social behaviour in respect of empty properties.
- Other Private Sector Partners – The Council will continue to develop partnerships with private sector partners who are key service providers including letting and estate agents to determine interest in the sale and management of empty properties.

Private Sector Leasing.

34. This scheme allows owners to lease their properties to the Council or RSL typically for a period of 2-5 years who will in turn sub-let it to a household in housing need. This removes the day to day management responsibility and risk for the owner who will be guaranteed rent for a specific period of time irrespective of whether the property is let or otherwise.

Temporary Social Housing.

35. Under such a scheme an RSL enters into a lease agreement with the owner of the property for an agreed period of time typically 3-5 years. The RSL effectively becomes the tenant and sub-lets the property to a household in housing need nominated by the Council. This provides a method of utilising properties that owners do not require for occupation in the short or medium term but still wish for the property to be returned to them at some time in the future.

Housing Association Leasing Scheme.

36. This scheme provides an owner with the opportunity to lease their property to RSLs for periods of 3-5 years in return for which the Council gets nomination rights for the properties. This secures accommodation for households with housing need.

Rent Deposit Scheme.

37. Many homes remain empty because prospective tenants find it difficult to raise the money for the required deposit. The Council finds suitable tenants and sets up an Assured Shorthold Tenancy as well as guaranteeing the owner the rent deposit.

Empty Property Grants.

38. The Private Sector Housing Renewal Policy agreed by the Council in November 2005 allows for repairs assistance to be given in respect of properties which have been empty for a period of 6 months leading up to the date of application and which are in a declared Council Priority Action Area. Currently there are no declared priority action areas.

Enforcement.

39. In the first instance the Council will always seek to work closely with owners of empty properties and provide advice, encouragement and support. However, where owners have refused offers of assistance and can provide no good reason why the property should remain empty then enforcement action will be used as a last resort option. The full range of enforcement options are shown detailed in Appendix 1 to this report.

Action Plan

Key Actions	Supporting actions	Target Date
Capture information from a number of sources to build a comprehensive picture of empty properties in the District	Develop and maintain a comprehensive database	Feb 2008
	Carry out 100% external survey of all empty properties	Ongoing
	Carry out 100% questionnaire survey of all empty property owners	Ongoing
	Identify problematic cases requiring priority action and appoint Case Officer	Sept 2008
Investigate the wider housing context in which empty properties occur and link this information to housing needs, market conditions and homelessness	Liaise with Private Landlord Accreditation Scheme, local estate agents and Housing Strategy Team to improve information base on market conditions.	Sept 2008
Develop an extensive range of tools, actions and enforcement activities to meet local needs.	Develop comprehensive package of signposting and advice for owners	Sept 2008
	Develop partnerships with key private sector partners – estate agents/letting agents	Ongoing
	Develop partnerships with key voluntary groups and Registered Social Landlords	Ongoing
	Work with members of the Landlords Accreditation Scheme to provide advise and assistance to those who wish to procure empty properties	Sept 2008
	Effectively use Environmental Health legislation to deal with problems associated with empty properties	

	Consider the use of EDMOs to return properties to use where other methods have failed	Ongoing
Develop and implement measures aimed at engaging and raising awareness with the community	Improve information on Council website to raise awareness of empty properties	Sept 2008
	Produce appropriate article for District news to raise awareness of issue.	Autumn 2008
	Engage with local residents associations to obtain local concerns and intelligence.	Ongoing

Appendix 1

The following are the main legislative provisions available to the Council to deal with empty properties:

Local Government Act 2003

Allows local authorities to reduce discounts for homes that have been empty for more than 6 months and also allows for the disclosure of council tax information for the purpose of bringing long term empty homes back into use.

Section 215 Town and Country Planning Act 1990

This is the main planning power. It provides that where the condition of the land is such that it is having an adverse affect on the amenity of an area, the Council, in its capacity of Local Planning Authority, can serve a notice on the owner and occupier requiring him to take steps to remedy the condition of the land.

Section 79 Building Act 1984

This allows the Council to serve a notice on the owner of a building or structure which is in a ruinous or dilapidated condition such that it is seriously detrimental to the amenities of a neighbourhood.

Unlike S215, the detriment to the visual amenity of the area must be serious. Section 79 therefore should be used for the more serious cases of detriment.

Section 77 Building Act 1984

This is a power to apply to the Magistrates' Court for an order requiring the owner to execute works to obviate the danger or to demolish the building. It is exercisable where a building or structure is in such a condition as to be dangerous but immediate action is not required to remove the danger.

Section 78 Building Act 1984

Where a building or structure is dangerous and it appears to the Council that immediate action should be taken to remove the danger, then this section empowers the Council to take the necessary action to remove the danger

Section 29 Local Government (Miscellaneous Provisions) Act 1982

This section applies only in respect of buildings and structures. It does not apply to land, which is not built upon. The power arises where:

- a) A building is unoccupied or the occupier is temporarily absent and

- b) The building is not effectively secured against unauthorised entry or is likely to become a danger to public health.

Section 4 Prevention of Damage by Pests Act 1949

This power applies to both land and buildings. If the council thinks that steps should be taken on any land for the control of rats and mice, it can serve on the owner or occupier a notice requiring him to take reasonable steps to destroy or keep the land free of rats and mice. This can include requiring a form of treatment to be applied to the land or the carrying out of structural repair

Section 34 Public Health Act 1961

This power applies where there is rubbish on any land in the open air which is seriously detrimental to the amenities of the neighbourhood. The Council is empowered to take the steps necessary for removing the rubbish but before it does so it must serve a notice on the owner and occupier specifying the steps they propose to take.

Part III Environmental Protection Act 1990

Under Section 79 of the EPA, premises which are prejudicial to health or a nuisance constitute a statutory nuisance. The owner or occupier can be served with an abatement notice under Section 80 and it is a summary offence to fail to comply with the notice.

Law of Property Act 1925, section 101

In most cases, failure by the owner to comply with a notice can lead to the Council arranging for the works to be done in default and charging the owner. If the costs cannot be recouped by billing the owner, a charge is placed on the property. These costs may be recoverable by way of an enforced sale. This option can be pursued where one of the following applies:

- Returning the property to use is crucial to the regeneration of the area
- Works in default total £ 500 or more
- The property has been empty for more than two years

Planning and Compulsory Purchase Act 2003

This piece of legislation provides the basis for commencement of a compulsory purchase order

Housing Act 2004

Sections 11, 20, 28, 40 and 43 may be used to remedy Category 1 hazards as determined using the Housing Health and Safety Rating System.

Empty Dwelling Management Orders (EDMO's) – The Housing Act 2004 now enables local authorities to apply to Residential Property Tribunals to make EDMO's on long term, privately owned, empty dwellings where owners are unwilling or unable to co-operate with voluntary measures to secure occupation. The property does not have to be run down or uninhabitable. The fact that it has not been lived in for more than 6 months can be enough to allow an EDMO to be made. The EDMO gives the Council the right to possession of the property and once the EDMO has been made, the Council may do anything the owner would normally be entitled to do with the property.

Appendix 2

Empty Property Survey Form



**Chester-le-Street District Council
Empty Property Assessment**

Reference	
-----------	--

Address	
---------	--

Signs of Occupation/Sale	Yes/No	Comments

Condition of Property	Comments
Chimney	
Roof Ridge	
Roof General	
Soffit boards	
Guttering	
Above Ground Drainage	
Lintels/Sills	
Windows/Doors	
Structure	
External Walls	
DPC/Dampness	
Airbricks/Vents	
Garden	
Paths	
Outbuildings	
Boundary Walls	
Miscellaneous	

Any Other Comments	
--------------------	--

--	--

Open To Access	
----------------	--

Nature of Neighbourhood	
-------------------------	--

Overall Rating	
----------------	--

- A - Derelict/serious disrepair – obviously uninhabitable
- B - Serious disrepair – probable uninhabitable
- C - Repairs required to vital areas – habitable with ongoing repairs
- D - Some repairs required but obviously habitable
- E – Good repair, habitable with little or no repair required

Date		
Officer		
Photographs	Yes	No

Empty Property Owner Questionnaire

EMPTY PROPERTY QUESTIONNAIRE

Please complete the questionnaire and return in the prepaid envelope provided, within 14 days.

1. Address of Property:

2. How long has the property been unoccupied ?.....

3. Please state date of occupation if now occupied

4. When was the last time either you or a representative visited to check the property?
.....

5. Are you aware of the current condition of the property

6. Please tick all the relevant boxes as to why the property has been left unoccupied

Unable to sell	
Probate difficulties	
Left under a will	
Bought as an investment i.e. capital appreciation	
Matrimonial/divorce settlement issues	
Planning Issues	
Negative equity	
Property condition e.g. not habitable	
Temporary relocation with job	
Owner moved into nursing home/care	
Sale would affect benefit entitlement	
Bankruptcy	
Absentee joint owners	
Joint owners cannot agree on future use of property	
Other, please state e.g. property is second home	

.....
.....

7. Would you be interested in receiving help with managing/letting your property? **YES/NO**

8. Have you tried to sell the property? **YES/NO**
If yes, please specify

No reasonable offers received	
Buyers unable to obtain mortgage	
Survey revealed structural problems	
Blighted area	
Other, please state	

.....
.....

9. Did you purchase the property as a 'Buy to Let' **YES/NO**

10. Have you considered renting the property **YES/NO**
If no, please specify

Rent levels insufficient	
Risk of bad tenants	
Repair costs needed to bring property up to standard	
Lack of expertise in managing properties (i.e. Tenants selection and tenancy documentation)	
Delays in obtaining housing benefit payments from the Council	
Others please state	

.....
.....

11. Would you be interested in renting your property if assistance was available from the Council for renovation or conversion?

Renovation	
Conversion	

12. What would you like to do with the property?

Live in it yourself	
Rent it out	
Sell it	
Other	

.....

13. General comments/further information required:

.....

14. Name:

Contact Address:

Telephone Number:

Thank you for taking time to complete this questionnaire.

This page is intentionally left blank



Chester-le-Street
District Council

Report to:	Council
Date of Meeting:	26 June 2008
Report from:	Head of Corporate Finance
Title of Report:	Member Approval of the Statement of Accounts for 2007/2008
Agenda Item Number:	11

1. PURPOSE OF REPORT

- 1.1 The Accounts and Audit Regulations 2003 require Members to approve the 2007/08 Statement of Accounts before the end of June 2008. This report seeks approval for the 2007/08 Statement of Accounts attached as Appendix 1.
- 1.2 The Accounts have not yet been audited; this is scheduled for August. The outcome of the audit will be reported to Council.

2. CONSULTATION

- 2.1 Corporate Management Team has been consulted on the report and on the Annual Governance Statement.

The Corporate Governance Steering Group, which comprises the Director of Corporate Services, The Acting Head of Resources, The Head of Corporate Finance, Acting Head of Internal Audit and the Head of Legal and Democratic Services, has been fully involved in the production of the Annual Governance Statement and all Heads of Service have signed off their individual assurance statements.

3. CORPORATE PLAN AND PRIORITIES

- 3.1 The report is wholly concerned with finance, which provides the means by which the Council achieves its corporate priorities.

4. IMPLICATIONS

- 4.1 Financial and Value for Money

Financial implications are detailed throughout the report.

4.2 Local Government Reorganisation Implications

The main implication is to ensure that Council has adequate financial resources to help establish the new Council while delivering 'Business as Usual'. In doing so the level of our General Fund Reserve should not fall below £390,000 as at 31 March 2009. As detailed in section 13 below this balance stands at £417,000 as at 31 March 2008.

If any potential resource issues arise that are not included in the Authority's budgets for 2008/09 then appropriate consultation with the County Treasurer will take place.

4.3 Legal

The report meets the requirements of the Accounts and Audit Regulations 2003.

4.4 Personnel

None

4.5 Other Services

There are no direct implications for other services beyond those outlined in the report.

4.6 Diversity

None

4.7 Risk

Financial management arrangements are a key part of the Council's strategic and operational risk management processes. At a strategic level, the Council has recognised this through the Strategic Risk Profile and the increasing emphasis on medium term financial planning.

The level of reserves are referred to in section 13 of the report and show the general fund reserve at £417,000. The Medium Term Financial Strategy states that the General Fund Reserve should not be allowed to fall below £349,000.

Any issues of financial performance that have arisen as part of the closure of accounts for 2007/2008 will be considered by Corporate Management Team and Heads of Service will be required to produce action plans by 31 July 2008 to address the areas of concern.

The Council's risk management arrangements are an integral part of the authority's internal control and corporate governance framework.

4.8 Crime and Disorder

It is not felt that there are any specific implications of the report on Crime and Disorder.

4.9 Data Quality

Every care has been taken in the development of this report to ensure that the information and data used in its preparation and the appendix attached are accurate, timely, consistent and comprehensive. The Council's data quality policy has been complied with in producing this report.

5. REPORT

5.1 The following section summarises the Council's financial performance in 2007/08.

6. GENERAL FUND REVENUE EXPENDITURE

6.1 General Fund expenditure for 2007/08 is summarised in the Income and Expenditure Account in section 4 of the Statement of Accounts.

This shows the costs of the Council's services, other than Council housing and how the net expenditure has been funded.

6.2 The table below shows where our money came from and how we spent it.

WE SPENT MONEY ON:-

Service	Net Actual Expenditure £'000	Percentage of Total
Leisure	1,630.4	17.3%
Environmental Health	559.3	5.9%
Planning	158.8	1.7%
Environmental Services	2,721.9	28.8%
Revenues and Benefits	623.0	6.6%
Finance and Accountancy	2.7	0.1%
Organisational Development	135.5	1.4%
Corporate Development Unit (Including Concessionary Travel)	1,387.1	14.7%
Regeneration	967.9	10.2%
Legal and Democratic Services	329.4	3.5%
Corporate Functions and Savings	927.6	9.8%
Sub Total	9,443.6	100%
Less: Capital Accounting Adjustment	(922.8)	
Less: Interest on Investments	(447.8)	
Net	8,073.0	100%

WHERE THE MONEY CAME FROM:-

	£'000	Percentage of Total
Council Tax	3,015	37%
Revenue Support Grant	725	9%
Business Rates	4,317	53%
Collection Fund Surplus	43	1%
Budget for the year	8,100	100%

- 6.3 The Council set a net General Fund Revenue Budget of £8,100,409 for 2007/08.

The table below shows the budgeted figures for 2007/08 as compared with the actual outturn for the year.

Service	Net Budget £'000s	Net Actual Outturn £'000	Variance from Budget £'000
Leisure	1,964.7	1,630.4	- 334.3
Environmental Health	572.7	559.3	- 13.4
Planning	199.2	158.8	- 40.4
Environmental Services	2,719.2	2,721.9	+ 2.7
Revenues and Benefits	750.0	623.0	- 127.0
Finance and Accountancy	12.9	2.7	- 10.2
Organisational Development	179.5	135.5	- 44.0
Corporate Development Unit	1,454.2	1,387.1	- 67.1
Regeneration	1,063.2	967.9	- 95.3
Legal and Democratic Services	281.9	329.4	+ 47.5
Corporate Functions and Savings	827.1	927.6	+ 100.5
Less: Capital Accounting Adjustment	(1,624.2)	(922.8)	+ 701.4
Less: Interest on Investments	(300.0)	(447.8)	- 147.8
	8,100.4	8,073.0	- 27.4

- 6.4 The final position for 2007/08 shows an underspend of £27,422 as compared with the agreed budget. This has been transferred to reserves.
- 6.5 Changes in the treatment of capital charges, which, effectively, show the depreciation of assets used to provide the service, have affected the outturn for several service areas; leisure, environmental services and regeneration, and the Civic Centre (included in Corporate Functions), are the main services affected by these changes. Capital charges do not, however, affect the real cost of the general fund services as they are reversed out in the capital accounting adjustments and are not taken into account in the net costs of services.

- 6.6 Excluding the effects of the changes in capital charges, the main variances from the agreed budget were as follows:

	£'000
Leisure	+ 103.8
Environmental Services	+ 59.7
Revenues and Benefits	- 139.1
Regeneration	+ 27.2
Corporate Development Unit	- 67.1

The overspend on leisure services is mainly due to less than expected income at the Golf Complex and the Leisure Centre, and the use of agency staff to cover posts at Selby Cottage Day Care Centre.

The overspend on Environmental Services is mainly due to a reduction in income from the highways agency service carried out for Durham County Council, increased fuel costs and the use of agency staff to cover for sickness absence.

The underspend on Revenues and Benefits is mainly due to the management of vacancy savings.

The overspend on regeneration is mainly due to loss of income in respect of the Market which has been partly offset by additional income in other areas of the budget such as Industrial Unit Rent.

- 6.7 The variance showing against corporate functions and savings is simply due to the fact that the salary contingency and other savings are reflected in the individual services in the Net Actual Outturn for 2007/2008.
- 6.8 The underspend for the year amounting to £27,422 as detailed above in 6.3 and 6.4 has been added to the General Fund Reserve in accordance with normal accounting practice. However the Council is subject to two claims against the authority in respect of planning cases and at this stage the potential liability is unknown. It would be prudent, therefore, subject to the approval of Members to transfer the 2007/08 underspend into our Insurance Reserve in 2008/09.

7. HOUSING REVENUE ACCOUNT

- 7.1 The Housing Revenue Account (HRA) is a statutory ring-fenced account into which all items of expenditure and income relating to the provision of the public sector housing service must be charged. The HRA cannot be subsidised from the General Fund, neither can it subsidise the General Fund. Housing Revenue Account expenditure for 2007/08 is summarised in section 10 of the Statement of Accounts.

- 7.2 The table below shows the budgeted figures for 2007/08 compared with the actual outturn for the year. It should be noted that all items of income/expenditure relate to the period up to 4th February 2008 compared to the full year budget. This is due to the successful transfer of the housing stock to Cestria Community Housing Association Limited.

	Original Budget £'000	Actual Outturn £'000	Variance from Budget £'000
<u>Income</u>			
Rents and other income	11,157	9,596	+ 1,561
Major Repairs Allowance	2,383	1,983	+ 400
Interest Receivable	61	50	+ 11
Negative subsidy paid to DCLG	(4,429)	(3,827)	- 602
Rent Constraint Allowance	282	236	+ 46
Total income	9,454	8,038	+ 1,416

<u>Expenditure</u>			
Property Services	2,629	2,501	- 128
Central Costs	462	291	- 171
Estate Management	732	808	+ 76
Income Management	278	237	- 41
I T and Accounts	533	316	- 217
Community Engagement	301	225	- 76
Exceptional Items	118	68	- 50
Stock Transfer	100	9	- 91
Special Services – Sheltered Housing	244	196	- 48
Care for the Elderly – Careline	42	110	+ 68
Council House Sales	-	25	+ 25
Cost of Democracy	278	281	+ 3
Depreciation	2,383	1,983	- 400
Debt Management and Loan Charges	911	709	- 202
Direct Revenue Financing	390	0	- 390
Total expenditure	9,401	7,759	- 1,642
(SURPLUS)/DEFICIT	- 53	- 279	- 226

- 7.3 The main reason for the variance on the Housing Revenue Account of £226,000 is that the income and expenditure only relates to 10 months, up to the date of the transfer, whereas the budget had to be prepared for the full year in case the transfer did not occur. No direct revenue financing, which is a revenue contribution to the housing capital programme was required during the year.
- 7.4 The closing balance on the housing revenue account reserve at the end of 2007/08 is £1.579 million. There are no significant items of income or expenditure expected to be incurred in 2008/09 that will change the balance on the reserve by the end of next financial year.

7.5 The housing revenue account reserve (£1.579 million) was subject to a report to Council in December 2007 and will revert to the Council at the end of the 2008/09 financial year. This reserve has been fully earmarked along with other measures to ensure the Council could meet the residual costs to the General Fund resulting from the housing stock transfer.

**8. BUILDING AND MAINTENANCE
DIRECT LABOUR ORGANISATION (DLO)**

8.1 Turnover in 2007/08 amounted to £2.430 million and resulted in a surplus of £10,726 for the year. (2006/07 turnover amounted to £2.735 million and a surplus of £4,231).

9. CAPITAL PROGRAMME

9.1 Total Capital Programme expenditure amounted to £7.411 million, as compared with the agreed programme of £6.966 million.

9.2 This includes expenditure on Council housing, regeneration and other general fund schemes. The main areas of expenditure included:-

	£'000
Affordable Housing	2,506
SHIP	1,201
Town Centre Regeneration	1,091
Sacrison Community Centre	507
Careline Equipment	319
Housing Grants	261
Pelton Fell Regeneration	253
Information Technology	191

9.3 The total capital programme expenditure of £7.411 million was financed as follows:-

	£'000	Percentage of Total
Major Repairs Allowance	1,983	27%
Capital Receipts	3,084	42%
Borrowing	190	2%
Government Grants	127	2%
Other Grants and Contributions	2,027	27%
	7,411	100%

10. REVENUE RECOVERY

- 10.1 The table below summarises the performance of the Council in recovering amounts due from local taxpayers and tenants.

	Arrears	Arrears
	31 March 2007	31 March 2008
	£	£
Council Tax	729,479	747,299
Non Domestic Rates	311,078	143,728
Rents	506,020	0
	1,546,577	891,027

- 10.2 The total amount of Council Tax collected during 2007/08 amounted to £20,570,975.88, and the total amount of non-domestic rates amounted to £6,815,311.02.
- 10.3 The authority achieved a collection rate of 97.5% (97.2% - 2006/07) for Council Tax and 98.2% (96.7% - 2006/07) for non-domestic rates in 2007/08.

11. BORROWING

- 11.1 For 2007/08 the Council set its Authorised Limit which is the 'Affordable Borrowing Limit' required by s3 of the Local Government Act 2003 at £22.05 million.
- 11.2 The Council did not exceed its authorised limit.
- 11.3 The Operational Boundary, set at £20.04 million for 2007/08, is a potential borrowing position that could be required in the event of cash flow problems that could arise during the year, and periods when the actual position is either below or over the boundary would be acceptable, subject to the Authorised limit not being breached.
- 11.4 The Operational Boundary is how we manage external debt to ensure we remain within the authorised limit.
- 11.5 The maximum gross borrowing position during the year was £21.06 million, and the minimum gross borrowing position was nil.
- 11.6 As part of the arrangements to transfer the Council's housing stock to Cestria Community Housing Association Limited, £19.85 million of debt was repaid by the government together with £1.88 million of debt premium. This fully repaid all debt liabilities and left the amount of outstanding long-term debt as at 31 March 2008 as nil.
- 11.7 The average rate of interest paid on long-term loans in 2007/08 was 4.93% compared with a rate of 5.55% in 2006/07.

12. INVESTMENTS

- 12.1 The Council's investments amounted to £24.75 million on 31 March 2008, which was significantly higher than in previous years. This was due to the Council holding almost £17.75 million in VAT as part of the development agreement with Cestria Community Housing Association Limited. The £17.75 million was paid over to Cestria Community Housing Association Limited early in 2008/09. An average rate of interest of 5.71% was earned on investments.

13. RESERVES AND BALANCES

- 13.1 At the end of 2007/08, the Council's total General Fund reserves amounted to £1.9 million. This total comprises:-

	£000
General Fund Reserve	417
Insurance Reserve	233
Earmarked Revenue Reserves	1,250
	1,900

- 13.2 The General Fund reserve is a reserve set aside for unforeseen events and is needed to help cash flow management.

The Council is responsible for collecting the Council Tax for Durham County Council, Durham Police Authority, Durham and Darlington Fire and Rescue Authority and the Parish Councils, as well as itself. Instead of paying their share of the Council Tax as it is collected, the Council has to pay a proportion of the total due to the different organisations at specific times during the year, irrespective of whether the amounts due have been collected. It is important, therefore, to have the general reserve available to help meet these payments should this be required.

- 13.3 The earmarked revenue reserves are a wide variety of funds earmarked for specific revenue purposes. The total includes the planning delivery grant, funding earmarked for leisure activities and the Venture Fund.

- 13.4 The Housing Revenue Account (HRA) has reserves of approximately £1.579 million.

14. ANNUAL GOVERNANCE STATEMENT

- 14.1 The Annual Governance Statement (AGS) is detailed in section 12 of the Statement of Accounts. This includes the requirements of the former Statement of Internal Control which as well as setting out the Council's governance arrangements, comprises the annual review of effectiveness. A revised recommended framework for corporate governance was published in June 2007 which, following a detailed review by the Council's Corporate Governance Steering Group, led to the adoption of a new Local Code of Governance in February 2008. It is against this framework and local code that the annual review has been conducted.

14.2 There are several actions detailed in the AGS and these include:-

- (i) A review of internal audit function will be undertaken as part of the Audit Commissions annual workplan;
- (ii) An audit of assets and inventories will be undertaken by internal audit prior to handover to the new authority;
- (iii) Business Continuity Plans will be updated with support of DDCCU;
- (iv) Partnership working will be further developed and strengthened through the new single priority **People & Place**;
- (v) Steps will be taken to address Audit Commission recommendations from the Annual Audit letter regarding transitional arrangements.
- (vi) Recommendations from the recent RIPA inspection will be developed into an action plan;
- (vii) Matters arising from Managers assurance statements will be followed up by the Corporate Governance Steering Group.

Progress will be reported quarterly through the Council's performance monitoring and reporting arrangements

15. RECOMMENDATIONS

15.1 It is recommended that

- (i) Council approves the Annual Statement of Accounts for 2007/08, subject to audit;
- (ii) the capital financing for 2007/08 be determined as detailed in the report;
- (iii) delegated authority be given to the Head of Corporate Finance (s151 Officer), in consultation with the Lead Member for Resources and Value for Money, to make any amendments to the Statement which are not material;
- (iv) Council approves the Annual Governance Statement for 2007/08, subject to audit;
- (v) Council approves the transfer of the 2007/08 underspend on General Fund services (£27,422) from the General Fund Reserve to the Insurance Reserve as detailed in 6.8 above.

Ian Herberson
Head of Corporate Finance
26 June 2008
Version 1.0

Contact Details:
Ian Herberson Tel: 0191 3872343
E-mail: ianherberson@chester-le-street.gov.uk

STATEMENT OF ACCOUNTS

1. Explanatory Foreword

The purpose of this foreword is to give an easily understandable guide to the accounts.

The Council's statutory accounts and financial statements for 2007/08 are set out on Pages 21-89 of this document.

The main purpose of the financial statements that make up the Statement of Accounts, are detailed below.

2. Report by the Head of Corporate Finance (Section 151 Officer)

The report summarises the most significant matters included in the accounts on pages 6-12. The main event that happened during 2007/08 was that the Council transferred both the ownership, the provision of the service and the future liabilities associated with the Council housing stock to Cestria Community Housing Association Limited. The accounts, as at the financial year-end, therefore reflect the position following the transfer.

3. Statement of Accounting Policies

The purpose of the statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. In certain circumstances, where more than one accounting basis or estimation technique is acceptable, the accounting policy and/or estimation techniques followed can significantly affect an authority's reported results and financial position. The view presented can only be appreciated properly if the policies, which have been followed for material items and estimation techniques that have been used in applying those policies, are explained.

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2007 (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

Pages 13-20 explain the policies adopted in preparing the Council's Accounts.

4. Income and Expenditure Account

This statement is fundamental to the understanding of a local authority's activities, in that it reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the local authority's functions, in three distinct sections, each divided by a sub-total.

The first section provides segmental accounting information on the costs of the local authority's different continuing operations, net of specific grants and income from fees and charges, to give the net cost of services.

The second section comprises items of income and expenditure relating to the authority as a whole. When added to the net cost of services these give the authority's net operating expenditure.

The third section shows the income from local taxation and general government grants in the period, to give the net deficit or surplus for the year.

The Income and Expenditure Account has been compiled in accordance with the Best Value Accounting Code of Practice.

Pages 21-22 show the revenue expenditure and income for each service provided, including contributions to funds. Following each statement are notes providing further information and explanation on the more important items in the Income and Expenditure Account.

5. Statement of Total Recognised Gains and Losses

Not all the gains and losses experienced by a local authority are reflected in the Income and Expenditure Account. For example, gains on revaluations of fixed assets and pension actuarial gains and losses are excluded as they are treated under UK GAAP as arising from asset and liability valuation charges rather than from an entities operating performance. It is necessary to consider all gains and losses recognised in a period when assessing the financial result for the period.

FRS 3 (Reporting Financial Performance) requires all gains and losses to be included in a Statement of Total Recognised Gains and Losses (STRGL) to be shown with the same prominence as the other primary statements.

Page 24 shows the Statement of Total Recognised Gains and Losses as at 31 March 2008.

6. Balance Sheet

The Balance Sheet is fundamental to the understanding of the authority's financial position at the year-end. It shows its balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

Page 25 summarises the financial position of the Council as at 31 March 2008. Following the statement are notes providing further information and explanation on the more important items in the Balance Sheet.

7. Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Its objective is to ensure that significant elements of receipts and payments of cash are highlighted in a way that facilitates comparison of cash-flow performance of different businesses and to provide information that assists in assessing their liquidity, solvency and financial adaptability.

Page 26 summarises the inflows and outflows of cash arising from revenue and capital transactions with third parties.

8. Housing Revenue Account

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with the Housing Act 1987. The HRA has to remain open until the end of 2008/09, even though the housing stock and the responsibility for the management services have been transferred to Cestria Community Housing Association Limited. This is in order to finalise all issues, such as the housing subsidy entitlement, prior to obtaining ministerial consent to formally close the account. It includes the credit and debit items that are required to be taken into account in determining the surplus or deficit on the HRA for the year. The amounts included in the HRA differ from the amounts in respect of HRA services included in the Income and Expenditure Account for the authority as a whole, which includes income and expenditure in accordance with the SORP rather than that required by statute and non-statutory proper practices. For this reason the HRA statement has two parts:

The HRA Income and Expenditure Account – which shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account (comprising as well as the amounts included in the whole authority Net Cost of Services for the HRA, the HRA's share of amounts included in the whole authority Net Service Cost but not allocated to individual services and the HRA's share of operating income and expenditure such as Pension Interest Costs and Expected Return on Pension Assets).

The Statement of the Movement on the Housing Revenue Account Balance – which shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

Pages 59-60 show the housing revenue expenditure and income, including contributions to funds, etc. Following each statement are notes providing further information and explanation on the more important items in the Housing Revenue Accounts.

9. Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

Pages 68-70 show the income received by the Council from Council Tax payers, Non-Domestic Rate payers and government grants to meet the Council's demand (including precepts from Parish Councils) and precepts from Durham County Council, Durham Police Authority and the Durham and Darlington Fire and Rescue Authority during 2007/08.

10. Annual Governance Statement

Regulation 4(2) of The Accounts and Audit Regulations 2003 and regulation 4(2) of The Accounts and Audit (Wales) Regulations 2005 require English and Welsh authorities to 'conduct a review at least once in a year of the effectiveness of its system of internal control' and include a statement on internal control with any statement of accounts. This is now included in the Council's Annual Governance Statement.

Pages 71-88 summarise the responsibilities of the Authority, the Leader of the Council and the Head of Corporate Finance (Section 151 Officer), relating to monitoring of an effective system of internal control and arrangements to ensure effective corporate governance.

11. Statement of Responsibilities for the Statement of Accounts and Certification by the Section 151 Officer

Local authorities are required to include in their statement of accounts a statement of responsibilities for the statement of accounts, which sets out the respective responsibilities of the authority and the Chief Financial Officer for the accounts.

The statement of accounts is intended to present fairly the financial transactions of the Council during the year ended 31 March 2008 (the 2007/08 financial year).

Page 89 summarises the responsibilities of the Authority and the Head of Corporate Finance (Section 151 Officer) relating to the making of proper arrangements for the administration of the financial affairs of the Council and the keeping of accounting records.

The accounts and statements in respect of 2007/08 have been prepared using the professional guidance given in the Code of Practice on Local Authority Accounting 2007, together with other legal requirements as contained in various Acts of Parliament, including the Accounts and Audit Regulations 2003.

12. Glossary of Terms

Pages 90-98 provides details of those accounting terms used within this document and give a basic definition in order to assist the reader to understand the Financial Statements.

2. REPORT BY HEAD OF CORPORATE FINANCE (SECTION 151 OFFICER)

2.1 General Fund Revenue Expenditure

General Fund expenditure for 2007/08 is summarised in the Income and Expenditure Account in section 4 of the Statement of Accounts.

This shows the costs of the Council's services, other than Council housing and how the net expenditure has been funded.

The table below shows where our money came from and how we spent it.

WE SPENT MONEY ON:-

Service	Net Actual Expenditure £'000	Percentage of Total
Leisure	1,630.4	17.3%
Environmental Health	559.3	5.9%
Planning	158.8	1.7%
Environmental Services	2,721.9	28.8%
Revenues and Benefits	623.0	6.6%
Finance and Accountancy	2.7	0.1%
Organisational Development	135.5	1.4%
Corporate Development Unit (Including Concessionary Travel)	1,387.1	14.7%
Regeneration	967.9	10.2%
Legal and Democratic Services	329.4	3.5%
Corporate Functions and Savings	927.6	9.8%
Sub Total	9,443.6	100%
Less: Capital Accounting Adj.	(922.8)	
Less: Interest on Investments	(447.8)	
Net	8,073.0	100%

WHERE THE MONEY CAME FROM:-

	£'000	Percentage of Total
Council Tax	3,015	37%
Revenue Support Grant	725	9%
Business Rates	4,317	53%
Collection Fund Surplus	43	1%
Budget for the year	8,100	100%

The Council set a net General Fund Revenue Budget of £8,100,409 for 2007/08.

The table below shows the budgeted figures for 2007/08 as compared with the actual outturn for the year.

Service	Net Budget £'000	Net Actual Outturn £'000	Variance from Budget £'000
Leisure	1,964.7	1,630.4	- 334.3
Environmental Health	572.7	559.3	- 13.4
Planning	199.2	158.8	- 40.4
Environmental Services	2,719.2	2,721.9	+ 2.7
Revenues and Benefits	750.0	623.0	- 127.0
Finance and Accountancy	12.9	2.7	- 10.2
Organisational Development	179.5	135.5	- 44.0
Corporate Development Unit	1,454.2	1,387.1	- 67.1
Regeneration	1,063.2	967.9	- 95.3
Legal and Democratic Services	281.9	329.4	+ 47.5
Corporate Functions and Savings	827.1	927.6	+ 100.5
Less:			
Capital Accounting Adj.	(1,624.2)	(922.8)	+ 701.4
Less:			
Interest on Investments	(300.0)	(447.8)	- 147.8
	8,100.4	8,073.0	- 27.4

The final position for 2007/08 shows an underspend of £27,422 as compared with the agreed budget. This has been transferred to reserves.

Changes in the treatment of capital charges, which, effectively, show the depreciation of assets used to provide the service, have affected the outturn for several service areas; leisure, environmental services and regeneration, and the Civic Centre (included in Corporate Functions), are the main services affected by these changes. Capital charges do not, however, affect the real cost of the general fund services as they are reversed out in the capital accounting adjustments and are not taken into account in the net costs of services.

Excluding the effects of the changes in capital charges, the main variances from the agreed budget were as follows:

Service	£'000
Leisure	+ 103.8
Environmental Services	+ 59.7
Revenues and Benefits	- 139.1
Regeneration	+ 27.2
Corporate Development Unit	- 67.1

The overspend on Leisure Services is mainly due to less than expected income at the Golf Complex and the Leisure Centre and the use of agency staff to cover posts at Selby Cottage Day Care Centre.

The overspend on Environmental Services is mainly due to a reduction in income from the Highways Agency service carried out for Durham County Council, increased fuel costs and the use of agency staff to cover for sickness absence.

The underspend on Revenues and Benefits is mainly due to the management of vacancy savings.

The overspend on Regeneration is a result of a loss of income on the Market which has been partly offset by additional income in other areas of the budget such as Industrial Unit Rent.

The variance showing against corporate functions and savings is simply due to the fact that the salary contingency and other savings are reflected in the individual services in the Net Actual Outturn for 2007/08.

2.2 Housing Revenue Account

The Housing Revenue Account (HRA) is a statutory ring-fenced account into which all items of expenditure and income relating to the provision of the public sector housing service must be charged. The HRA cannot be subsidised from the General Fund, neither can it subsidise the General Fund. Housing Revenue Account expenditure for 2007/08 is summarised in section 10 of the Statement of Accounts.

The table below shows the budgeted figures for 2007/08 compared with the actual outturn for the year. It should be noted that all items of income/expenditure relate to the period up to 4 February 2008 compared to the full year budget. This is due to the successful transfer of the housing stock to Cestria Community Housing Association Limited.

	Original Budget £'000	Actual Outturn £'000	Variance from Budget £'000
<u>Income</u>			
Rents and other income	11,157	9,596	+ 1,561
Major Repairs Allowance	2,383	1,983	+ 400
Interest receivable	61	50	+ 11
Negative subsidy paid to DCLG	(4,429)	(3,827)	- 602
Rent Constraint Allowance	282	236	+ 46
Total income	9,454	8,038	+ 1,416

Expenditure			
Property Services	2,629	2,501	- 128
Central Costs	462	291	- 171
Estate Management	732	808	+ 76
Income Management	278	237	- 41
I T and Accounts	533	316	- 217
Community Engagement	301	225	- 76
Exceptional Items	118	68	- 50
Stock Transfer	100	9	- 91
Special Services – Sheltered Housing	244	196	- 48
Care for the Elderly – Careline	42	110	+ 68
Council House Sales	0	25	+ 25
Cost of Democracy	278	281	+ 3
Depreciation	2,383	1,983	- 400
Debt Management and Loan Charges	911	709	- 202
Direct Revenue Financing	390	0	- 390
Total expenditure	9,401	7,759	- 1,642
(SURPLUS)/DEFICIT	(53)	- (279)	- 226

The main reason for the variance on the Housing Revenue Account of £226,000 is that the income and expenditure only relates to ten months, up to the date of transfer, whereas the budget had to be prepared for the full year in case the transfer did not occur. No direct revenue financing – which is a revenue contribution to the housing capital programme, was required during the year.

The closing balance on the housing revenue account reserve at the end of 2007/08 is £1.579million. There are no significant items of income or expenditure expected to be incurred in 2008/09 that will change the balance in the reserve by the end of next financial year.

2.3 Building and Maintenance - Direct Labour Organisation (DLO)

Turnover in 2007/08 amounted to £2.430 million and resulted in a surplus of £10,726 for the year. (2006/07 turnover amounted to £2.735 million and a surplus of £4,231).

2.4 Capital Programme

Total Capital Programme expenditure amounted to £7.411 million, as compared with the agreed programme of £6.966 million.

This includes expenditure on Council housing, regeneration and other general fund schemes. The main areas of expenditure included:-

	£'000
Affordable Housing	2,506
SHIP	1,201
Town Centre Regeneration	1,091
Sacrison Community Centre	507
Careline Equipment	319
Housing Grants	261
Pelton Fell Regeneration	253
Information Technology	191

The total capital programme expenditure of £7.411 million was financed as follows:-

	£'000	Percentage of Total
Major Repairs Allowance	1,983	27%
Capital Receipts	3,084	42%
Borrowing	190	2%
Government Grants	127	2%
Other Grants and Contributions	2,027	27%
Total	7,411	100%

2.5 Revenue Recovery

The table below summarises the performance of the Council in recovering amounts due from local taxpayers and tenants.

	Arrears 31 March 2007 £	Arrears 31 March 2008 £
Council Tax	729,479	747,299
Non Domestic Rates	311,078	143,728
Rents	506,020	0
	1,546,577	891,027

The total amount of Council Tax collected during 2007/08 amounted to £20,570,975.88 and the total amount of Non-Domestic Rates amounted to £6,815,311.02.

The authority achieved a collection rate of 97.5% for Council Tax and 98.2% for non-domestic rates in 2007/08.

2.6 Borrowing

For 2007/08 the Council set its Authorised Limit which is the 'Affordable Borrowing Limit' required by s3 of the Local Government Act 2003 at £22.05 million.

The Council did not exceed its authorised limit.

The Operational Boundary, set at £20.04 million for 2007/08, is a potential borrowing position that could be required in the event of cash flow problems that could arise during the year, and periods when the actual position is either below or over the boundary would be acceptable, subject to the Authorised limit not being breached.

The Operational Boundary is how we manage external debt to ensure we remain within the authorised limit.

The maximum gross borrowing position during the year was £21.06 million, and the minimum gross borrowing position was nil.

As part of the arrangements to transfer the Council's housing stock to Cestria Community Housing Association Limited, £19.85 million of debt was repaid by the government together with £1.88 million of debt premium. This fully repaid all debt liabilities and left the amount of outstanding long-term debt as at 31 March 2008 as nil.

The average rate of interest paid on long-term loans in 2007/08 was 4.93% compared with a rate of 5.55% in 2006/07.

2.7 Investments

The Council's investments amounted to £24.75 million on 31 March 2008, which was significantly higher than in previous years. This was due to the Council holding almost £17.75 million in VAT as part of the development agreement with Cestria Community Housing Association Limited. The £17.75 million was paid over to Cestria Community Housing Association Limited early in 2008/09. An average rate of interest of 5.71% was earned on investments.

2.8 Reserves and Balances

At the end of 2007/08, the Council's total General Fund reserves amounted to £1.9 million. This total comprises:-

	£'000
General Fund Reserve	417
Insurance Reserve	233
Earmarked Revenue Reserves	1,250
Total	1,900

The General Fund reserve is a reserve set aside for unforeseen events and is needed to help cash flow management.

The Council is responsible for collecting the Council Tax for Durham County Council, Durham Police Authority, Durham and Darlington Fire and Rescue Authority and the Parish Councils, as well as itself. Instead of paying their share of the Council Tax as it is collected, the Council has to pay a proportion of the total due to the different organisations at specific times during the year, irrespective of whether the amounts due have been collected. It is important, therefore, to have the general reserve available to help meet these payments should this be required.

The earmarked revenue reserves are a wide variety of funds earmarked for specific revenue purposes. The total includes the planning delivery grant, funding earmarked for leisure activities and the Venture Fund.

The Housing Revenue Account (HRA) has reserves of approximately £1.579 million.

2.9 Annual Governance Statement

The Annual Governance Statement (AGS) is detailed in section 12 of the Statement of Accounts. This includes the requirements of the former Statement of Internal Control and as well as setting out the Council's governance arrangements comprises the annual review of effectiveness. A revised recommended framework for corporate governance was published in June 2007 which, following a detailed review by the Council's Corporate Governance Steering Group, led to the adoption of a new Local Code of Governance in February 2008. It is against this framework and Local Code that the annual review has been conducted.

3. STATEMENT OF ACCOUNTING POLICIES

3.1 General Principles

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2007.

The general principles conform with the requirements of the various Statements of Standard Accounting Practice issued by the Accounting Standards Committee, with the exception of the following:-

SSAP9 – Stocks and Work in Progress

The recommended practice of including stocks and work in progress in financial statements at cost or net realisable value, whichever is the lower, has not been adopted in the case of stocks. Stocks are included in this statement at latest price.

3.2 Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets that yields benefits to the Council and the services it provides for a period of more than one year is capitalised in the accounts on an accrual basis, with the exception of amounts of £5,000 or less which have been classed as de-minimis and charged to revenue. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to the Income & Expenditure Account - Net Cost of Services.

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

- Land and operational buildings are at open market value in existing use or, in the case of specialist buildings which are rarely if ever sold on the open market, at depreciated replacement cost
- Vehicles, plant, equipment and infrastructure assets are at historical cost net of depreciation
- Community assets are at historical cost
- Non-operational assets, including investment properties and assets that are surplus to requirements are at the lower of net current replacement cost or net realisable value. In the case of investment properties this is normally open market value.

The valuation of assets is planned at five yearly intervals the last being in 2005/06.

Those properties where it is considered that a material change had taken place since they were last revalued were identified and a revaluation at 31 March 2008 was undertaken by the District Valuer (Elizabeth M. Josephs - Member of the Royal Institute of Chartered Surveyors).

Increases in valuations are matched by credits in the Revaluation Reserve to recognise unrealisable gains made since 1 April 2007 which was the date of the formal implementation of the Revaluation Reserve into the Council's accounts. Gains arising before that date have been consolidated into the Capital Adjustment Account.

3.3 Intangible Assets

Intangible Assets are assets which do not have a physical substance but are identifiable and controlled by the Council and have a life exceeding one year. The balance is amortised to revenue over the economic life to reflect the consumption each year. The balance identified on the balance sheet relates to computer software and licences.

3.4 Receipts Arising from the Sale of Capital Assets

Under the Local Government Act 2003, the previous 'set aside' requirements for housing capital receipts with pooling arrangements, whereby 75% of the receipts from the sale of Council houses and subject to some exceptions, such as 50% of the proceeds of other housing assets have to be paid over to central government.

3.5 Depreciation

Depreciation is required to be provided for on all fixed assets with finite and determinable useful lives. The bases on which depreciation is included in the accounts are as follows:

- Operational property valued on the basis of depreciated replacement cost has been depreciated in line with the requirements of FRS 15.
- Depreciation on Council dwellings has been included in the accounts at the same value as the Major Repairs Allowance. The Head of Corporate Finance believes this to be a fair assessment of the level of depreciation, and does not consider any variation is required.
- Depreciation is calculated using the straight line method.

3.6 Impairment

The value of each category of asset included in the Balance Sheet is reviewed at the end of each financial year for evidence of impairment as required by FRS 11. Impairment is a downward movement in the value of the asset and results from either a clear consumption of economic benefits or a price reduction.

Examples of events and changes in circumstances that indicate that impairment may have occurred include:

- Obsolescence and structural damage to the asset
- A commitment by the Council to undertake a significant change in the use of the asset
- A significant decline in public demand for the asset.

From 2007/08, impairment will include capital expenditure which does not add to the value of the assets together with any reductions from the Balance Sheet value to the sale price of assets that were disposed of.

Impairment adjustments are now required to be included in the Income & Expenditure Account - Net Cost of Services. Where the impairment is the result of a price reduction under FRS 11 the loss, up to any revaluation gains attributable to the asset, can be written off against the Revaluation Reserve. As the Revaluation Reserve contains only revaluation gains recognised since 1 April 2007 this option will not be available before 2008/09.

3.7 Capital Charges to Revenue

General Fund Service Revenue Accounts, as defined in CIPFA's Best Value Accounting Code of Practice, central support services and statutory trading accounts are charged with a capital charge for all fixed assets used in the provision of the service.

Such charges are calculated on the current valuation of the asset and comprise of depreciation which is calculated using the straight line method.

Finance costs, (including interest payable and interest payable under finance leases) and provisions for depreciation are charged to the Income & Expenditure Account. The General Fund accounts have been charged with an amount known as the Minimum Revenue Provision (MRP). The MRP is calculated on the basis of 4% of the Non-Housing Capital Financing Requirement at 1 April and under the capital accounting system, the provision for depreciation equates to the MRP. Where the provision for depreciation, which has been charged to the service accounts is lower than the MRP, an additional charge is made to the Income and Expenditure Account, below net operating expenditure. A credit is included where the provision for depreciation exceeds MRP. This allows compliance with the statutory requirement concerning the provision for the redemption of debt.

From 1 April 2004, the Housing Revenue Account is no longer charged with a Minimum Revenue Provision. Depreciation charges in the HRA equate to the level of the Major Repairs Allowance.

All capital charges for the use of fixed assets and relevant impairment losses included in revenue accounts are credited to the Statement of the Movement in General Fund Balance.

The amounts set aside from revenue for the repayment of external loans and to finance capital expenditure are disclosed separately on the face of the Income and Expenditure Account, below net operating expenditure.

3.8 Deferred Charges

Deferred Charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. Such expenditure must be charged to service revenue accounts on the basis of the benefit that service receives as a result of the expenditure. Amounts included in the balance sheet should be based on the continuing value to the authority.

3.9 Government Grants and Other Contributions

Money received from central government is credited to the appropriate revenue and capital accounts when the money is due rather than when it is actually received (accrual basis).

All grants and contributions to finance capital expenditure are initially credited to the Government Grants Deferred Account. Amounts are released to the Income and Expenditure Account over the useful life of the asset to match the depreciation charged on to asset to which it relates.

For expenditure on assets which will not be depreciated, the amounts of grants are written out to the Capital Financing Account in the year they are applied.

The Council receives specified Capital Grant from the Government which helps to pay for Disabled Facilities Grants to private householders.

3.10 Leases

There are two main types of lease agreements that the Council can enter into and the accounting treatment of each of these is as follows: -

Finance Leases – Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease.

Operating Leases - Rentals payable, net of benefits received or receivable (e.g. incentives for a lessee to sign a lease), under operating leases are charged to revenue on a straight-line basis over the term of the lease, even if the payments are not made on such a basis, unless another systematic and rational basis is more appropriate

3.11 Income and Expenditure and the basis on which Debtors and Creditors Outstanding at 31 March 2008 are included in the Accounts

The Revenue Accounts are maintained on an accruals basis, in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2007. Income and Expenditure are accounted for in the year in which they arise by the creation of debtors and creditors. The amounts outstanding at 31 March 2008 in respect of debtors and creditors have been included in the Balance Sheet. The figures shown represent actual amounts due.

3.12 The Nature of Material Provisions and Reserves

Provisions

Provisions are amounts which have been set aside to meet existing liabilities or losses.

The Council has created provisions to meet potential losses in income as a result of bad debts, and to meet anticipated insurance claims arising from certain risks.

Reserves

Revenue:

Earmarked amounts, which are set aside for specific policy purposes, which may be of a capital or revenue nature, and balances which represent resources set aside for purposes such as general contingencies and cash flow management. Details of the Council's reserves as at 31 March 2008 are given in Section 9.18 on page 38.

Capital:

The requirements of the capital accounting system for local authorities involve the maintenance of three significant capital reserves in the Balance Sheet:-

- The Revaluation Reserve includes cumulative unrealised revaluation gains and losses (since 1 April 2007) arising from holding fixed assets.
- The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated and financed. The balance at 1 April represents the closing value on the former Fixed Asset Restatement Account and Capital Financing Account in last year's Balance Sheet.

- the Major Repairs Reserve, which represents the extent to which the Major Repairs Allowance has not been utilised to finance capital expenditure on housing assets.

3.13 Overheads

The costs of management and administration overheads have been fully allocated to services. The bases of allocation used for the main costs are outlined below:-

Cost	Basis of Allocation
Central Departments (Legal and Administration etc.)	Estimate of time spent by staff
Administrative Buildings (Civic Centre)	Floor area occupied
Professional Services (Accountants, Personnel, Computer etc)	Service Level Agreements
Telephones	Actual usage / Number of extensions

Other overhead costs are dealt with in accordance with CIPFA's Statement on Accounting for Overheads.

3.14 Pensions

In accordance with the Financial Reporting Standard - Retirement Benefits FRS 17, the Council has to disclose certain information concerning assets, liabilities, income and expenditure relating to pension schemes for its employees based on the true economic cost of providing pension benefit earned by employees in 2007/08 as provided by the Actuary - Hewitt Associates Limited. This cost has been allocated to all of the individual service revenue accounts in the Income & Expenditure Account – Net Cost of Services including the HRA, Direct Labour Organisation and the Trading Activities. Unfunded Benefits granted to employees are charged to the Income and Expenditure Account - Unapportionable Central Overheads.

This has no impact on the "Amount to be met from Government Grants and Local Taxation".

On 4 February 2008 a number of staff transferred from the Council to Cestria Community Housing Association Limited and the deficit in the Fund in respect of the transferring members was passed across to Cestria. This has been included in Note 9.6 as a settlement, and comes through as a gain (i.e. the Council's deficit has been reduced).

Further information provided by the Actuary can be found in Note 9.6 of the Notes to the Core Single Entity Accounting Statements.

A copy of the Annual Report of Durham County Council Superannuation Fund is available from the County Treasurer, Durham County Council, County Hall, Durham DH1 5UB.

3.15 Interest Charges

All surplus capital and revenue monies are externally invested, in line with the Council's approved Annual Treasury Management Strategy and in accordance with the Local Code of Treasury Management. The General Fund receives the interest and an internal transfer is made to the Housing Revenue Account based on the actual average interest rate achieved on the Council's Reserve Account throughout the year and in accordance with the Item 8 Credit calculation of the Housing Subsidy Determinations. Interest payable on external borrowings and investment income is accounted for on an accruals basis.

3.16 Premiums and Discounts on the Early Redemption of Debt

Following the transfer of its housing stock on 4 February 2008, the Council redeemed its debt early. The majority of the premiums incurred as a result of the early repayment were reimbursed by the Department of Communities and Local Government (DCLG) under the large scale voluntary transfer financial arrangements.

The residual premiums that remained are charged to the Income and Expenditure Account – Net Operating Expenditure – over the life of the loans redeemed.

3.17 Investments

External investments to the value of £24.75 million were held at 31 March 2008. These represent surplus capital receipts, reserves and VAT as part of the development agreement with Cestria Community Housing Association Limited. The investments were in the form of deposits with banks and building societies. The Balance Sheet reflects the nominal value of these investments. The Council has no interests of any sort in associated or subsidiary companies.

3.18 Group Accounts

The 2004 Local Authority SORP (Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice) introduces new requirements in respect of group accounts for Local Government. These requirements are based closely on the Financial Reporting Standards FRS 2 Accounting for Subsidiary Undertakings and FRS 9 Associates and Joint Ventures.

The intention is that authorities enhance their accounts through the consolidation (grouping) of the transactions and balances of subsidiaries and of interests in associated and joint ventures to provide a complete picture of the activities over which the Authority has control or significant influence.

It has not been necessary to produce group accounts.

3.19 Value Added Tax

Income and expenditure is shown net of VAT where this is recoverable. Claims to Customs and Excise for the net VAT are made on a monthly basis.

3.20 Post Balance Sheet Events

Where an event occurs after the closure of accounts which is significant then changes will be made to the Statement of Accounts. Otherwise a note of the event will be disclosed.

3.21 Changes in Accounting Practice and Prior Year Adjustments

The 2007/08 accounts include the following changes (from the 2006/07 Accounts) to accounting practice in comparison to previous years, which include alterations to the form and structure of local authority accounts as detailed in SORP 2007: -

Fixed Asset Restatement Account and Capital Financing Account

As noted above, the balances on these accounts at 31 March 2007 (as appeared in the 2006/07 Statement of Accounts) have been consolidated into a new Capital Adjustment Account. This is in line with the changes brought about by SORP 2007.

Revaluation Reserve

As noted above, this is a new inclusion in the Accounts, in accordance with SORP 2007.

Financial Instruments- Assets and Liabilities

The notes to the Balance Sheet include a new Financial Instruments disclosure, which consolidates a number of previous notes (in terms of loans and investment balances at the year-end) but which also discloses information on :-

- the significance of the financial instruments;
- an assessment of the fair value of those financial instruments; and
- exposure to risks arising from those financial instruments (in relation to variable rate balances held).

4. INCOME AND EXPENDITURE ACCOUNT

2006/2007 Net Expenditure £'000		2007/2008			Notes
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
746	Housing – Services	862	(5,781)	(4,919)	
587	HRA Housing	174,600	(11,791)	162,809	
5,668	Cultural, Environmental and Planning Services	10,857	(3,344)	7,513	
727	Highways, Roads and Transport Services	1,553	(434)	1,119	
766	Central Services to the Public	15,839	(15,208)	631	
1,538	Corporate and Democratic Core	2,547	(971)	1,576	
(222)	Unapportionable Central Overheads	533	(216)	317	
9,810	Net Cost of Services	206,791	(37,745)	169,046	
181	Parish Council Precepts			189	
480	Pension Interest Cost and Expected Return on Pension Assets			500	9.6
185	Interest Payable and Similar Charges			137	
(177)	(Surplus) / Deficit on Undertakings Not included in the Net Cost of Services			39	9.1
1,161	Contribution of Housing Capital Receipts to Government Pool			1,476	
(333)	Interest and Dividends Receivable			(448)	9.7
11,307	Net Operating Expenditure			170,939	
	Principal Sources of Finance:-				
(3,102)	Demand from the Collection Fund			(3,248)	
(792)	Revenue Support Grant			(724)	
(24)	Government Grant Previous Year Adjustment			0	
(4,103)	Redistributed Non-Domestic Rates (From National Pool)			(4,317)	
3,286	(Surplus) / Deficit for Year			162,650	

5. STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

2006/2007 £'000		2007/2008 £'000
3,286	(Surplus) / Deficit for year on the Income and Expenditure Account	162,650
(3,328)	Net Additional amount required by statute and non-statutory proper accounting practices to be debited or credited to the General Fund balance for the year	(162,677)
(42)	(Increase) / Decrease in General Fund Balance for the Year	(27)
(348)	General Fund Balance Brought Forward	(390)
(390)	General Fund Balance Carried Forward	(417)

5.1 Note of Reconciling Items for the Statement of Movement on the General Fund Balance

2006/2007 £'000		2007/2008 £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the Year	
(1,219)	Depreciation and Impairment of General Fund Fixed Assets	(165,866)
2,110	Amortisation of Government Grants Deferred	2,134
(2,761)	Write down of deferred charges financed from capital resources	(3,307)
0	Net surplus on sale of fixed assets	2,198
(1,870)	Sub Total	(164,841)
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance	
62	Minimum Revenue Provision for Capital Financing	152
0	Capital Expenditure Charged in year to Revenue	0
(1,161)	Transfer from usable capital receipts to meet payments to Housing Capital Receipts Pool	(1,476)
(150)	Employers Contributions payable to pension fund and retirement benefits payable direct to Pensioners	3,040
(1,249)	Sub Total	1,716
	Transfers to or (from) the General Fund Balance required to be taken into account when determining the Movement on the General Fund Balance for the year	
(593)	Surplus / (Deficit) Transferred to / (from) Housing Revenue Account Balance	279
384	Net Transfer to or (from) Earmarked Reserves	169
(209)	Sub Total	448
(3,328)	Net Additional amount required by statute and non-statutory proper accounting practices to be debited or credited to the General Fund Balance for the year	(162,677)

6. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2006/2007 £'000		2007/2008 £'000
3,286	(Surplus) / Deficit for the year from the Income and Expenditure Account	162,650
7,242	(Surplus) / Deficit arising from the revaluation of Fixed Assets	(2,183)
(260)	Actuarial (Gains) / Losses on Pension Fund assets and liabilities	(2,560)
(50)	Any other (Gains) / Losses required to be included in the STRGL – Collection Fund	42
0	Overhanging Debt Settlement	(19,179)
10,218	Total Recognised (Gains) / Losses for the year	138,770

7. BALANCE SHEET – As at 31 March 2008

Year Ended 31 March 2007		Notes	Year Ended 31 March 2008	
£'000			£'000	£'000
271	Fixed Assets	9.20		
	Intangible Fixed Assets	9.21	221	
	Tangible Fixed Assets			
	Operational Assets-			
163,230	Council Dwellings		99	
17,035	Other Land and Buildings		17,170	
1,206	Vehicles Plant and Equipment		1,106	
755	Infrastructure		1,144	
1,506	Community		1,529	
	Non-Operational Assets			
3,285	Assets Under Construction		630	
2,865	Investment Properties		2,750	
190,153	Total Fixed Assets			24,649
4	Long-Term Debtors	9.22		2,280
765	Deferred Premiums on the Early Repayment of Debt	9.8		94
190,922	Total Long-Term Assets			27,023
	Current Assets			
144	Stocks and work in progress	9.23	17	
6,390	Short-term investments	9.26	24,750	
3,332	Debtors	9.24	5,313	
0	Cash at bank		70	
3	Cash in hand		3	
				30,153
200,791	Total Assets			57,176
	Current Liabilities			
11	Short-term Borrowing	9.26	3,275	
3,380	Creditors	9.25	21,302	
1,787	Cash Overdrawn		0	
				24,577
195,613	Total Assets Less Current Liabilities			32,599
	Long Term Liabilities			
18,759	Long-term Borrowing	9.26		0
0	Long-term Creditors			110
2,283	Capital Grants Unapplied			2,403
34	Deferred Liabilities			34
1,967	Government Grants Deferred			1,852
24,480	Liability Related to Defined Benefit Pension Scheme	9.6		18,880
148,090	Total Assets Less Liabilities			9,320
	Financed by:	9.34		
0	Revaluation Reserve			503
168,223	Capital Adjustment Account			21,472
1,291	Usable Capital Receipts Reserve			464
0	Deferred Capital Receipts			2,274
(24,480)	Pension Reserve			(18,880)
390	General Fund Balance			417
1,300	Housing Revenue Account Balance			1,579
1,366	Earmarked Reserves	9.18		1,491
148,090	Total Net Worth			9,320

8. CASH FLOW STATEMENT

To Follow

9. NOTES TO THE CORE SINGLE ENTITY ACCOUNTING STATEMENTS

9.1 Trading Undertakings

a) Trading Activities

The Council operates a number of Trading Activities as follows:-

		£'000	£'000
The Council owns and manages an outdoor market , in the Town Centre, generating rental income from the letting of market stalls. The trading objective is to maximise the surplus. (The trading surplus for 2006/07 was £27,753)	Turnover	104	
	Expenditure	323	
	Deficit		219
The Council lets 57 units in Industrial Estates located in various parts of the District. The trading objective is to maximise rental income. (The trading surplus for 2006/07 was £196,887)	Turnover	261	
	Expenditure	60	
	Surplus		(201)
The Council owns and manages the Selby Cottage Child Care Facility located in South Pelaw. The trading objective is to break-even before asset charges are applied. The deficit for 2007/08 before asset charges was £66,438 (The trading deficit for 2006/07 was £63,017)	Turnover	438	
	Expenditure	514	
	Deficit		76
Net Deficit on Trading Activities before FRS 17 Adjustment			94
FRS 17 Adjustment – see Note 9.6			(13)
Net Deficit on Trading Activities after FRS 17 Adjustment			81

b) Direct Service Trading Activities

Following the abolition of Compulsory Competitive Tendering the Council now operates a Public Works trading activity which was previously subject to the competition rules under the Local Government Planning and Land Act 1980.

		£'000	£'000
Public Works (Building Maintenance and Major Works) The trading objective is to break-even. (The trading surplus for 2006/2007 was £4,231)	Turnover	2,430	
	Expenditure	2,419	
	Surplus		(11)
Net Surplus on Direct Service Trading Activities before FRS 17 Adjustment			(11)
FRS 17 Adjustment – see Note 9.6			(32)
Net Surplus on Direct Services Trading Activities after FRS 17 Adjustment			(43)

The net surplus shown above is a result of a £10,726 surplus on Building Maintenance Works.

9.2 Section 137 Expenditure

The Local Government Act 2000 granted new powers to authorities in England and Wales to provide well being in their area. As a consequence, the majority of the provisions of Section 137 (Local Government Act 1972) were repealed with effect from October 2000, however, it is still a requirement to disclose any expenditure incurred under Section 137. The Council incurred expenditure amounting to £23,524 in 2007/08 (£28,445 in 2006/07).

9.3 Agency Services

The Council provides certain agency services on behalf of Durham County Council the costs of which are fully reimbursed. As the transactions relating to the agency services are not incurred as part of the Council's normal functions, they are excluded from the Council's Income and Expenditure Account.

However, to facilitate a clearer understanding of the whole range of activities of the Council the following information is provided:

- Gully emptying

The costs incurred in 2007/08 amounted to £55,343 (2006/07 £103,119).

- Managing a gypsy site in the area

After income of £40,934 (2006/07 £22,585) was recovered the net costs amounted to £9,412 (2006/07 £15,767). This amount is reimbursed by the County Council.

In 2006/07 the transactions were incorrectly included in the Income & Expenditure Account but as the amount involved was not material and did not impact on the "Amount to be met from Government Grants and Local Taxation" a prior period adjustment is not required.

9.4 Publicity

Section 5 of the Local Government Act 1986 requires local authorities, with effect from 1 April 1988, to keep a separate account of expenditure on publicity. The definition of publicity is very wide, and as a result certain descriptions of publicity and expenditure have been exempted. However, local authorities may choose to include in the account all expenditure on publicity under the wider definition, and this choice has been exercised in the figures shown below.

	2006/2007 £'000	2007/2008 £'000
Total Expenditure on Publicity	155	181
Comprising:-		
Staff Recruitment	54	39
Housing Matters	12	12
Leisure Matters	14	28
Public Notices	13	33
Regeneration	18	21
Economic Development	0	3
District News	27	20
General Survey	1	0
Other	6	10
Comprehensive Performance Assessment	10	15
	155	181

9.5 Finance and Operating Leases

- (a) The Council is the lessee in respect of a finance lease which was taken out in 2007/08 for alarm equipment that provides emergency services to the elderly. Principal payments made in 2007/08 amounted to £55,000 and at 31 March 2008 the Council is committed to making further principal payments of £110,000 before the end of the lease term in August 2010. This is shown in the Balance Sheet as a Long Term Creditor.
- (b) The Council no longer hold any assets by way of an operating lease.
- (c) The Council acts as lessor under numerous operational leases (rental agreements) for industrial units, commercial and other properties let to charitable or voluntary organisations.

In 2007/08, the Council granted to Chester-le-Street & City of Durham Enterprise Agency, a lease in respect of the former Mechanics Institute for a period of 25 years at a peppercorn rent of £1 p.a.

All these agreements have been accepted as operating leases for the following reasons:

- The total rental income over the lease term does not meet 90% or more of the fair value of any of the assets. If it did, the agreement would be a finance lease.
- The Council maintains responsibility for maintenance and insurance of all of the assets and retains all the risks and rewards of ownership. If this were not the case the agreement would be a finance lease.

In 2007/08, the rental income from these leases amounting to £285,666 (2006/07 - £287,008) was credited to the Income & Expenditure Account – Net Cost of Services.

- (d) In 2007/08, the Council agreed to grant Cestria Community Housing Association Limited the exclusive use of the alarm equipment that provides emergency services to the elderly and for which the Council had taken out a finance lease in 2007/08. It has been accepted that this agreement is a finance lease granted by the Council to Cestria Community Housing Association Limited.

In 2007/08, the principal amount of the rental income due from this finance lease of £8,565.57 was credited to the Useable Capital Receipt Reserve and at 31 March 2008 a further principal amount of £123,374.32 is due before the end of the lease term in August 2010. This is shown in the Balance Sheet both as a Long Term Debtor and a Deferred Capital Receipt.

9.6 Pensions and Retirement Benefits

Employees of the Council may participate in the Local Government Pension Scheme, which provides defined benefits based on final pensionable salary and is administered by Durham County Council Pension Fund (the Fund). In addition, the Council has made arrangements for the payment of unfunded benefits e.g. added years to certain retired employees outside the provisions of the scheme.

The accounts for 2007/08 have been charged with an amount of £1,870,300 (2006/2007 - £1,837,231) in respect of the Council's contribution to the Fund representing 23.47% of pensionable pay or 400% of the employees' contributions of 6% of reckonable pay for staff and 5% for manual employees.

Under superannuation regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

In addition, the Council paid into the Fund £364,110 (2006/07 - £356,328) in respect of both the cost of early retirement and added years awarded to former employees representing 4.84% of pensionable pay.

Further to Note 3.14 in the Statement of Accounting Policies the Council recognises the cost of retirement benefits in the Income & Expenditure Account - Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, in accordance with FRS 17 the charge the Council is required to make against "Amount to be met from Government Grants and Local Taxation" is the amount payable in the year so the real cost of retirement benefits is adjusted in the Statement on Movement on the General Fund Balance.

The latest actuarial valuation of the Fund took place on 31 March 2007.

The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS 17 purposes were:

	31 March 2007 % p.a.	31 March 2008 % p.a.
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 Increase to Deferred Pensions	3.2	3.7
Rate for Discounting for Pension Costs	5.3	6.8

Assets in the Fund are valued at fair value, principally market value for investments. They consist of the categories as set out below showing the total assets held by the Fund for each category together with the long term expected rate of return:

	Estimated Value at 31 March 2007 £m	Long-term rate of return expected at 31 March 2007 % p.a.	Estimated Value at 31 March 2008 £m	Long-term rate of return expected at 31 March 2008 % p.a.
Equity Investments	1,231.7	7.7	659.4	7.6
Government Bonds	109.3	4.7	443.0	4.6
Corporate Bonds	0	5.3	109.3	6.8
Property	35.2	6.7	65.9	6.6
Other Assets	71.8	5.6	100.1	6.0
	1,448.0	7.3	1,377.7	6.4

The Council's assets and liabilities in the Fund are:

	31 March 2007 £m	31 March 2008 £m
Estimated Funded Liabilities	(61.38)	(50.33)
Estimated Unfunded Liabilities	(2.37)	(2.26)
Total Liabilities	(63.75)	(52.59)
Estimated Share of Assets	39.27	33.71
Net Asset/(Liabilities)	(24.48)	(18.88)

Liabilities have been valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the Fund discounted to their present value. The Fund liabilities have been valued by Hewitt Associates Limited, a firm of independent qualified actuaries.

The movement in the net pension liability for the period is as follows:-

	£m
Net Pensions Deficit as at 1 April 2007	(24.48)
Current Service Cost	(1.50)
Past Service Cost	(0.44)
Contributions Paid	2.02
Settlement Cost	3.46
Other Finance Income (Charge)	(0.50)
Actuarial Gains (Losses)	2.56
Net Pensions Deficit as at 31 March 2008	(18.88)

The actuarial gains (losses) can be further analysed as follows:

	2007/2008 £m	
Actual Return Less Expected Return on Assets	(2.71)	-8% of Scheme Assets
Experience Gains (Losses) on Pension Liabilities	(1.91)	-3.6% of the Pension Liabilities
Changes in Assumptions Underlying the Present Value of Pension Liabilities	7.18	13.7% of the Pension Liabilities
Total	2.56	4.9% of the Pension Liabilities

The above figures have been provided by the Actuary to the Fund using information provided by the Fund Administrator 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 £18.88 million net liability represents the difference between the value of the Council's Pension Fund assets at 31 March 2008 and the estimated value of the future pension payments to which it was committed at that date. These pensions liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 31 March 2008 would have an impact on the capital value of the pension fund assets.

Further information can be found in the Annual Report of Durham County Council Superannuation Fund and is available from the County Treasurer, Durham County Council, County Hall, Durham DH1 5UB.

9.7 Interest Receivable

Interest	2006/2007 £'000	2007/2008 £'000
Interest Received on External Investments	(395)	(468)
Interest Received on Employee Car Loans	0	0
Interest Received on Cestria S.25	0	(41)
Interest Received on Cestria Lease	0	(1)
Interest Payable to Inland Revenue	1	1
Total Interest Received	(394)	(509)
Less Recharged to Other Accounts	61	61
Net Credit to Income and Expenditure Account	(333)	(448)

9.8 Premiums / Discounts on Early Redemption of Debt

The repurchase (early redemption) of external debt generates either a premium or discount as a result of interest rate differentials. Where the interest rate on a loan redeemed is higher than the prevailing rate available at the date of redemption, a premium is incurred, where it is below a discount is earned.

In accordance with recommended accounting practice, premiums and discounts incurred on such repayments are being amortised to revenue accounts over a number of years, as outlined in the Statement of Accounting Policies. The impact on revenue accounts is shown below:-

	2006/2007 £'000	2007/2008 £'000
General Fund Premiums	2	2
HRA Premiums	115	0
Total Charge	117	2

All premiums chargeable to the HRA were written off in 2007/2008 as part of the arrangements to transfer the Council's housing stock to Cestria Community Housing Association Limited.

9.9 Minimum Revenue Provision

Under the terms of the Local Government and Housing Act 1989 the Council is required to charge its revenue accounts with an amount to provide for the repayment of external debt. The amounts, known as the Minimum Revenue Provision (MRP) included in the accounts are detailed below:-

	2006/2007 £'000	2007/2008 £'000
Actual Depreciation Charged to Revenue Accounts (Including Amortisation of Intangible Assets)	(1,219)	(1,005)
Impairment of Assets	0	(1,673)
General Fund MRP (4% of Opening Capital Financing Requirement)	61	152
Excess Depreciation over MRP	(1,158)	(2,526)
Credit to Income and Expenditure Account	(1,158)	(2,526)

9.10 Acquired and Discontinued Operations

The information contained in the Income and Expenditure Account relates to continuing services. During 2007/08 the Council transferred both the ownership, the provision of the service and the future liabilities associated with the council housing stock to Cestria Community Housing Association Limited on 4 February 2008. The accounts, as at the financial year end, therefore reflect the position following the transfer.

9.11 Officers' Emoluments

The number of employees whose remuneration in 2007/08, excluding pension contributions, was £50,000 or more, in bands of £10,000 are as follows:-

Remuneration Band	2006/2007 Number of Employees	2007/2008 Number of Employees
£50,000 - £59,999	3	1
£60,000 - £69,999	1	3
£70,000 - £79,999	3	1
£80,000 - £89,999	0	0
£90,000 - £99,999	0	0
£100,000 - £109,999	0	0
£110,000 - £119,999	1	1

9.12 Members Allowances

During 2007/08, the total sum paid to Members in respect of basic allowance and special responsibility allowance was as follows:-

Type of Allowance	2006/2007 £'000	2007/2008 £'000
Basic Allowance	139	150
Special Responsibility Allowance	37	40
Total	176	190

9.13 Insurance Provisions/Self Insurance

The Council self-insures its housing properties in respect of fire and storm damage and associated risks. There is, however, a limit of £50,000 on the total value of claims which can be met internally in any year. Claims above this figure are met by external insurers.

The balance on the insurance fund as at 31 March 2008 was £232,304. £50,000 is earmarked to cover the maximum cost of claims chargeable under the fire policy. The balance of £182,304 is available to meet the costs of certain events which may not result in claims to the Council's insurers.

9.14 Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 (SI 1998 No. 3129) require an authority to disclose information regarding the nature, turnover and profits/losses of the Building Control Account. The statement below shows the total cost of operating the Building Control service divided between the chargeable and non-chargeable activities for 2007/08, the eighth year of the scheme. The Government requires the Building Control Trading Account to break-even over a three year period, subject to local authorities recovering at least 90% of their operating costs.

	Chargeable 2007/2008 £'000	Non Chargeable 2007/2008 £'000	Total Building Control 2008/2008 £'000
Expenditure:			
Employees	54	41	95
Supplies and Services	7	5	12
Third Party Payments	14	0	14
Direct Support Services	4	3	7
Indirect Support Services	15	11	26
	94	60	154
Income:			
Building Control Fees	104	0	104
Building Control Notice	11	0	11
	115	0	115
Surplus/(Deficit) for the Year	21	(60)	(39)

9.15 Local Authority (Goods and 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:-

	2006/2007 £'000	2007/2008 £'000
Housing Maintenance Works for Housing Associations	1	0
Emergency Alarm Monitoring for Housing Associations	31	9
Vehicle Safety Checks and Servicing	3	1
Grounds Maintenance Works	1	3
Internal Audit Services	0	4
	36	17

9.16 Related Party Transactions

The Council is required, under Financial Reporting Standard FRS 8, to disclose material transactions with related parties that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council may have been constrained in its ability to operate independently or may have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties e.g. housing benefits. Details of transactions with government departments are disclosed in Note 9.38 page 58.

Members, Chief Officers, Service Team Managers (including family and household members) and entities controlled by them.

Members of the Council have direct control over the Council's financial and operating policies. Chief Officers and Service Team Managers might be in a position to influence significantly the policies of the Council. Family or household members may have an ability to influence Members, Chief Officers or Service Team Managers.

Guidance has been issued to make Members, Chief Officers and Service Team Managers aware of the requirement to declare interests relevant to the Council and they have been requested to complete and return a specific declaration in respect of related party transactions.

In 2007/08, a number of Members declared that they or their spouse had positions on outside bodies funded by the Council. These bodies are shown below:

- Groundwork West Durham
- Arts Council
- Pelton Fell Neighbourhood Regeneration Partnership
- North East Direct Access
- Local Government Association
- Citizen's Advice Bureau
- Council for Voluntary Services
- Urpeth Residents Association

Three Members have disclosed that they are on the Board of Cestria Community Housing Association Limited following the transfer of the Council's housing stock on the 4 February 2008.

14 Members have disclosed that they serve on Parish Councils within Durham.

All payments were made with proper consideration of declarations of interest, details of which are recorded in the Register of Members' Interest which is open to public inspection. The relevant Members did not take part in any related discussions or decisions.

There was no declarable transaction undertaken with the Council by any Chief Officer, Service Team Manager, their family or household members. One Officer disclosed that as part of their duties they were required to be on the Board of Pelton Fell Neighbourhood Regeneration Partnership.

Durham County Council

The Council provides functions through agency service agreements on behalf of Durham County Council covering gully emptying and managing a gypsy site in the area, details of which are disclosed in Note 9.3 page 28.

Durham County Council is the administering authority to the Durham County Council Pension Fund in respect of the Local Government Pension Scheme on behalf of the Council, details of which are disclosed in Note 9.6 page 30 - 32.

County Durham E – Government Partnership

The Council has joint control of the County Durham E-Government Partnership through serving on the joint committee with Durham County Council and the seven district councils within Durham. Wear Valley District Council is the lead authority for the partnership which carries out various projects e.g. Customer Relationship Management System. The financial transactions of the Partnership are disclosed in Note 9.31 page 55.

Precepting Authorities

The precepting of Council Tax by Durham County Council, Durham Police Authority and Durham & Darlington Fire Authority are disclosed in the Collection Fund page 70.

9.17 External Audit Costs

The Council has paid the following amounts to the Audit Commission in respect of external audit services:-

	2006/2007 £'000	2007/2008 £'000
Audit Fee	104	142
Inspection Fee	11	5
Grant Claims Audit	19	19
Other	2	1
	136	167

9.18 Earmarked Reserves

GENERAL FUND	2006/2007 £'000	2007/2008 £'000
Earmarked Reserves and Balances:-		
Insurance Reserve	176	233
General Fund LSVT Reserve	0	0
Miscellaneous Earmarked	1,128	1,239
Special Reserve	5	7
Unallocated Revenue Reserve	7	4
Collection Fund	50	8
	1,366	1,491

9.19 Exceptional Items and Prior Year Adjustments

There were no material exceptional items or Prior Year Adjustments in 2007/08.

9.20 FIXED ASSETS**Movements on Tangible Fixed Assets 2007/08**

	Operational Assets					Non-Operational Assets		Total
	Council Dwellings	Other Land & Buildings	Plant & Vehicles	Infra-structure	Community	Investment	Other	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Certified Valuation as at 31 March 2007	173,054	18,286	2,154	798	1,518	2,865	3,310	201,985
Accumulated Depreciation and Impairment	(9,824)	(1,251)	(948)	(43)	(12)	0	(25)	(12,103)
Net Book Value of Assets at 31 March 2007	163,230	17,035	1,206	755	1,506	2,865	3,285	189,882
Movement 2007/08								
Additions	2,506	183	534	1,223	16	14	30	4,506
Disposals	(2,053)	0	(132)	0	0	0	0	(2,185)
Restatements	32	1,398	100	439	23	59	(2,643)	(592)
Revaluations	62	473	0	0	0	30	0	565
Depreciation	(4,118)	(614)	(386)	(7)	0	0	(12)	(5,137)
Impairments	(159,560)	(1,305)	(217)	(1,266)	(16)	(217)	(30)	(162,611)
Net Book Value of Assets at 31 March 2008	99	17,170	1,105	1,144	1,529	2,751	630	24,428

The transfer of the Council's housing stock to Cestria Community Housing Association Limited on the 4 February 2008 had the effect of extinguishing assets to the value of £163 million from the Council's Balance Sheet

Following a full review of the asset register in 2007/08, a number of assets were restated. As a result £141,431.58 was identified as Intangible Fixed Assets and £450,248.91 was capital expenditure which did not create a tangible fixed asset and therefore was deemed to be a Deferred Charge.

Disposal of Assets

Disposals relate to assets sold and transferred in the year and equal the value at which those assets were held in the Balance Sheet. Details are as follows:-

	2007/2008 £'000
Right to Buy Sales	2,053
Alarm Equipment to Cestria Community Housing Association Limited	132
Housing Stock Transfer to Cestria Community Housing Association Limited	0
	2,185

When an asset is disposed of, the value in the Balance Sheet is netted off against the receipt from the sale in the Income & Expenditure Account as part of the Gain or Loss on Disposal of Fixed Assets.

Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Net Assets Employed

The net assets employed represents the aggregate of reserves attributable (both revenue and capital) to the Council, and as such represent the sum of the local taxpayers' equity. An analysis of net assets employed is as follows:-

	31 March 2007 £'000	31 March 2008 £'000
General Fund	(5,473)	7,733
Housing Revenue Account	153,432	1,579
Direct Labour/Service Organisation	80	0
Collection Fund	51	8
	148,090	9,320

Valuation and Impairment

The revaluation and impairment review undertaken by the District Valuer (Elizabeth M. Josephs - Member of the Royal Institute of Chartered Surveyors) identified the need to impair the value of the Market Place. This followed a reduction in the receivable income between 1 April 2007 and 1 April 2008 due to an increase in competition from the development of alternative outlets such as discount stores, charity shops, on-line selling and retail parks. Furthermore, this asset has recently been reduced in size to accommodate a new public open-plan seating area thus reducing the space available for market stalls. The rateable value of the Market Place, based upon rental value, has been reduced from £100,000 in 2000 to £72,000 in 2007 reflecting a general trend of reduced trade.

The valuation of the Market Place is therefore reduced to £190,000 from £360,935.14 to reflect the changes in circumstances affecting the asset.

Capital Expenditure and Financing 2007/08

Expenditure on the acquisition of fixed assets and deferred charges was financed from the following sources:-

Capital Financing	£'000	Capital Expenditure	£'000
Major Repairs Allowance	1,983	Fixed Assets	4,555
Capital Receipts	3,084	Deferred Charges	2,856
Borrowing	190		
Government Grants	127		
Other Grants and Contributions	2,027		
	7,411		7,411

Capital Commitments

The Council has commitments of £2.441 million into 2008/09, of which £0.567 million has been contractually committed and £1.874 million approved but not yet contractually committed.

A summary of these commitments is shown below:-

	Expenditure Approved and Contracted at 31 March 08 £'000	Expenditure Approved but not Contracted at 31 March 08 £'000
Town Centre Regeneration Scheme	180	0
Industrial Sites	0	20
Cemeteries and Footpaths	0	100
Car Parking	0	22
Signage at the Leisure Centre	0	10
Boiler at Riverside Pavilion	0	5
Floodlighting at Athletics Track	0	9
Energy Efficiency Schemes	0	160
Sacriston Community Centre	28	200
Civic Centre Works	170	0
IEG Schemes	14	0
Contribution to A693 Roundabout Works	100	0
Pelton Fell Relocation Grants	75	0
Pelton Fell - Environmental Works	0	290
Pelton Fell – Other Works	0	1,058
	567	1,874

Statement of Physical Assets

Tangible fixed assets owned by the Council include the following:-

	31 March 2007	31 March 2008
Council Dwellings	4,331	1
Operational Buildings		
Civic Centre	1	1
Depots	2	2
Maintenance Stores/Depots	5	5
Recreational and Communal Rooms	15	13
Car Parks	15	15
Golf Club	1	1
Cricket Academy	1	1
Former Careline Control Room	1	1
Market	1	1
Greenhouses	1	1
Public Halls	2	1
Public Conveniences	3	3
Leisure Centres (inc. pools)	1	1
Riverside Sports Pavilion	1	1
Childcare Nursery	1	1
Avenues Resource Centre	1	0
Garages	1,006	57
Operational Equipment		
Vehicles	23	23
Heavy Plant	21	21
Infrastructure Asset		
Roads and Sewers	5km	5km
Community Assets		
Parks and Open Spaces (acres)	56.6	56.6
Allotments	104	104
Cemetery Land (acres)	18.7	18.7
Investment Properties		
Industrial Units	57	57
Council Owned Shops	19	0
Community Centres	2	3
Mile House	1	1
Cricket Ground (Kimblesworth)	1	1
Donald Owen Clark Centre	1	1
Riverside Park Centre	1	1

9.21 Intangible Asset Charges

	31 March 2007 £'000	31 March 2008 £'000
Balance Brought Forward	361	271
Expenditure in Year		
GIS	19	0
Housing	0	117
E. Government/ICT	22	23
Planning	0	11
Revenues and Benefits	18	39
Amounts w/o to Income and Expenditure Accounts	(149)	(240)
Balance Carried Forward	271	221

9.22 Long Term Debtors

	31 March 2007 £000	31 March 2008 £000
Car Loans	4	7
Cestria Finance Lease	0	123
Cestria VAT Shelter	0	2,150
	4	2,280

9.23 Stocks

	31 March 2007 £'000	31 March 2008 £'000
Stocks		
Sacriston Depot	13	13
DLO – Joiners Shop	0	0
DLO – Bullion Lane Depot	124	0
Leisure Centre	7	4
	144	17

9.24 Debtors

The value of Debtors at 31 March 2008 was £5,313,073.15 (31 March 2007 £3,331,867.93) included in the Balance Sheet net of provisions for bad debts is analysed as follows:

	31 March 2007 £'000	31 March 2008 £'000
Government Departments	1,429	442
Other Local Authorities	87	52
Housing Rents	506	0
Sundry Debtors	465	427
Non-Domestic Ratepayers	335	259
Council Tax Payers	1,043	1,104
Former Rate Payers	0	0
Third Party Debtors	452	3,592
Sub Total	4,317	5,876
Less: Provision for Doubtful Debts	(985)	(563)
Total	3,332	5,313

9.25 Creditors

The value of Creditors at 31 March 2008 was £21,302,573.56 (31 March 2007 £3,379,765.92) included in the Balance Sheet is analysed as follows:

	31 March 2007 £'000	31 March 2008 £'000
Government Departments	1,001	935
Other Local Authorities	587	329
Sundry Creditors	1,074	1,262
Ratepayers	0	0
Third Party Creditors	718	18,776
Total	3,380	21,302

9.26 Financial Instruments – Assets and Liabilities

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

	Long Term		Current	
	Year Ended 31 March 2007	Year Ended 31 March 2008	Year Ended 31 March 2007	Year Ended 31 March 2008
	£000	£000	£000	£000
Financial liabilities (principal amounts)	18,759	0	11	3,275
Financial liabilities at amortised costs	18,759	0	11	3,275
Financial liabilities at fair value through the I & E	0	0	0	0
Total Borrowings	18,759	0	11	3,275
Loans and receivables (principal amount)	0	0	6,390	24,750
Loans and receivables at amortised cost	0	0	6,390	24,750
Available for sale financial assets	0	0	0	0
Financial assets at fair value through the I & E	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Total Investments	0	0	6,390	24,750

Financial Instruments Gains and Losses

There were no gains or losses recognised in the Income and Expenditure Account and the Statement of Recognised Gains and Losses (STRGL) in relation to financial instruments during 2006/07 or 2007/08.

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;

For loans receivable prevailing benchmark market rates have been used to provide the fair value;

No early repayment or impairment is recognised;

Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:-

	Year Ended 31 March 2007		Year Ended 31 March 2008	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	18,759	19,234	0	0
Non PWLB Debt	0	0	3,275	3,275
Total Debt	18,759	19,234	3,275	3,275
Trade Creditors	3,380	3,380	21,302	21,302
Total Financial Liabilities	22,139	22,614	24,577	24,577

The fair value is greater 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 in the market at the Balance Sheet date.

	Year Ended 31 March 2007		Year Ended 31 March 2008	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans < 1 year	6,390	6,390	24,750	24,750
Money Market Loans > 1 year	0	0	0	0
Trade Debtors	465	465	427	427
Total Loans and Receivables	6,855	6,855	25,177	25,177

The differences are attributable to fixed interest instruments payable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date, and include accrued interest. The fair value for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments. It should be noted that the redemption rules applying to PWLB debt changed on 1 November 2007, and are less favourable than the previous procedures. As a result the fair value figures for 31 March 2008 are relatively higher (more costly to redeem) than the 31 March 2007 comparators.

The fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

Details of non PWLB debt held at the end of the year are as follows:-

Year Ended 31 March 2007		Year Ended 31 March 2008
£000		£000
0	Co-operative Bank	3,275
0		3,275

Details of short term investments held at the end of the year are as follows:-

	31 March 2007 £'000	31 March 2008 £'000
Abbey Business Reserve	1,000	0
Co-operative Bank Reserve	1,390	0
Allied Irish Bank	2,000	750
Landsbanki Islands HF	2,000	0
Kaupthing Singer & Friedlander		2,000
Derbyshire Building Society		2,000
Stroud & Swindon Building Society		2,000
Skipton Building Society		2,000
West Bromwich Building Society		2,000
Coventry Building Society		2,000
Scarborough Building Society		2,000
Nationwide Building Society		2,000
Britannia Building Society		2,000
EBS Building Society		2,000
Clydesdale Bank		2,000
Co-operative Bank		2,000
Total	6,390	24,750

Other – Soft Loans SORP 2007 also requires that local authorities that grant loans to third parties at below market rates account for them on a fair value basis. The fair value is the present value of all future cash receipts discounted using the prevailing market interest rate for a similar instrument and for an organisation with a similar credit rating. LAAP Bulletin 73 confirms that materiality needs to be taken into consideration and where the value is not material the new accounting adjustments need not be followed. The SORP requires that the difference between cash lent and fair value be recognised immediately in the Income and Expenditure Account. The fair value of a soft loan will increase over the term of the loan, because the amount of interest forfeited will reduce. This is reflected by increasing the carrying value of the loan to reflect the unwinding of the discount. The resulting increase in value is recognised in the Income and Expenditure Account. The impact of a soft loan upon the Income and Expenditure Account will therefore be neutral over the period of the loan.

Disclosure of nature and Extent of Risk Arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:-

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways: -

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:

The Council's overall borrowing;

- Its maximum and minimum exposures to fixed and variable rates;
- Its maximum and minimum exposures the maturity structure of its debt;
- Its maximum annual exposures to investments maturing beyond a year.

by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance. These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual outturn performance is also reported to Members.

The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

There have not been any material defaults which have affected the information contained in the following table, either by omission or having the balance adjusted.

	Amount at March 2008	Historical experience of default	Adjustment for market conditions at 31 March 2008	Estimated maximum exposure to default
	£000			£000
Deposits with banks and financial institutions:				
AAA rated counterparties	0	0.001%	0.001%	0
AA rated counterparties	4,750	0.027%	0.027%	1
A rated counterparties	14,000	0.627%	0.627%	88
Other counterparties	6,000	0.627%	0.627%	38
Bonds – AAA rates	0	0.001%	0.001%	0
Trade debtors	427	5.000%	5.000%	21
	25,177			148

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Collateral – During the reporting period the Council held no collateral as security.

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 management and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

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 management and investment strategies address the main risks.

These include: -

- 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:-

	31 March 2007	31 March 2008
	£000	£000
Less than 1 year	11	3,275
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
Between 5 and 10 years	0	0
Over 10 years	18,760	0
	18,771	3,275

The maturity analysis of financial assets is as follows:-

	31 March 2007	31 March 2008
	£000	£000
Less than 1 year	6,390	24,750
Between 1 and 2 years	0	0
Between 2 and 3 years	0	0
More than 3 years	0	0
	6,390	24,750

All trade and other payables are due to be paid in less than one year. These are not shown in the tables above.

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.

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.

9.27 Local Area Agreements (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 purpose of the LAA is:

- 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.

The LAA partners are:

- 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, One Voice Network.
- 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.

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.

As a body in receipt of grant from the partnership and not the accountable body, Chester-le-Street 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 spent by the Council in providing services.

The total amount of LAA grant received by Durham County Council in 2007/08 was £24,120,289 (2006/07 £5,492,067). Chester-le-Street District Council received £153,743 in 2007/08 (2006/07 £113,932) of this total grant to fund its own services.

9.28 Deferred Charges

The treatment of Deferred Charges is explained in the Statement of Accounting Policies in note 3.8 on page 16. Any balance outstanding at the year end is now classified as an intangible asset. Details for the year are as follows:-

	2006/2007 £'000	2007/2008 £'000
Balance at start of year	0	0
Expenditure	2,760	3,307
Less amounts written off to:- Capital Financing Account	2,760 (2,760)	3,307 (3,307)
Balance at end of year	0	0

9.29 Provisions

Provisions are charged to services in the year in which they are recognised and relate to expenditure which is committed, but the specific amounts or date of transaction may be uncertain. Provisions for bad debts are shown as a reduction of the debtors to which they relate, rather than as financial provisions. The Council has no other provisions as at 31 March 2008.

9.30 Contingent Liabilities

On 30 September 1992, the Council's insurers, Municipal Mutual Ltd (MMI) ceased accepting new business. The Council's accounts show no amounts due from MMI at 31 March 2008. However, there are a number of outstanding claims in respect of third parties, and it is possible that these will not be met fully. Claims amounting to £429,434.41 have been paid by MMI up to 31 March 2008 and estimated outstanding claims as at that date amount to nil. There is a possibility that not all outstanding claims will be fully met and if the scheme of arrangements is triggered, a clawback may occur which could amount to the total value of claims paid, less £50,000.

The Council is currently subject to two claims for costs against the authority in respect of planning cases. Lawyers are engaged in the process and the potential liability is, at this stage, unknown.

The Council has entered into a number of financial guarantees with Cestria Community Housing Association Limited; however these guarantees are not related to the performance of Cestria Community Housing Association Limited in relation to a debt instrument. As such these guarantees fall to be considered under FRS 12 as a contingent liability rather than a financial guarantee contract under the requirements specified in accounting for financial instruments in the 2007 SORP. These financial guarantees include:

- A pension guarantee whereby the Council has agreed to protect the Pensions Administering Authority against the insolvency, winding-up or liquidation of Cestria Community Housing Association Limited;
- An environmental warranty has been provided through an external insurance company. This indemnifies the Council against any claims arising from pollution legal liability.
- There are a number of other less significant warranties specified in the Transfer Agreement between the Council and Cestria Community Housing Association Limited and include staff warranties and an asbestos indemnity.

9.31 Joint Venture - County Durham E-Government Partnership

An e-government partnership was formally established as a joint committee in November 2003 to carry out various projects e.g. Customer Relationship Management (CRM) System, for Durham County Council and the seven District Councils. This is a separate legal entity with its own audit arrangements.

Although the Council does not have control of the joint committee it does have joint control and therefore it is appropriately accounted for as a Joint Venture.

In order to disclose the full extent of the financial activities of the joint committee Wear Valley District Council, the Accountable Body, has provided the following financial summary:

Income and expenditure account for the year ended 31 March 2008

	2006/2007 £'000	2007/2008 £'000
Balance as at 1 April 2007	1,115	834
Income		
Council Contributions	545	675
Interest Earned	34	32
	1,694	1,541
Expenditure	860	878
Balance as at 31 March 2008	834	663

During 2007/08, the Council contributed £55,149 towards the income of the partnership.

9.32 Investments in Related Companies

The Council has no investments in, or financial association with, any related businesses or companies.

9.33 Accounts Authorised for Issue

The date that the Statement of Accounts was authorised for issue was 24 June 2008 and the name of the person who gave authorisation was Ian Herberon (Head of Corporate Finance and Section 151 Officer).

9.34 Movement in Reserves

Reserve	Balance at 1 April 2007 £'000	Net Movement in Year £'000	Balance at 31 March 2008 £'000	Purpose
Revaluation Reserve	0	503	503	Cumulative unrealised gains and losses (since 1 April 2007) arising from holding fixed assets
Capital Adjustment Account	168,223	(146,751)	21,472	This reserve provides the balancing mechanism between the different rates at which assets are depreciated and financed. The balance at 1 April 2007 represents the closing value on the former Fixed Asset Restatement Account and Capital Financing Account in last years Balance Sheet
Usable Capital Receipts Reserve	1,291	(827)	464	Proceeds of fixed asset sales to meet future capital investment
Deferred Capital Receipts	0	2,274	2,274	Proceeds from the sale of fixed assets which will be received in instalments over an agreed period of time
Pensions Reserve	(24,480)	5,600	(18,880)	Balancing amount to allow inclusion of pension liability in Balance Sheet
HRA Reserve	1,300	279	1,579	Resources available to meet future running costs for council houses
General Reserve	390	27	417	Resources available to meet future running costs for non housing services
Other Earmarked Reserve	1,366	125	1,491	Reserves set aside for specific purposes/ commitments
Total	148,090	(138,770)	9,320	

9.35 Post Balance Sheet Events

Non-adjusting event:

It has come to light that the Council holds a £30,000 debenture in the Association of District Councils (ADC) Debenture Scheme. This debenture will be repaid in mid July 2008 together with a debenture premium of £4,500 which is in accordance with the Trust Deed.

9.36 Introduction to Cash Flow Statement

The Cash Flow Statement consolidates and summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

9.37 Reconciliation of Revenue Surplus / (Deficit) to Net Cash Flow

To follow

9.38 Other Government Grants
To follow

10. HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE ACCOUNT

Year Ended 31 March 2007		Notes	Year Ended 31 March 2008	
£'000			£'000	£,000
	Income			
10,505	Dwelling Rents	10.2	9,244	
268	Non-Dwelling Rents		211	
248	Charges for Services and Facilities		254	
179	Contributions Towards Expenditure		164	
0	Government Grants Receivable		1,877	
0	Sums Directed by the Secretary of State that are Income in Accordance with UK GAAP		0	
11,200	Total Income			11,750
	Expenditure			
2,826	Repairs and Maintenance		2,500	
3,029	Supervision and Management		2,381	
22	Rents, Rates, Taxes and Other Charges		13	
1,807	Negative Housing Revenue Account Subsidy Payable	10.4	1,609	
5,139	Depreciation and Impairment of Fixed Assets	10.6	165,241	
23	Amortisation of Deferred Charges and Intangible Assets	10.6	8	
43	Debt Management Costs		44	
206	Increase in Bad Debt Provision	10.3	114	
13,095	Total Expenditure			171,910
1,895	Net Cost of HRA Services per Authority Income and Expenditure Account			160,160
278	HRA Services Share of Corporate Democratic Core		281	
0	HRA Share of Other Amounts included in the whole Authority Net Cost of Services not Allocated to Specific Services		0	
				281
2,173	Net Cost of Services			160,441
0	(Gain) or Loss on Sale of HRA Fixed Assets			0
696	Interest Payable and Similar Charges			665
115	Amortisation of Premiums and Discounts			1,877
	Government Grants deferred			(135)
(50)	Other items in accordance with SORP / statute			(50)
	Interest and Investment Income			
0	Pensions Interest Cost and expected return on Pensions Assets			0
2,934	(Surplus) or Deficit for the Year on HRA Services			162,798

**STATEMENT OF THE MOVEMENT ON THE
HOUSING REVENUE ACCOUNT BALANCE**

Year Ended 31 March 2007		Year Ended 31 March 2008
£'000		£'000
2,934	(Surplus) or Deficit for the Year on the HRA Income and Expenditure Account	162,798
(2,341)	Net Additional Amount Required by Statute to be Debited or (Credited) to HRA Balance for the Year	(163,077)
593	(Increase) or Decrease in the Housing Revenue Account Balance	(279)
0	Transfer to/(from) Other HRA Earmarked Reserves	0
(1,893)	Housing Revenue Account Surplus Brought Forward	(1,300)
(1,300)	Housing Revenue Account Surplus Carried Forward	(1,579)

**NOTE TO THE STATEMENT OF MOVEMENT ON THE
HOUSING REVENUE ACCOUNT BALANCE**

Year Ended 31 March 2007		Year Ended 31 March 2008	
£'000		£'000	£'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year		
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	(1,877)	
0	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with the statutory HRA	2,012	
	Gain or loss on sale of HRA fixed assets		
10	Net charges made for retirement benefits in accordance with FRS17	55	
10			190
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
(2,634)	Transfers to or (from) Major Repairs Reserve	(2,240)	
0	Transfers to or (from) Housing Repairs Account	0	
0	Transfers to or (from) other Housing Reserves	0	
0	Employer's contributions payable to the Local Government Pension Fund and retirement benefits payable direct to pensioners	0	
0	Voluntary set aside for debt repayment	0	
(152)	Impairment of Fixed Assets	(161,027)	
435	Capital expenditure funded by the HRA	0	
(2,351)			(163,267)
(2,341)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		(163,077)

Notes to the Housing Revenue Account

10.1 Housing Stock

The Council owned one Housing Revenue Account dwelling (awaiting demolition) at 31 March 2008 (4,331 at 31 March 2007). The stock analysis was as follows:-

	Houses	Flats	Bungalows	Total
Stock as at 1 April 2007	2,529	649	1,153	4,331
Sales	34	4	0	38
Reclassification (add)	1	0	0	1
Demolitions	1	0	0	1
Disposals	2,494	645	1,153	4,292
Buy Back	0	0	0	0
Stock as at 31 March 2008	1	0	0	1

10.2 Rent Income

During the year 1.17% of rent income was not charged on properties that were classed as void, compared with 1.26% in 2006/07. The average rent (52 week year) in 2007/08 was £49.38 a week, compared with £47.04 in 2006/07. It incorporated an average increase of 5.00% applied on 1 April 2007. The accrual of rent income ceased with effect from 4 February 2008.

10.3 Rent Arrears and Provision for Bad Debts

Net rent arrears at 4 February 2008 amounted to £317k (£439k at 31 March 2007), which represents 4.8% (4.2%) of the gross rent debit after deducting voids. The provision for bad debts was fully utilised in year to write off all the arrears not transferred to Cestria Community Housing Association Limited.

A charge to the provision of £114k was made in 2007/08 for irrecoverable rent and service charge arrears, compared to a charge of £113k in 2006/07. Bad debts amounting to £69k (£75k) were written off against this provision during 2007/08. Cestria Community Housing Association Limited contributed £139k towards the arrears in order that the net provision for rent arrears at 31 March 2008 stands at £0 (£333k at 31 March 2007) as all arrears were transferred to Cestria Community Housing Association Limited.

	2006/2007 £'000	2007/2008 £'000
Gross Arrears as at 31 March	518	516
Increase in bad debt provision	113	114
Contribution from Cestria Community Housing	0	139
Bad Debts Written Off	75	69
Net Provision for Bad Debts as at 31 March	333	0

10.4 HRA Housing Subsidy

	2006/2007 £'000	2007/2008 £'000
Management and Maintenance Allowance	5,413	4,713
Major Repairs Allowance	2,376	1,982
Charges for Capital	1,208	856
	8,997	7,551
Less:		
Notional Income on Rents	(10,881)	(9,387)
Adjustment re previous years	(15)	(9)
Add:		
Rent Constraint Allowance	92	236
Negative Subsidy Payable to Secretary of State	1,807	1,609

From 1 April 1990 the Housing Revenue Account was, by legislation, “ring-fenced” and no discretionary transfers to or from the General Fund are permitted.

The rent constraint allowance is received from Government to offset the loss of rent income due to restricting the average weekly increase in year to 5%.

The calculation of Housing Subsidy is based on a “notional” Housing Revenue Account up to 4 February 2008, the date of transfer, and is a net negative amount i.e. payable to Central Government.

Following the Local Government Act 2003 the responsibility for Rent Rebate costs and subsidy was transferred to the General Fund, with effect from 1 April 2004.

10.5 Capital Financing Costs

The interest paid on the use of both external and internal loans is included in the HRA Operating Account, ensuring that the HRA only bears the actual net cost of interest paid. The total outstanding housing debt was fully repaid with effect from 7 February 2008.

	2006/2007 £'000	2007/2008 £'000
Interest Payable	696	665
CAPITAL ASSET CHARGE	696	665

10.6 Depreciation and Impairment Charge

The depreciation charged to the Housing Revenue Account for 2007/08 amounted to £4,222k compared with £4,987k in 2006/07. An analysis is shown below:-

	2006/2007 £'000	2007/2008 £'000
Intangible Assets	23	158
Operational Property	93	1,010
Council Dwellings	5,027	163,615
Vehicles, Plant and Equipment	5	192
Infrastructure	14	43
Investment Properties	0	231
Total Depreciation and Impairment Charge	5,162	165,249

The above includes an Impairment charge in 2007/08 amounting to £161,027k (Intangible Assets £150k, Operational Property £952k, Council Dwellings £159,497k, Vehicles, Plant and Equipment £154k, Infrastructure £43k and Investment Properties £231k), compared to £152k in 2006/07 (Operational Property £7k and Council Dwellings £145k).

10.7 Capital Expenditure and Financing

The Council spent £2.506 million of Capital Expenditure during 2007/08, up to 4 February 2008, on its Housing Revenue Account assets, compared with £5.286 million in 2006/07. An analysis is shown below:-

	2006/2007 £'000	2007/2008 £'000
Improvements to Council Dwellings	5,286	2,506
Other	0	0
Total Capital Expenditure	5,286	2,506

The above Capital Expenditure was financed as follows:-

	2006/2007 £'000	2007/2008 £'000
Major Repairs Allowance	2,376	1,982
Supported Capital Expenditure	190	190
Capital Receipts	181	298
Other Contributions	9	36
Borrowing	2,200	0
Revenue	330	0
	5,286	2,506

The Local Government Act 2003 introduced the Prudential Capital Regime which removed the controls previously placed on the Council's borrowing which was through the calculation of Basic/Supplementary Credit Approvals (controlling the amount of borrowing in any year).

In 2007/08 the Council received the following capital receipts:-

	2006/2007 £'000	2007/2008 £'000
Council House Sales (Right to Buy Legislation)	1,628	2,053
Discount Recovered	62	42
Operational Property	55	36
Council Mortgage Repayments	1	0
	1,746	2,131

10.8 Movement on the Major Repairs Reserve

The movement on the Major Repairs Reserve during 2007/08 was as follows:-

	2006/2007 £'000	2007/2008 £'000
Opening Balance	0	0
Amount transferred to Major Repairs Reserve (Depreciation)	(5,010)	(4,222)
Amount transferred from Major Repairs Reserve to HRA	2,634	2,240
Funding of Capital Expenditure on HRA Assets	2,376	1,982
Closing Balance	0	0

10.9 Housing Assets Valuation

The Balance Sheet valuations of the Housing Revenue Account Assets are shown below:-

	Valuation at 31 March 2007 £'000	Valuation at 31 March 2008 £'000
Operational Assets	1,621	579
Council Dwellings	163,230	99
Infrastructure	493	0
Investment Property	203	0
Vehicles, Plant & Equipment	5	0
Assets In the Course of Development	105	0
Intangible Assets	41	0
Total Balance Sheet Valuation	165,698	678

There was only one dwelling (awaiting demolition) held at vacant possession value of £5k in the Housing Revenue Account as at 31 March 2008, together with 10 Recreational and Communal Rooms (without accommodation) and 57 Garages following the transfer of housing assets to Cestria Community Housing Association Limited.

10.10 Impairment

An Impairment charge has been actioned totalling £161,027k in respect of:-

	2007/2008 £'000
Demolitions	96
Disposals – Right to Buy Sales	1,029
Disposals – Transfer of Stock to Cestria Community Housing	157,215
Capital Expenditure on Assets Not Adding Value	2,687
	161,027

See more detailed note 10.12 below in Exceptional Items

10.11 Deferred Charges

There were no deferred charges attributable to the Housing Revenue Account in 2007/08.

10.12 Exceptional Items and Prior Year Adjustments

There were no Prior Year Adjustments required in 2007/08, however there were Exceptional Items that had to be shown in the Housing Revenue Account in year. As part of the housing transfer arrangement Central Government reimbursed all outstanding debt, together with £1.877 million in respect of premiums incurred on the early redemption of the debt. The £1.877 million is charged to the Housing Revenue Account in year, however a contra entry relating to the receipt from Government is shown in the Note to the Statement of Movement on the Housing Revenue Account Balance, resulting in a net nil impact overall.

The value of the housing stock is calculated at the Tenanted Market Value, as per the Government's criteria, based upon the income receivable over 30 years, offset by the costs of running the service and improving the condition of the dwellings up to a decent standard. According to this calculation the costs exceed the value therefore the asset value requires an impairment charge to show the true net transfer value as nil. Whilst this charge results in an exceptional charge in year, it is offset by a contra entry in the Note to the Statement of Movement on the Housing Revenue Account Balance, resulting in a net nil impact overall.

10.13 Pensions – FRS 17

In accordance with the requirements of FRS 17 an adjustment has been made to the HRA in respect of current service cost only. This has had the effect of reducing 'Supervision and Management' - General by £55k in 2007/08 (£10k in 2006/07). An equivalent amount is included in The Statement of Movement on the Housing Revenue Account Balance so that there is no net impact on the (surplus)/deficit carried forward.

11. COLLECTION FUND

	2006/2007 £'000	2006/2007 £'000	2007/2008 £'000	2007/2008 £'000
INCOME				
Income due from				
Business Ratepayers		6,217		6,331
Council Tax	22,738		24,056	
Less				
Benefit	3,439		3,672	
Transitional Relief	0	19,299	0	20,384
Benefit				
Council Tax		3,439		3,672
Discounts		0		0
Government Grants		0		0
		28,955		30,387
EXPENDITURE				
Precepts				
Durham County Council	16,800		17,284	
Durham Police Authority	1,751		2,349	
Durham and Darlington Fire Authority	1,338		1,394	
Chester-le-Street District Council	3,102	22,991	3,248	24,275
Business Rates				
Payment to National Pool		6,168		6,281
Costs of Collection		49		49
Provision for Uncollectable Amounts		(116)		93
Contribution				
Previous Years' Community Charge		0		0
Previous Years' Collection Fund Surplus		0		0
		29,092		30,698
MOVEMENT ON FUND BALANCE		(137)		(311)
Surplus/(Deficit) on Fund brought forward		511		374
FUND BALANCE CARRIED FORWARD		374		63

Notes to the Collection Fund Accounts

11.1 General

The Council Tax was introduced by the Government to replace the Community Charge with effect from 1 April 1993. It is a tax based on property values, which are grouped into eight bands. There is, however, a personal element to the tax in that adults living alone are entitled to a 25% discount.

11.2 Income from Business Rates

All business premises in the District have a rateable value. In order to calculate the Business Rates payable for a particular business premises, its rateable value is multiplied by the National Non-Domestic Rate multiplier for the year. At 31 March 2008 the rateable value of all business premises in Chester-le-Street was £16,525,182 (£16,689,352 in 2006/07).

The National Non-Domestic Rate multiplier for the year was 44.4p and the new Small Business Non-Domestic Rate multiplier was 44.1p. The total rates charges were £6,330,704 (£6,217,234 in 2006/07).

All of the Business Rates collected from Chester-le-Street businesses are paid into a National Pool. The pool is then redistributed (based on a standard amount per head of population) and Chester-le-Street's share is paid directly into the Council's General Fund. The Council received £4,317,115 in 2007/08 (£4,103,002 in 2006/07) and this is shown in the Consolidated Revenue Account.

11.3 Calculation of Tax Base

The Council Tax Base is calculated by taking the total number of domestic properties in the area and then adjusting this figure to take account of properties where no Council Tax or a reduced level of Council Tax is payable. This produces an equivalent number of properties in Band D, which can then be used to work out how much money can be collected from local tax payers. From the table set out below, it can be seen that every time the Council Tax is increased by £1 an extra £17,223 would be collected assuming a 100% collection rate and £16,965 would be collected assuming a 98.5% collection rate.

Band	Net Properties	Ratio to Band D	Band D Equivalent
A – Relief	22.50	5/9	12.50
A	11,215.75	6/9	7,477.20
B	2,571.00	7/9	1,999.70
C	4,119.00	8/9	3,661.30
D	1,953.25	9/9	1,953.30
E	1,070.50	11/9	1,308.40
F	289.50	13/9	418.50
G	224.50	15/9	374.20
H	9.00	18/9	18.00
	21,475.00		17,223.10

Adjustment for Collection Rate (98.5%)	<u><u>16,964.75</u></u>
--	-------------------------

11.4 Precepts or Demands on the Fund

The following parish precepts were levied against the Council's General Fund:-

Preceptor	2006/2007 £	2007/2008 £
Bournmoor	12,000	12,000
Great Lumley	18,000	18,500
Little Lumley	6,000	6,000
Ouston	9,000	9,500
Edmondsley	1,200	1,500
Kimbleworth/Plawsworth	8,500	11,000
North Lodge	18,000	18,000
Pelton	39,000	39,000
Sacriston	30,000	31,500
Waldridge	20,700	22,000
Urpeth	19,000	20,000
Total – Parish Precepts	181,400	189,000

11.5 Collection Fund Balance and Previous Year's Surplus

The Council Tax element of the Collection Fund Balance at 31 March 2007 (a surplus of £374,468) will be redistributed in subsequent years to the District Council, Durham County Council, the Police Authority and the Fire and Rescue Authority in proportion to the precepts and demands made upon the Collection Fund.

Chester-le-Street District Council, as the billing authority, is required by statute to forecast the estimated surplus or (deficit) on the Collection Fund each year in December and to use that surplus or (deficit) in determining the following year's Council Tax demand. The forecast for 2007/08 estimated a surplus of £322,191 as at 31 March 2007. A similar forecast in relation to the financial year 2008/09 indicated a surplus of £245,804 at 31 March 2008 and therefore this figure was factored into the Council Tax setting for 2008/09. The table below shows the actual fund balance at the two year ends, together with details of the surplus that has been used in determining the 2008/09 Council Tax, the residual balance being available in 2009/10 and beyond.

	Year Ended 31 March 2007 2006/2007 £	Year Ended 31 March 2008 2007/2008 £	Surplus/ (Deficit) Applied in 2008/2009 £	Surplus/ (Deficit) Available for 2009/2010 £
Chester-le-Street District Council	50,541	8,486	30,000	(22,315)
Durham County Council	273,626	46,045	182,383	(135,662)
Durham Police Authority	28,511	4,781	18,938	(14,087)
Durham Fire and Rescue Authority	21,790	3,656	14,483	(10,772)
Total	374,468	62,968	245,804	(182,836)

12. ANNUAL GOVERNANCE STATEMENT

12.1 Scope of responsibility

Chester-le-Street 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. Chester-le-Street District 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, Chester-le-Street District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Chester-le-Street District Council has approved and adopted a local 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 local code is available on our website at: www.chester-le-street.gov.uk or can be obtained from Acting Head of Resources, Civic Centre, Newcastle Road, Chester-le-Street, County Durham DH3 3UT

This statement explains how Chester-le-Street District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

12.2 The purpose of the governance framework

The governance framework comprises the systems and processes, and culture 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 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 Chester-le-Street District Council Policies, aims and objectives, to evaluate the likelihood of those risks being realized and the impact should they be realized, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Chester-le-Street District Council for the year ended **31 March 2008** and up to the date of approval of statement of accounts.

12.3 The governance framework

The Full Council approved a new local code of governance at its meeting held on 28 February 2008. Overall responsibility for the code rests with the Council (as the body responsible for corporate governance) and in particular the Leader of the Council and Chief Executive.

The Corporate Governance Steering Group is responsible for monitoring and providing assurance on the governance process to Corporate Management Team, the Executive and the Council. Current guidance on the functions of audit committees and standards committees requires that they also receive relevant assurances on the effectiveness of the Council's corporate governance arrangements.

The Council operates through a governance framework which brings together an underlying set of legislative requirements, core governance principles and related management processes.

The Council will apply six core principles in performing its key roles and other duties as a Local Authority. These core principles are:-

Principle A	Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
Principle B	Members and officers working together to achieve a common purpose with clearly defined functions and roles.
Principle C	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
Principle D	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
Principle E	Developing the capacity and capability of members and officers to be effective.
Principle F	Engaging with local people and other stakeholders to ensure robust public accountability.

Supporting each of the six principles is a series of supporting principles, each of which in turn translates into a range of specific requirements of the Code. These are outlined within the local code and form the basis of the checklist for managers annual assurance statements.

12.4 Sources of assurance

Management from across the organisation will provide the primary source of assurance and members need to ensure that there are appropriate assurance gathering arrangements in place to enable those assurances to be mapped against the principles in the framework.

An effective internal audit will also be a significant source of assurance.

Further assurance is provided from a wide range of external sources including:

- Corporate assessments and direction of travel statements
- Inspections
- External audit (Annual Accounts and Use of Resources)

12.5 Review and reporting arrangements

The Council will undertake regular, at least annual, reviews of their governance arrangements to ensure continuing compliance and such reviews will be reported within the Council to the Audit Committee.

An Annual Governance Statement on the extent to which the Council complies with this Code and how it has monitored the effectiveness of its governance arrangements will be prepared and reported externally with the statement of accounts, and progress monitored through quarterly corporate performance management reports

To ensure that the process of preparing the governance statement will, in itself, add value to the corporate governance and internal control framework of the Council, the statement will be prepared in accordance to “Delivering Good Governance in Local Government Framework”, published by CIPFA/SOLACE.

12.6 Governance Arrangements

The following provides a brief description of the key elements of systems and processes that comprise the authority’s governance arrangements and which address the issues set out in the six core principles:

Principle A: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

A clear statement of the Council’s purpose and vision is set out in its Corporate Plan 2007/2010 as amended by the Transition Plan adopted by the council in March 2008. This is supported by the councils Medium-Term Financial Strategy. These documents outline the principal priorities for the Council and represent the key strategic planning documents for the Council, from which a number of additional plans are developed in support of it. These include the Best Value Performance Plan, the Capital Strategy, the Asset Management Plan, Regeneration Strategy and the Housing Strategy.

The objectives outlined within these Strategies are translated into more specific aims and objectives in the service delivery plans which each Council service is required to prepare annually. Performance against these objectives is monitored by individual services and formally reviewed by the Overview and Scrutiny Management Board to ensure the council's objectives are being met and published within the Best Value Performance Plan. From 2008 the Best value Performance plan will no longer need to be produced.

Regular and annual satisfaction surveys and a formal complaints procedure allow the Council to gauge customer satisfaction with regard to the effectiveness of service delivery. During late 2008 the council will be working in partnership with other councils within County Durham to undertake a national 'Place Strategy'.

The Council leads four Community Partnerships that feed into a Local Strategic Partnership (LSP) within the Chester-le- Street District area. The LSP is known as the District Partnership The LSP has adopted a Sustainable Community Strategy in November 2006, which is the result of a wide consultation with our communities. The District Partnership, which comprises membership of a wide range of organisations across the district, has worked to improve the quality of life for the people who live, work or study in the relevant Community Area.

The Council has a formal performance management framework in place providing links from the corporate objectives of the Authority, the budget and work planning process and the Annual Service Plans. This is clearly set out in the Corporate Plan 2007/2010

As part of the budget cycle, each Service Manager produces a Service Delivery Plan in conjunction with the Council priorities and financial resources. Performance Indicators are set at a national and local level and targets agreed for the coming three years. Once the budgets have been finalised and approved by Committee, employee Personal Development Planning, agreeing individual targets, take place.

Performance against targets is monitored on a quarterly basis by managers and the Management Team, Executive and Overview and Scrutiny Management Panels, in order that service standards are maintained and corrective action can be taken.

In addition, within the Corporate Plan and Best Value Performance Plan, there is a formal link made between the objectives of the Council and how this will be achieved and measured.

Principle B; Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Chester-le-Street District Council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people.

The main decision making Committees are the Executive Committee and the Planning and Licensing Committees. These are responsible for all relevant matters defined by law and operate within the budget and policy framework approved annually by full Council. The role of the Executive Committees is to develop policies and services within the framework of the Corporate Strategy and Policies, and make key decisions as delegated by the council. Meetings are open to the public except where personal or confidential matters are being discussed. The public have speaking rights at all meetings.

Policy and decision making are facilitated by a clear framework of delegation set out in the Council's Constitution, with clear details of delegated authorities to officers.

All reports are reviewed for legal, financial, data quality, corporate priority, LGR implication and risk considerations as part of the presentation to Members of the Council for formal decision-making. A Report Writing Protocol supports a standard reporting methodology with a consultation process with Directors, the Head of Legal and Democratic Services and the Section 151 officer.

The Executive has agreed a Forward Plan of Work to be completed. Full Council has normally met on a monthly cycle but this will move to an 8 weekly cycle during 2008/2009. This, together with an appropriate level of delegation to senior managers enables speedy decision making.

The Corporate Management Team of the Council meets on a fortnightly basis and provides the strategic direction of the Council in delivering the requirements of the Members. It also considers other internal control issues, including risk management, performance management, compliances, efficiency, value for money and financial management. An Extended Corporate Management Team meets on a monthly basis to engage key managers in strategic planning and service delivery.

There is also a robust budget and policy framework and detailed financial regulations, which are monitored by the Acting Section 151 Officer and the Monitoring Officer. The Constitution is updated continually to reflect any changes in structure. The council is strongly committed to high standards of governance. Governance issues is the focus of an officer led working group known as the Corporate Governance Steering Group.

Principle C: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

The behaviour of Officers and Members is regulated through separate Codes of Conduct which have been formally approved and adopted. These Codes are supported by numerous protocols that apply the principles of the codes to specific areas of Council activity.

In addition the Council has a Standards Committee whose roles and functions include:

- Promoting and maintaining high standards of conduct;
- Advising and training Members on the Code of Conduct;
- Monitoring the Code of Conduct
- Reporting to the Council when it considers standards of conduct or behaviour need reviewing;
- Receiving the details of complaints referred to the Authority from the Standards Board for England;
- Reporting to the appropriate Council on the result of any investigation into the standard of conduct of behaviour of a Member;
- Dealing with any issues raised by the Monitoring Officer.

The Council recognises the importance of the principles of Corporate Governance and the need to apply them across all areas of the Authority's corporate activities. The specific details of how this will be achieved are reported in the Best Value Performance Plan and regularly reviewed against the guidelines issued by CIPFA/SOLACE and the findings are reported to Committee annually.

As well as a Code of Conduct outlining behaviour for Officers, the Head of Paid Services, Chief Financial Officer (as Section 151 Officer) and Monitoring Officer have specified roles within the Constitution to ensure reports prepared for member decision comply with the budget and policy framework and are lawful.

Each Member receives copies of the meeting Agendas in advance. As one of the Agenda items for each meeting, the Members are required to declare any interests at the outset of the meeting. In addition, Members are encouraged to undertake any training relevant to their area of decision making.

Internal and External Audit work together to review and provide annual opinions of the control framework, governance arrangements and the validity of the annual accounts. The Internal Audit Section operates to standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

The Council has policies to safeguard both itself and its staff when making decisions. An Anti-Fraud & Corruption Strategy and Whistle Blowing Policy have been developed and communicated to staff and provide clear reporting channels.

The financial management of the Council is conducted in accordance with the financial rules set out within the Constitution and Financial Regulations. The Council has designated the Head of Corporate Finance (formerly Accountancy Manager) as Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972.

The Council's overall financial arrangements are governed by its Medium Term Financial Strategy, which sets out the financial framework for the delivery of the Council's strategies and plans. In determining the revenue and capital financial framework, a number of factors are taken into account including the national context, the distribution of local government funding from central government along with other local and external funding sources.

This is supported by robust budget setting and monitoring arrangements and detailed financial regulations, which form part of the Constitution. All spending departments are required to monitor their budgets on a monthly basis, in consultation with the Accountancy Team. Spending departments are responsible for their expenditure and income and are directly accountable to Members for their budgets.

The Council has in place a detailed service planning process that feeds into the budget setting system. Service Managers are required to prepare Service Delivery Plans on an annual basis.

The Council manages its investments within the guidelines of its Treasury Management Policy Statement and Annual Investment Strategy, which is approved by Members on an annual basis.

The council also shows commitment to high standards of governance through the use of officer and member champions for key areas of governance including Data Quality, Equality and Diversity and Risk Management.

Principle D: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

The Overview and Scrutiny Panels monitor and scrutinise the decisions of the Executive. They can 'call in' a decision which has been made by the Executive but not yet implemented. This enables them to consider whether the decision is appropriate. They may recommend that the Executive reconsiders the decision and can insist the matter is referred to Council.

The Overview and Scrutiny Panels have responsibility for commissioning and carrying out fundamental service reviews as part of the approach to Best Value. They allow members of the public to have a greater say in Council matters by holding investigations into issues of local concern. These lead to reports and recommendations which advise the Executive and the Council on its policies, budget and service delivery.

As part of the preparations under LGR a review of the Scrutiny has been recently undertaken with members leading to a single scrutiny panel for 2008-09 to support delivery of the People and Places priority.

The Council has a dedicated Audit Committee the role of which includes a specific responsibility for overseeing the Audit arrangements, delivery of the Internal Audit Plan, scrutinising the Statement of Accounts and the Annual Governance Statement. This Committee operates with clear terms of reference and can call managers to explain audit findings and provide progress reports on audit related recommendations.

Risk Management is embedded throughout the Council, with an active Risk Management function driven and monitored through the Corporate Governance Steering Group.

The Council has developed a Strategic Risk Implementation Plan which has been designed to identify, prioritise and manage the risks that exist in order to ensure the Council achieves its aims and objectives.

The strategic and operational risks that have been identified have been prioritised through a corporate Risk Register at a strategic level and devolved risk registers within individual service plans. The key risks identified have been assigned to senior managers, who are responsible for ensuring appropriate action plans are developed to address each risk

The Executive receives quarterly performance reports, which include a section detailing progress against the risk management strategy and action plan.

Principle E: Developing the capacity and capability of members and officers to be effective.

As an Authority Chester-le-Street has devoted resources to ensuring the high standards of its staff and achieved re-accreditation under the Investors in People Standard in 2007. This is a quality framework which ensures that the Council's employees have the right knowledge, skills and motivation to work effectively.

All Council services are delivered by trained and experienced officers. Job Descriptions and Person Specifications have been drawn up for all posts to ensure that the best candidates are appointed into each position.

All officers employed by the Council undertake an annual Personal Development Plan meeting which includes a six-monthly review 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.

Chester-le-Street District Council has made a significant commitment towards the training of its staff. This commitment is outlined within the Organisational Development Strategy and the Transition plan. The council develops an Annual Training and Development Plan as a result of workforce planning which is part of the adopted service planning process. A significant budget is set aside annually to ensure that these training needs are met.

The Transition Plan commits the council to developing a Personal Development Profile to assist staff in taking opportunities within the new unitary council.

The Chief Executive and Leader of the Council have a good working relationship and hold regular meetings to discuss any emerging issues. The Chief Executive also briefs all members with regard to their roles at the time they are sworn in.

There are regular formal meetings between Members and Senior Officers through Executive, Scrutiny and workshops including the quarterly Performance Clinics.

There is a significant amount of training available to Members throughout their term of office. As well as an initial induction programme, significant training is also provided. The council is strongly committed to Member's development. Members have their own personal Development plans and a sample are now being subject to 360 degree appraisals. The council's investment has been recognised in the award of the Members Charter.

Principle F: Engaging with local people and other stakeholders to ensure robust public accountability.

Chester-le-Street District Council recognises that communication with all stakeholders plays a fundamental role in the successful delivery of high quality, cost effective services. The council has a significant track record in community engagement.

The Council is constantly striving to improve its communications performance, to build on its track record of continuous improvement and to ensure that the authority as a whole is open and accessible to the community, service users and staff.

Most recently Chester-le-Street has:

- worked with the communities in Pelton, Pelton Fell, Grange Villa, Sacriston and Edmondsley on community led regeneration projects
- worked with residents at Sacriston to develop a community house and build capacity within the community
- invested in new technology to ensure that 100% of the services are available electronically
- improved telephony and a CRM system to improve first point of contact service
- introduced an revised a proactive complaints process
- significantly improved its website to allow electronic service access
- committed to sending a quarterly newspaper 'District news' to all residents in the District
- worked with residents at Grange Villa to develop a village website
- Introduced a one stop shop reception facility that enables the majority of queries to be answered and problems solved promptly at the initial point of contact.

Chester-le-Street continues to listen to feedback from the local community and to learn from best practice across the country. With this in mind, the Council has developed its Communications Strategy, which has been endorsed wholeheartedly by both Members and Officers. It is based on the LGA reputation agenda. The strategy has been developed with the input of staff, Members and other key stakeholders. In addition, best practice has been explored to ensure that this strategy takes the Council forward to reach the highest standards of communication

The Council's priorities have been based on engagement and knowledge of its customers and this was acknowledged in the June 2007 CPA assessment which moved the council from 'poor' to good.

All Committee meetings are open to the public except where personal or confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. These items are also available by directly contacting the Council, should a Stakeholder be unable to access it electronically

The Council's Best Value Performance Plan, Transition Plan and Corporate Plan represents the key document that outlines its vision, objective and priorities for the year ahead, sets performance targets and outlines the Council's accountability to its stakeholders. When identifying objectives for the Corporate Strategy the views of stakeholders are taken into account, in particular through the Local Strategic Partnership and Community Plan. The Corporate Strategy is made available to Chester-le-Street's stakeholders, ensuring that they are aware of the objectives, goals and performance of the Authority.

The Council's programme for securing continuous improvement in its services is set out in the Best Value Performance Plan and Corporate Strategy. Actions for improvement are drawn from a variety of sources including Comprehensive Performance Assessment; the Council's internal reviews such as Service Inspections, service reviews and scrutiny reviews; external inspections such as those undertaken by the Audit Commission; issues arising from performance management; consultation exercises; and service improvements identified by the Council's compliments, complaints and comments procedure. These improvements are communicated to stakeholders annually through the Corporate Plan which includes the Best Value Performance Plan

The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council. Complaints can be made on-line or in writing and the Council has set targets for responding to all complaints received, ensuring accountability to its Stakeholders.

There is a Local Strategic Partnership which has adopted a Sustainable Community Strategy for Chester-le-Street covering the period 2006 to 2016 following priorities:

- A strong sustainable and diverse economic base;
- Inclusive communities;
- Excellent communications networks; and
- An attractive and protected environment.

The Sustainable Community Strategy was created following a significant consultation process with the local communities, ensuring that the views of all areas of the district were taken into account. The four over-arching priorities (detailed above) were identified and more specific targets set. Outputs against these objectives are measured and formally reported to stakeholders through the Local Strategic Partnership.

There are terms of reference and constitutions set up for key partnerships which ensure that all members of the partnership act lawfully throughout the decision making process.

The Council is subject to local government reorganisation. In April 2009 it will cease to exist and will be replaced by a countywide new unitary. The Durham Order came into effect on 28 February 2007 which effectively transfers the District Council functions to County Durham Council on 1 April 2009. Therefore a lot of the work of the Council will be focused on setting up and ensuring the one vision council is a success, whilst maintaining robust accountability.

12.7 Review of Effectiveness

Chester-le-Street District Council has 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 managers within the authority who have responsibility for development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments and recommendations made by the Councils external auditors and other review agencies and inspectorates. The review of the effectiveness for 2007-08 has been undertaken and the findings are set out set out below.

12.8 Corporate Governance Steering Group

The Corporate Governance Steering Group (CGSG) is charged with responsibility for co-ordinating and managing the Councils governance arrangements and producing the Annual Governance Statement (AGS).

Due to management changes, the group membership has been revised during 2007-08 and at the time of the annual review comprised:

- Director of Corporate Services (Chair)
- Risk & Financial Services Manager (Vice Chair)
- Head of Legal Services
- Acting Head of Resources
- Head of Corporate Finance
- Acting Head of Internal Audit

During 2007-08 the group has considered the new recommended governance framework and developed revised arrangements for production of the AGS as follows:

AGS Action	Timeframe
Progress report to Executive	1 October 2007
Review of Recommended Governance Framework	Oct-Dec 2007
Progress report to Executive	7 January 2008
Drafting of New Local Code of Governance	January 2008
Report to Audit Committee – New Local Code/AGS Process	17 January 2008
Adoption of New Local Code By Full Council	28 February 2008
Preparations and evidence gathering for AGS	March– May 2008
Internal Audit Annual Report to Audit Committee	3 April 2008
Officer Assurance Statements	April 2008
Development of draft AGS	May 2008
Audit Committee consider AGS	June 2008
Approval by Council	26 June 2008

In reviewing the effectiveness of governance arrangements during 2007-08 the following key features of the Councils Internal control framework have been considered:

12.9 The Authority

The key formal document governing the control framework for the Authority is its Constitution. All delegated decision-making is made in accordance with the requirement of the Constitution and the Scheme of Delegation and it sets out the formal rules governing the way the Council its committees and Officers conduct there business.

The Monitoring Officer and Section151 officer are included in consultation processes for all reports. Both statutory officers have confirmed that during 2007-08 there were no matters that arose on which they were required to prepare a formal report to Council.

During the year the Council had to begin preparations for the creation of a new Unitary Council for County Durham and had to take into account the new statutory arrangements during budget preparation and spending plans.

The Council has also had to make a number of temporary and interim arrangements in relation to senior management posts during this transitional period and has consulted the External Auditor and other stake holders as appropriate.

The Council places reliance for the development of the Annual Governance Statement (AGS) on the Corporate Governance Steering Group and the work of the Audit Committee. A New Local Code of Corporate Governance and the process for developing the AGS for 2007-08 were adopted by Full Council at its meeting held on 28 February 2008.

The Head of Legal Services (the Monitoring Officer) has a duty to monitor and review the constitution and submitted a report to the annual meeting of Full Council held on 29 May 2008 to ensure that it reflects current transitional arrangements.

Council signatories and fidelity guarantee cover have been amended accordingly.

12.10 The Scrutiny Function

Members not on the Executive are charged with keeping an overview of Council business and scrutinizing areas of particular interest or concern, holding the Executive to account in the business they undertake and to assist in the development and review of Council policies. Overview and Scrutiny Committees are open to members of the public to attend.

An annual report of the Scrutiny Function was prepared by the Overview and Scrutiny Board and submitted to Council on 29 May 2008 detailing:-

- Meetings and attendance
- Work programme
- Presentations and witnesses received
- Scrutiny reports to Executive

The report confirmed that whilst robust scrutiny was undertaken, there were no 'call-ins' during 2007-08.

The future role of scrutiny has recently been under consideration as a result of the Local Government Review process leading to the formation of a new Unitary Council. To this end corporate priorities have been refocused and concentrated into a single 'People and Place' priority for the final year of the Council. An externally facilitated workshop was arranged for 19 May 2008 to provide members with a range of options on a way forward for scrutiny for 2008-09, and a new single scrutiny committee with a focused work programme is now in place.

12.11 The Standards Committee

The Standards Committee met throughout the year and prepared an annual report for setting out its work for 2007-08. Matters dealt with during the year included:

- A case referral to the Standards Board for England
- New revised Members Code of Conduct
- Report of Annual assembly of Standards Committees
- Housing Stock Transfer ethical protocol
- Raising public awareness of its role through District News
- Recruitment of Parish and Independent Representatives

The work of the committee continues with preparation for the new local referral system.

12.12 Internal Audit

The role of Internal Audit is to review the internal control framework that governs the operations of the Council and, in so doing provide an independent opinion to both management and members of the Authority on the robustness of the Council's internal control environment.

The Accounts and Audit regulations 2003 (amended 2006) and subsequent CIPFA Code of Internal Audit Practice 2006 (the Code) requires Internal Audit to report annually to *'those charged with governance'* on their findings and conclusions and provide an overall opinion on the effectiveness of the internal control environment.

Internal Audit provided its 2007-08 Annual Report, and a Report of Peer Authority on the effectiveness of the internal audit function as follows:

Report to Corporate Governance Steering Group	3 April 2008
Report to Audit Committee	3 April 2008
Report to Council	29 May 2008

Key points from the Internal Audit Annual Report are that:

- In the review of effectiveness of the Internal Audit section, which is conducted annually and was externally verified by Head of Internal Audit, Derwentside District Council, the section was found to be compliant with 9 of the 11 standards in the CIPFA code of practice.
- Based upon their last review of the section in 2006-07, the Audit Commission were able to place reliance upon the work of section and were satisfied that appropriate constitutional and management arrangements were in place.
- Responses to customer satisfaction surveys and post-audit questionnaires were positive and indicate a confidence in the quality and professionalism of the Internal Audit section.
- During 2007-08, due to the departure of a Principle Auditor and the Head of Internal Audit, only 67% of planned productive days were completed, however, despite this, the section still managed to deliver 74% of the audit plan.
- The section completed a total of 18 assignments, 9 audits of systems material to the Councils financial statements, 3 IT audits, 3 investigations and 3 other assignments. Based upon the audit assignments carried out during 2007-08 the internal control environment is considered to be effective.

The Council scored 3 out of a possible 4 for Internal Control under the Use of Resources KLOE.

Action Point 2008-09	Action Required	Responsibility
Review of Internal Audit Function	A review to be conducted in 2008-09	Audit Commission
Transfer of Assets to New Unitary Authority	Audit of Inventories and other key assets	Internal Audit

12.13 Business Continuity Plans

The Council has approved the Business Continuity Plan which is kept under review with the support of the Durham & Darlington Civil Contingencies Unit.

The Council participated in the National Resilience Survey and plans are due for review in 2008-09 prior to hand-over to new Unitary Authority.

Action Point 2008-09	Action Required	Responsibility
Review Business Continuity Plan	A review to be conducted in 2008-09 with DDCCU	Acting Head of Resources

12.14 Risk Management

The Council has continued to build on its reputation for managing risks effectively. The Corporate Governance Steering Group oversees the risk management strategy and risk management is embedded in the performance management framework through the reporting protocol and the quarterly performance reports. The significant risks that were managed successfully during 2007-08 included:

- The delivery of the Councils Improvement Programme (CPA: 'Good')
- Delivery of OD strategy (IIP accreditation)
- Major progress on Regeneration
- Transfer of the Housing Stock

The review of the Councils Strategic Risk Profile was timetabled to follow the stock transfer and preparation of the transition plan, and has recently been considered by Corporate Management Team. Risk Management will continue to be an important element of the Council having a robust performance management framework during the transitional year.

In terms of key strategic risks officer capacity remains a key issue and will be regularly monitored and reviewed throughout 2008/09.

In addition to managing the risks of the outgoing authority during 2008-09, an element of risk management support will be given to the development of the proposed risk management arrangements for the New Unitary Authority.

12.15 Partnership Working

The Council approved a Partnership Strategy in November 2006 with a detailed action plan. The Council adopted an electronic toolkit through the North East Centre of Excellence and provided training to managers and appointed officer and member champions. A partnership register is maintained centrally and progress with the strategy is monitored through Programme Management Board.

The review of our partnerships has a significant impact on the development of a single priority for 2008-09 of **'People and Place'**. An assessment of potential gaps in performance of partnerships, and what we can do in the council's remaining lifetime to secure sustainable change, is part of the ongoing work to develop the new priority for which there are monitoring arrangements in place.

Action Point 2008-09	Action Required	Responsibility
Development of partnership working through 'People & Place'	To monitor delivery of new priority	Director of Corporate Services

12.16 Data Quality

The council first adopted a Data Quality Policy in April 2007 following which significant progress has been reported. The strategy was recently reviewed leading to a new strategy approved in March 2008.

During 2007-08 the Audit Commission has carried out an audit of Data Quality arrangements with just a few recommendations made, and the council's action plan reflects these points.

12.17 External Audit Reports

During 2007-08 the Councils External Auditors undertook a number of reviews and assessments. These included the following:

- Earlier this year the Benefits Team volunteered to take part in an Audit Commission Pilot to help develop a new inspection framework. The process is a 'harder test' based on customer outcomes rather than the previously process oriented performance standards approach. An inspection was undertaken in June 2008 with a report issued in August. The inspectors found that the service was now a 'good' service with 'promising prospects for improvement'. This was the best result of all the pilots.
- A review of sickness was conducted which found a number of strengths in the Councils approach. This has been supported by the work of an Action Learning Set which reported recently.
- External Audit confirmed that the Best Value Performance Plan complied with the relevant legislation.
- The Audit Commission submitted its Annual Audit and Inspection letter to the Council at the end of March 2008. This provides an overall summary of the Audit Commissions assessment of the Council. The letter provides some very positive messages about the Councils progress over recent years. The letter confirms the Councils progress to be 'impressive' and that the overall Use of Resources judgement has improved to a level 3 and Value for Money has been maintained at level 2.

Action Point 2008-09	Action Required	Responsibility
Audit Commission recommendations for transitional arrangements	To address Commission recommendations within the Councils Transition Plan	Director of Corporate Services

12.18 Other Inspections and Assessments

Other external inspections and assessments included:

RIPA Inspection

The Council underwent an inspection during April 2008 from the Office of Surveillance Commissioners regarding the use of the Regulatory and Investigatory Powers Act. The inspector was complimentary about the Councils approach and provided a number of comments and recommendations to support improvement.

Action Point 2008-09	Action Required	Responsibility
Recommendations arising from RIPA inspection	Compile report and action plan to address inspection issues for 2008-09	Head of Legal & Democratic Services

12.19 Other Assurance Indicators

There are a wide number of additional indicators that support the view that the Council has developed sound governance arrangements these include:

- The Council has met its efficiency targets producing forward and backward look returns within the required timetable
- The Councils procurement strategy was managed through the Procurement Strategy Network. This will now be reported through the Extended Corporate Management team.
- During the current year, 10 Ombudsmen complaints were received which were all responded within target and none were upheld. Training to officers was provided in February 2007
- The Council has continued to focus upon embedding the culture of handling and responding to complaints in a timely and positive manner. During 2007-08 the Council commenced a Continual Process Improvement (CPI) project to assist in this area.
- 70% of local performance indicators showed improvement
- There is strong HR performance at a time of reduced capacity. This not only included the transfer of a significant number of staff to Cestria Community Housing but also included the achievement of Investors in People status for the Council.
- During 2007-08 sickness levels within the council showed improvement
- All actions in the Equality Plan are within target and the council now leads on equality terms on Local Government Review.

Managers Assurance Statements

As part of the system of review of effectiveness, heads of service are required to complete an annual assurance statement for their areas of activity. All relevant managers have provided a signed statement together with any action points they may have identified. These statements form part of the key evidence to the AGS.

We propose over the coming year to take steps to address 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 performance management arrangements and linked to the next annual review.

Signed	Signed
Linda Ebbatson Leader of The Council	Roy Templeman Chief Executive
Dated	Dated

13. THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

13.1 The Authority's Responsibilities

Chester-le-Street District 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 authority, that officer is the Head of Corporate Finance.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the statement of accounts.

13.2 The Head of Corporate Finance's Responsibilities

The Head of Corporate Finance is responsible for the preparation of the authority's statement of accounts which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice') is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

In preparing this statement of accounts the Head of Corporate Finance has;

- selected suitable accounting policies and then applied them constantly
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice

The Head of Corporate Finance has also

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Head of Corporate Finance

I certify that the statement of accounts present fairly the financial position of the authority at 31 March 2008 and its income and expenditure for the year then ended.

Head of Corporate Finance

Date

Certificate of the Chair of Meeting Approving the Accounts

I confirm that the accounts were approved by the Council at the meeting held on 26 June 2008.

Chairman of the Council

Date

14. GLOSSARY OF TERMS USED IN THE FINANCIAL STATEMENTS

Accounting Bases

The methods developed for applying the fundamental accounting concepts to financial transactions and items, for the purposes of financial accounts, and for determining the accounting periods in which costs and revenues should be recognised, and the amounts at which items should be stated in the balance sheet.

Accounting Concepts

The broad basic assumptions which underlie the periodic financial statements. At present these fundamental accounting concepts are: materiality, going concern, matching, consistency, prudence and substance over form.

Accounting Policies

The specific accounting bases selected and consistently followed by an organisation as being, in the opinion of management, appropriate to its circumstances and best suited to present fairly its results and financial position.

Account and Audit Regulations 1996

The current set of regulations that detail the accounts need, how they should be published, right of electors and the conduct of the annual statutory audit.

Appropriations

Transferring of an amount between specific reserves in the Income and Expenditure Account.

Asset Charges

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Audit Commission

A statutory body which oversees the conduct of local authority statutory audits.

Bad (and doubtful) debts

Debts which may be uneconomic to collect or unenforceable.

Balance Sheet

A balance sheet is an accounting statement that shows the financial position (that is assets, liabilities and funds) of an organisation at a particular date (the balance sheet date).

Best Value

A duty on local authorities to secure best value on all aspects of service provision. This duty requires councils to ensure that they are providing the best possible services to the public.

Best Value Accounting Code of Practice (BVACOP)

A modernisation of local authority accounting and reporting to ensure that it meets the changing needs of modern local government; particularly the duty to secure and demonstrate best value in service provision.

Budget Requirement (or Revenue Budget)

An amount each authority estimates as its planned spending, after deducting any funding from reserves and any income it expects (other than from council tax and general Government grants).

Capital Charges

Charges to revenue accounts reflecting the cost of fixed assets used in the provision of services. They consist of depreciation.

Capital Expenditure

Expenditure on the acquisition of fixed assets or expenditure that adds to the value of fixed assets or increases the useful life of the asset.

Capital Adjustment Account

This reserve provides a balancing mechanism between the different rates at which assets are depreciated and financed. The balance at 1 April represents the closing value on the former Fixed Asset Restatement Account and Capital Financing Account in last year's Balance Sheet.

Capital Receipts

Proceeds from the sale of a fixed asset or the repayment of an advance made by the Council. A certain proportion of such receipts must be set aside as a provision for credit liabilities (known as reserved capital receipts). The remainder (known as usable capital receipts) can be used to finance capital expenditure.

Cashflow Statement

This financial statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

CIPFA/LASAAC Code of Practice on Local Authority Accounting 2007

The Statement of Recommended Practice (SORP) applicable to preparing the 2007/08 accounts.

Collection Fund

A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of Council Tax, Non-Domestic Rates and residual Community Charge.

Community Asset

Those fixed assets that the local authority intends to hold in perpetuity and have no determinable useful life e.g. parks and historic buildings.

Consistency

The concept that consistent accounting policies should be applied both within the accounts for a year and between years.

Income and Expenditure Account

This statement reports the net cost for the year of the functions for which the authority is responsible, and demonstrates how that cost has been financed from general Government grants and income from local taxpayers.

Contingency

An event which exists at the balance sheet date, where the outcome will be confirmed by the occurrence or non-occurrence of one or more uncertain future events. A contingent gain or loss is a gain or loss dependent on a contingency.

Council Tax

A banded property tax which is levied on domestic properties throughout the country.

Council Tax Benefit

Financial assistance available to residents on a low income that are liable for Council Tax. The majority of the cost to the Council of these benefits is reimbursed by Central Government Grant.

Credit Approvals (Supported Borrowing)

Credit approvals are issued by the Secretary of State and provide authority not to charge expenditure for capital purposes to the revenue account. Provision for the revenue implications of this borrowing is factored into the Government's Revenue Support Grant formula.

Creditors

Amounts owed by the Council for work done, goods received or services rendered to the Council during the accounting period, but for which payment has not been made as at the balance sheet date.

Current Asset

An asset which is expected to be disposed of, utilised or realised within twelve months of the balance sheet date.

Current Liability

A liability which is expected to be met within twelve months of the balance sheet date.

Debtors

Amounts due to the Council which relate to the accounting period and have not been received by the balance sheet date.

Deferred Capital Receipts

Proceeds from the sale of fixed assets which will be received in instalments over an agreed period of time.

Deferred Charges (Intangible Fixed Asset)

Deferred charges comprise expenditure which may be capitalised, but which does not create a tangible fixed asset.

Deferred Liabilities

Deferred liabilities consist of liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

Department of Works and Pensions (DWP)

Government department that administers the welfare benefits system and reimburses the Council for benefit payments paid to individuals for Housing benefit; Rent allowances and Council Tax Benefit.

Depreciation

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

Direct Labour Organisation (DLO)

Staff employed directly by local authorities to carry out works of repair, maintenance, construction etc.

District Auditor

The Audit Commission's directly employed provider of external audit services.

Earmarked Reserves

These reserves represent the monies set aside that can only be used for a specific usage or purpose.

Financial Reporting Standards (FRS)

These are common standards of accounting practice issued by the Accounting Standards Board.

Fixed Assets

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

Fixed Asset Restatement Account

This reserve is required to balance the balance sheet when fixed assets are revalued or written out upon disposal.

General Fund

The main revenue account of the Council, which brings together all income and expenditure other than recorded in the Housing Revenue Account, DLO Accounts and the Collection Fund.

Going Concern

The concept that a local authority's services will continue to operate in the foreseeable future.

Government Grants

Assistance by Government and inter-government agencies in the form of cash or transfers of assets in return for past or future compliance with certain conditions.

Housing Benefits

Financial assistance paid to tenants on a low income to help pay their rent and service charges.

Housing Revenue Account

This account reflects the statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue account expenditure and income.

Housing Subsidy

A grant from or payment to Central Government in connection with the operation of the Housing Revenue Account.

Intangible Fixed Assets

Capital expenditure which may be capitalised, but which does not create a tangible fixed asset.

Leasing

Leases and hire purchase contracts are means by which companies obtain the right to use or purchase assets. A finance lease is a lease that transfers substantially all the risks and rewards and ownership of an asset to the lessee. An operating lease is a lease other than a finance lease.

Long Term Investments

Amounts invested by the Council for a period of more than one year.

Major Repairs Allowance

This amount represents the amount payable to local authorities to help tackle the backlog of repairs in council housing.

Matching

The accounting concept that revenue and costs are recognised as they are earned and incurred, not as money is received or paid.

Materiality

The concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by the reader.

Minimum Revenue Provision

The minimum amount which must be charged to an authority's revenue accounts and set aside as a provision to repay external debt.

National Non-Domestic Rates

Also known as business rates, this is the means by which local businesses contribute to the cost of local authority services. All business rates are paid into a central pool. Authorities receive a share of this central pool based on the number of residents in their area.

Non-Operational Assets

Fixed assets held by the local authority but not directly occupied, used or consumed in the delivery of services.

Operational Assets

Fixed assets held, occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory responsibility or discretionary responsibility.

Precepts

Precepts (or council tax income) are amounts levied on billing authorities which collect the tax on behalf of other authorities such as county councils and parish councils.

Prior Year Adjustments

Those material adjustments applicable to prior years arising from changes to accounting policies or correction of fundamental errors.

Provisions

These are amounts set aside to meet any liabilities or losses arising from contractual obligations, but it is uncertain as to the amounts or dates on which they will arise.

Prudence

The concept whereby local authorities account for transactions on the basis of always taking a prudent view when losses are anticipated and not anticipating gains until they are certain.

Public Works Loans Board

A central government agency which lends money to local authorities at lower rates than those generally available from the private sector.

Revaluation Reserve

The Revaluation Reserve includes cumulative unrealised revaluation gains and losses (since 1 April 2007) arising from holding fixed assets.

Revenue Expenditure

General revenue expenditure mainly on pay and other costs of running council services apart from housing.

Revenue reserves (or Balances)

This is an authority's accumulated surplus income (in excess of expenditure) which can be used to finance future spending.

Revenue Support Grant

A general Government grant to support an authority's budget requirement.

Ring Fenced

This refers to the statutory requirement that certain accounts such as the Housing Revenue Account must be maintained separately from the General Fund.

Statements of Standard Accounting Practice (SSAP)

These are common standards of accounting practice issued by the Accounting Standards Board.

Standard Spending Assessment

This is an amount derived by a formula and used to determine the amount of grant that a local authority will receive to support its General Fund expenditure.

Substance Over Form

This concept requires that the commercial effect of a transaction and any resulting assets, liabilities and losses are shown and that the accounts do not merely report the legal form of a transaction.

Supported Borrowing (Credit Approvals)

Credit approvals are issued by the Secretary of State and provide authority not to charge expenditure for capital purposes to the revenue account. Provision for the revenue implications of this borrowing is factored into the Governments Revenue Support Grant formula.

Total Movement in Reserves

This statement brings together all the recognised gains and losses of the authority and identifies those which have and have not been recognised in the Income and Expenditure Account.

Trust Fund

Funds established from donations or bequests for spending for a specific purpose.

Work in Progress

The cost of work done up to a specified date on an uncompleted project.