

## **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<br>(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:<br>Capital Accounting Adj.                               | (922.8)                      |                     |
| Less:<br>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<br>£'000 | Net Actual<br>Outturn<br>£'000 | Variance from<br>Budget<br>£'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.

|                               | <b>Original Budget<br/>£'000</b> | <b>Actual Outturn<br/>£'000</b> | <b>Variance from Budget<br/>£'000</b> |
|-------------------------------|----------------------------------|---------------------------------|---------------------------------------|
| <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                                  |
| <b>Total income</b>           | <b>9,454</b>                     | <b>8,038</b>                    | <b>+ 1,416</b>                        |



|                                      |              |              |                |
|--------------------------------------|--------------|--------------|----------------|
| <b>Expenditure</b>                   |              |              |                |
| 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          |
| <b>Total expenditure</b>             | <b>9,401</b> | <b>7,759</b> | <b>- 1,642</b> |
| (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:-

|                           | <b>£'000</b> |
|---------------------------|--------------|
| 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%                 |
| <b>Total</b>                   | <b>7,411</b> | <b>100%</b>         |

## 2.5 Revenue Recovery

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

|                    | Arrears<br>31 March 2007<br>£ | Arrears<br>31 March 2008<br>£ |
|--------------------|-------------------------------|-------------------------------|
| 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        |
| <b>Total</b>               | <b>1,900</b> |

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<br>(Legal and Administration etc.)          | Estimate of time spent by staff     |
| Administrative Buildings<br>(Civic Centre)                      | Floor area occupied                 |
| Professional Services<br>(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<br>Net<br>Expenditure<br>£'000 |  | 2007/2008                     |                          |                             | Notes |
|--|--|-------------------------------|--------------------------|-----------------------------|-------|
|  |  | Gross<br>Expenditure<br>£'000 | Gross<br>Income<br>£'000 | Net<br>Expenditure<br>£'000 |       |
| 746                                      | Housing – Services   | 862                           | (5,781)                  | (4,919)                     |       |
| 587                                      | HRA Housing  | 174,600                       | (11,791)                 | 162,809                     |       |
| 5,668                                    | Cultural, Environmental and<br>Planning Services                                   | 10,857                        | (3,344)                  | 7,513                       |       |
| 727                                      | Highways, Roads and Transport<br>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<br>Overheads   | 533                           | (216)                    | 317                         |       |
| <b>9,810</b>                             | <b>Net Cost of Services</b>  | <b>206,791</b>                | <b>(37,745)</b>          | <b>169,046</b>              |       |
| 181                                      | Parish Council Precepts  |                               |                          | 189                         |       |
| 480                                      | Pension Interest Cost and<br>Expected Return on Pension<br>Assets                  |                               |                          | 500                         | 9.6   |
| 185                                      | Interest Payable and Similar<br>Charges  |                               |                          | 137                         |       |
| (177)                                    | (Surplus) / Deficit on<br>Undertakings Not included in the<br>Net Cost of Services |                               |                          | 39                          | 9.1   |
| 1,161                                    | Contribution of Housing Capital<br>Receipts to Government Pool                     |                               |                          | 1,476                       |       |
| (333)                                    | Interest and Dividends<br>Receivable   |                               |                          | (448)                       | 9.7   |
| <b>11,307</b>                            | <b>Net Operating Expenditure</b>   |                               |                          | <b>170,939</b>              |       |
|  | <b>Principal Sources of<br/>Finance:-</b>  |                               |                          |                             |       |
| (3,102)                                  | Demand from the Collection<br>Fund   |                               |                          | (3,248)                     |       |
| (792)                                    | Revenue Support Grant  |                               |                          | (724)                       |       |
| (24)                                     | Government Grant Previous<br>Year Adjustment                                       |                               |                          | 0                           |       |
| (4,103)                                  | Redistributed Non-Domestic<br>Rates (From National Pool)                           |                               |                          | (4,317)                     |       |
| <b>3,286</b>                             | <b>(Surplus) / Deficit for Year</b>  |                               |                          | <b>162,650</b>              |       |

**5. STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE**

| <b>2006/2007<br/>£'000</b> |  | <b>2007/2008<br/>£'000</b> |
|----------------------------|--|----------------------------|
| 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)                      |
| <b>(390)</b>               | <b>General Fund Balance Carried Forward</b>  | <b>(417)</b>               |

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

| 2006/2007<br>£'000 |   | 2007/2008<br>£'000 |
|--------------------|---|--------------------|
|                    | <b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the Year</b> |                    |
| (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              |
| <b>(1,870)</b>     | <b>Sub Total</b>  | <b>(164,841)</b>   |
|                    | <b>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</b>          |                    |
| 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              |
| <b>(1,249)</b>     | <b>Sub Total</b>  | <b>1,716</b>       |
|                    | <b>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</b>             |                    |
| (593)              | Surplus / (Deficit) Transferred to / (from) Housing Revenue Account Balance   | 279                |
| 384                | Net Transfer to or (from) Earmarked Reserves  | 169                |
| <b>(209)</b>       | <b>Sub Total</b>  | <b>448</b>         |
| <b>(3,328)</b>     | <b>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</b>           | <b>(162,677)</b>   |

**6. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

| <b>2006/2007<br/>£'000</b> |   | <b>2007/2008<br/>£'000</b> |
|----------------------------|---|----------------------------|
| 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)                   |
| <b>10,218</b>              | <b>Total Recognised (Gains) / Losses for the year</b>                             | <b>138,770</b>             |



**7. BALANCE SHEET – As at 31 March 2008**

| Year Ended<br>31 March 2007 |   | Notes | Year Ended<br>31 March 2008 |          |
|-----------------------------|---|-------|-----------------------------|----------|
| £'000                       |   |       | £'000                       | £'000    |
| 271                         | <b>Fixed Assets</b>                                 | 9.20  |                             |          |
|                             | <b>Intangible Fixed Assets</b>                      | 9.21  | 221                         |          |
|                             | <b>Tangible Fixed Assets</b>                        |       |                             |          |
|                             | <b>Operational Assets-</b>                          |       |                             |          |
| 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                       |          |
|                             | <b>Non-Operational Assets</b>                       |       |                             |          |
| 3,285                       | Assets Under Construction                           |       | 630                         |          |
| 2,865                       | Investment Properties                               |       | 2,750                       |          |
| 190,153                     | <b>Total Fixed Assets</b>                           |       |                             | 24,649   |
| 4                           | Long-Term Debtors                                   | 9.22  |                             | 2,280    |
| 765                         | Deferred Premiums on the Early Repayment of Debt    | 9.8   |                             | 94       |
| 190,922                     | <b>Total Long-Term Assets</b>                       |       |                             | 27,023   |
|                             | <b>Current Assets</b>                               |       |                             |          |
| 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                     | <b>Total Assets</b>                                 |       |                             | 57,176   |
|                             | <b>Current Liabilities</b>                          |       |                             |          |
| 11                          | Short-term Borrowing                                | 9.26  | 3,275                       |          |
| 3,380                       | Creditors   | 9.25  | 21,302                      |          |
| 1,787                       | Cash Overdrawn                                      |       | 0                           |          |
|                             |   |       |                             | 24,577   |
| 195,613                     | <b>Total Assets Less Current Liabilities</b>        |       |                             | 32,599   |
|                             | <b>Long Term Liabilities</b>                        |       |                             |          |
| 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                     | <b>Total Assets Less Liabilities</b>                |       |                             | 9,320    |
|                             | <b>Financed by:</b>                                 | 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                     | <b>Total Net Worth</b>                              |       |                             | 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 <b>outdoor market</b> , in the Town Centre, generating rental income from the letting of market stalls. The trading objective is to maximise the surplus.<br>(The trading surplus for 2006/07 was £27,753)   | Turnover    | 104   |             |
|  | Expenditure | 323   |             |
|  | Deficit     |       | 219         |
| The Council lets 57 units in <b>Industrial Estates</b> located in various parts of the District. The trading objective is to maximise rental income.<br><br>(The trading surplus for 2006/07 was £196,887)   | Turnover    | 261   |             |
|  | Expenditure | 60    |             |
|  | Surplus     |       | (201)       |
| The Council owns and manages the <b>Selby Cottage Child Care Facility</b> 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<br>(The trading deficit for 2006/07 was £63,017) | Turnover    | 438   |             |
|  | Expenditure | 514   |             |
|  | Deficit     |       | 76          |
| <b>Net Deficit on Trading Activities before FRS 17 Adjustment</b>  |             |       | <b>94</b>   |
| <b>FRS 17 Adjustment – see Note 9.6</b>  |             |       | <b>(13)</b> |
| <b>Net Deficit on Trading Activities after FRS 17 Adjustment</b>   |             |       | <b>81</b>   |

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

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.

|                                      | <b>2006/2007</b><br><b>£'000</b> | <b>2007/2008</b><br><b>£'000</b> |
|--------------------------------------|----------------------------------|----------------------------------|
| 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                               |
|                                      | <b>155</b>                       | <b>181</b>                       |

### 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<br>% p.a. | 31 March 2008<br>% 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<br>£m | Long-term rate of return expected at 31 March 2007<br>% p.a. | Estimated Value at 31 March 2008<br>£m | Long-term rate of return expected at 31 March 2008<br>% 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  |
|                    | <b>1,448.0</b>                         | <b>7.3</b>   | <b>1,377.7</b>                         | <b>6.4</b>   |

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

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

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:-

|   | <b>£m</b>      |
|---|----------------|
| <b>Net Pensions Deficit as at 1 April 2007</b>  | <b>(24.48)</b> |
| 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           |
| <b>Net Pensions Deficit as at 31 March 2008</b> | <b>(18.88)</b> |

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

|  | <b>2007/2008<br/>£m</b> |                                  |
|--|-------------------------|----------------------------------|
| 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 |
| <b>Total</b>   | <b>2.56</b>             | 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<br>£'000 | 2007/2008<br>£'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 | <b>(333)</b>       | <b>(448)</b>       |

## 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<br>£'000 | 2007/2008<br>£'000 |
|-----------------------|--------------------|--------------------|
| General Fund Premiums | 2                  | 2                  |
| HRA Premiums          | 115                | 0                  |
| Total Charge          | <b>117</b>         | <b>2</b>           |

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:-

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

### 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:-

| <b>Remuneration Band</b> | <b>2006/2007<br/>Number of Employees</b> | <b>2007/2008<br/>Number of Employees</b> |
|--------------------------|--|--|
| £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:-

| <b>Type of Allowance</b>         | <b>2006/2007<br/>£'000</b> | <b>2007/2008<br/>£'000</b> |
|----------------------------------|----------------------------|----------------------------|
| Basic Allowance                  | 139                        | 150                        |
| Special Responsibility Allowance | 37                         | 40                         |
| <b>Total</b>                     | <b>176</b>                 | <b>190</b>                 |

### 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.

|                                       | <b>Chargeable<br/>2007/2008<br/>£'000</b> | <b>Non<br/>Chargeable<br/>2007/2008<br/>£'000</b> | <b>Total<br/>Building<br/>Control<br/>2008/2008<br/>£'000</b> |
|---------------------------------------|---|---|---|
| <b>Expenditure:</b>                   |   |   |   |
| 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  |
|                                       | <b>94</b>                                 | <b>60</b>   | <b>154</b>  |
| <b>Income:</b>                        |   |   |   |
| Building Control Fees                 | 104                                       | 0   | 104   |
| Building Control Notice               | 11  | 0   | 11  |
|                                       | <b>115</b>                                | <b>0</b>  | <b>115</b>  |
| <b>Surplus/(Deficit) for the Year</b> | <b>21</b>                                 | <b>(60)</b>                                       | <b>(39)</b>   |

### 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<br>£'000 | 2007/2008<br>£'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                  |
|   | <b>36</b>          | <b>17</b>          |

### 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:-

|                    | <b>2006/2007<br/>£'000</b> | <b>2007/2008<br/>£'000</b> |
|--------------------|----------------------------|----------------------------|
| Audit Fee          | 104                        | 142                        |
| Inspection Fee     | 11                         | 5                          |
| Grant Claims Audit | 19                         | 19                         |
| Other              | 2                          | 1                          |
|                    | <b>136</b>                 | <b>167</b>                 |

### 9.18 Earmarked Reserves

| <b>GENERAL FUND</b>                      | <b>2006/2007<br/>£'000</b> | <b>2007/2008<br/>£'000</b> |
|--|----------------------------|----------------------------|
| <b>Earmarked Reserves and Balances:-</b> |                            |                            |
| 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                          |
|  | <b>1,366</b>               | <b>1,491</b>               |

### 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        |                |
| <b>Certified Valuation as at 31 March 2007</b>   | <b>173,054</b>     | <b>18,286</b>          | <b>2,154</b>     | <b>798</b>      | <b>1,518</b> | <b>2,865</b>           | <b>3,310</b> | <b>201,985</b> |
| Accumulated Depreciation and Impairment          | (9,824)            | (1,251)                | (948)            | (43)            | (12)         | 0                      | (25)         | (12,103)       |
| <b>Net Book Value of Assets at 31 March 2007</b> | <b>163,230</b>     | <b>17,035</b>          | <b>1,206</b>     | <b>755</b>      | <b>1,506</b> | <b>2,865</b>           | <b>3,285</b> | <b>189,882</b> |
| <b>Movement 2007/08</b>                          |                    |                        |                  |                 |              |                        |              |                |
| 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)      |
| <b>Net Book Value of Assets at 31 March 2008</b> | <b>99</b>          | <b>17,170</b>          | <b>1,105</b>     | <b>1,144</b>    | <b>1,529</b> | <b>2,751</b>           | <b>630</b>   | <b>24,428</b>  |

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:-

|   | <b>2007/2008<br/>£'000</b> |
|---|----------------------------|
| 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                          |
|   | <b>2,185</b>               |

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:-

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

### 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:-



| <b>Capital Financing</b>       | <b>£'000</b> | <b>Capital Expenditure</b> | <b>£'000</b> |
|--------------------------------|--------------|----------------------------|--------------|
| 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        |                            |              |
|                                | <b>7,411</b> |                            | <b>7,411</b> |

### 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:-

|                                       | <b>Expenditure<br/>Approved and<br/>Contracted at<br/>31 March 08<br/>£'000</b> | <b>Expenditure<br/>Approved but<br/>not Contracted<br/>at 31 March 08<br/>£'000</b> |
|---------------------------------------|---|---|
| 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   |
|                                       | <b>567</b>  | <b>1,874</b>  |

## 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**

|  | <b>31 March 2007<br/>£'000</b> | <b>31 March 2008<br/>£'000</b> |
|--|--------------------------------|--------------------------------|
| 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**

|                       | <b>31 March 2007<br/>£000</b> | <b>31 March 2008<br/>£000</b> |
|-----------------------|-------------------------------|-------------------------------|
| Car Loans             | 4                             | 7                             |
| Cestria Finance Lease | 0                             | 123                           |
| Cestria VAT Shelter   | 0                             | 2,150                         |
|                       | <b>4</b>                      | <b>2,280</b>                  |

**9.23 Stocks**

|                          | <b>31 March 2007<br/>£'000</b> | <b>31 March 2008<br/>£'000</b> |
|--------------------------|--------------------------------|--------------------------------|
| <b>Stocks</b>            |                                |                                |
| Sacriston Depot          | 13                             | 13                             |
| DLO – Joiners Shop       | 0                              | 0                              |
| DLO – Bullion Lane Depot | 124                            | 0                              |
| Leisure Centre           | 7                              | 4                              |
|                          | <b>144</b>                     | <b>17</b>                      |

**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:

|                                    | <b>31 March 2007</b><br><b>£'000</b> | <b>31 March 2008</b><br><b>£'000</b> |
|------------------------------------|--------------------------------------|--------------------------------------|
| 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                                |
| <b>Sub Total</b>                   | <b>4,317</b>                         | <b>5,876</b>                         |
| Less: Provision for Doubtful Debts | (985)                                | (563)                                |
| <b>Total</b>                       | <b>3,332</b>                         | <b>5,313</b>                         |

#### 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:

|                         | <b>31 March 2007</b><br><b>£'000</b> | <b>31 March 2008</b><br><b>£'000</b> |
|-------------------------|--------------------------------------|--------------------------------------|
| 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                               |
| <b>Total</b>            | <b>3,380</b>                         | <b>21,302</b>                        |

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

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

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<br>31 March 2007 |                       | Year Ended<br>31 March 2008 |                       |
|------------------------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|
|                                    | Carrying<br>Amount<br>£000  | Fair<br>Value<br>£000 | Carrying<br>Amount<br>£000  | Fair<br>Value<br>£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                   |
| <b>Total Loans and Receivables</b> | <b>6,855</b>                | <b>6,855</b>          | <b>25,177</b>               | <b>25,177</b>         |

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:-

| <b>Year Ended<br/>31 March 2007</b> |                   | <b>Year Ended<br/>31 March 2008</b> |
|-------------------------------------|-------------------|-------------------------------------|
| <b>£000</b>                         |                   | <b>£000</b>                         |
| 0                                   | Co-operative Bank | 3,275                               |
| <b>0</b>                            |                   | <b>3,275</b>                        |

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

|                                   | <b>31 March<br/>2007<br/>£'000</b> | <b>31 March<br/>2008<br/>£'000</b> |
|-----------------------------------|------------------------------------|------------------------------------|
| 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                              |
| <b>Total</b>                      | <b>6,390</b>                       | <b>24,750</b>                      |

**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<br>at<br>March<br>2008 | Historical<br>experience of<br>default | Adjustment for<br>market<br>conditions at 31<br>March 2008 | Estimated<br>maximum<br>exposure to<br>default |
|---|-------------------------------|--|--|--|
|   | £000                          |  |  | £000   |
| Deposits with banks<br>and financial<br>institutions: |                               |  |  |  |
| AAA rated<br>counterparties                           | 0                             | 0.001%                                 | 0.001%   | 0  |
| AA rated<br>counterparties                            | 4,750                         | 0.027%                                 | 0.027%   | 1  |
| A rated<br>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   |
|   | <b>25,177</b>                 |  |  | <b>148</b>                                     |

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:-

|                        | <b>31 March 2007</b> | <b>31 March 2008</b> |
|------------------------|----------------------|----------------------|
|                        | <b>£000</b>          | <b>£000</b>          |
| 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                    |
|                        | <b>18,771</b>        | <b>3,275</b>         |

The maturity analysis of financial assets is as follows:-

|                       | <b>31 March 2007</b> | <b>31 March 2008</b> |
|-----------------------|----------------------|----------------------|
|                       | <b>£000</b>          | <b>£000</b>          |
| 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                    |
|                       | <b>6,390</b>         | <b>24,750</b>        |

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:-

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

### 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<br>£'000 | 2007/2008<br>£'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                |
| <b>Balance as at 31 March 2008</b> | <b>834</b>         | <b>663</b>         |

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<br>1 April 2007<br>£'000 | Net<br>Movement<br>in Year<br>£'000 | Balance at<br>31 March 2008<br>£'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  |
| <b>Total</b>                    | <b>148,090</b>                      | <b>(138,770)</b>                    | <b>9,320</b>                         |  |



### **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<br>31 March<br>2007 |  | Notes | Year Ended<br>31 March 2008 |                |
|--------------------------------|--|-------|-----------------------------|----------------|
| £'000                          |  |       | £'000                       | £,000          |
|                                | <b>Income</b>  |       |                             |                |
| 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<br>Income in Accordance with UK GAAP                                    |       | 0                           |                |
| <b>11,200</b>                  | <b>Total Income</b>  |       |                             | <b>11,750</b>  |
|                                | <b>Expenditure</b>   |       |                             |                |
| 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<br>Assets  | 10.6  | 8                           |                |
| 43                             | Debt Management Costs  |       | 44                          |                |
| 206                            | Increase in Bad Debt Provision   | 10.3  | 114                         |                |
| <b>13,095</b>                  | <b>Total Expenditure</b>   |       |                             | <b>171,910</b> |
| <b>1,895</b>                   | <b>Net Cost of HRA Services per Authority Income<br/>and Expenditure Account</b>   |       |                             | <b>160,160</b> |
| 278                            | HRA Services Share of Corporate Democratic Core  |       | 281                         |                |
| 0                              | HRA Share of Other Amounts included in the whole<br>Authority Net Cost of Services not Allocated to<br>Specific Services |       | 0                           |                |
|                                |  |       |                             | <b>281</b>     |
| <b>2,173</b>                   | <b>Net Cost of Services</b>  |       |                             | <b>160,441</b> |
| 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<br>Pensions Assets   |       |                             | 0              |
| <b>2,934</b>                   | <b>(Surplus) or Deficit for the Year on HRA Services</b>   |       |                             | <b>162,798</b> |

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

| <b>Year Ended<br/>31 March<br/>2007</b> |   | <b>Year Ended<br/>31 March<br/>2008</b> |
|---|---|---|
| <b>£'000</b>                            |   | <b>£'000</b>                            |
| 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)                                 |
| <b>(1,300)</b>                          | <b>Housing Revenue Account Surplus Carried Forward</b>  | <b>(1,579)</b>                          |

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

| Year Ended<br>31 March<br>2007 |   | Year Ended<br>31 March 2008 |                  |
|--------------------------------|---|-----------------------------|------------------|
| £'000                          |   | £'000                       | £'000            |
|                                | <b>Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year</b>  |                             |                  |
| 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                          |                  |
| <b>10</b>                      |   |                             | <b>190</b>       |
|                                | <b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>  |                             |                  |
| (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                           |                  |
| <b>(2,351)</b>                 |   |                             | <b>(163,267)</b> |
| <b>(2,341)</b>                 | <b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>  |                             | <b>(163,077)</b> |

## 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        |
| <b>Stock as at 31 March 2008</b> | <b>1</b> | <b>0</b> | <b>0</b>  | <b>1</b> |

### 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<br>£'000 | 2007/2008<br>£'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                 |
| <b>Net Provision for Bad Debts as at 31 March</b> | <b>333</b>         | <b>0</b>           |

#### 10.4 HRA Housing Subsidy

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

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.

|                             | <b>2006/2007<br/>£'000</b> | <b>2007/2008<br/>£'000</b> |
|-----------------------------|----------------------------|----------------------------|
| Interest Payable            | 696                        | 665                        |
| <b>CAPITAL ASSET CHARGE</b> | <b>696</b>                 | <b>665</b>                 |

## 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<br>£'000 | 2007/2008<br>£'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                |
| <b>Total Depreciation and Impairment Charge</b> | <b>5,162</b>       | <b>165,249</b>     |

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<br>£'000 | 2007/2008<br>£'000 |
|-----------------------------------|--------------------|--------------------|
| Improvements to Council Dwellings | 5,286              | 2,506              |
| Other                             | 0                  | 0                  |
| <b>Total Capital Expenditure</b>  | <b>5,286</b>       | <b>2,506</b>       |



The above Capital Expenditure was financed as follows:-

|                               | <b>2006/2007<br/>£'000</b> | <b>2007/2008<br/>£'000</b> |
|-------------------------------|----------------------------|----------------------------|
| 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                          |
|                               | <b>5,286</b>               | <b>2,506</b>               |

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:-

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

### 10.8 Movement on the Major Repairs Reserve

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

|  | <b>2006/2007<br/>£'000</b> | <b>2007/2008<br/>£'000</b> |
|--|----------------------------|----------------------------|
| <b>Opening Balance</b>                                     | <b>0</b>                   | <b>0</b>                   |
| 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                      |
| <b>Closing Balance</b>                                     | <b>0</b>                   | <b>0</b>                   |

## 10.9 Housing Assets Valuation

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

|                                      | Valuation at<br>31 March 2007<br>£'000 | Valuation at<br>31 March 2008<br>£'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                                      |
| <b>Total Balance Sheet Valuation</b> | <b>165,698</b>                         | <b>678</b>                             |

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<br>£'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              |
|  | <b>161,027</b>     |

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<br>£'000 | 2006/2007<br>£'000 | 2007/2008<br>£'000 | 2007/2008<br>£'000 |
|---|--------------------|--------------------|--------------------|--------------------|
| <b>INCOME</b>                             |                    |                    |                    |                    |
| Income due from                           |                    |                    |                    |                    |
| Business Ratepayers                       |                    | 6,217              |                    | 6,331              |
| Council Tax                               | 22,738             |                    | 24,056             |                    |
| <b>Less</b>                               |                    |                    |                    |                    |
| 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             |
| <b>EXPENDITURE</b>                        |                    |                    |                    |                    |
| 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             |
| <b>MOVEMENT ON FUND BALANCE</b>           |                    | (137)              |                    | (311)              |
| Surplus/(Deficit) on Fund brought forward |                    | 511                |                    | 374                |
| <b>FUND BALANCE CARRIED FORWARD</b>       |                    | 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             |
|            | <b>21,475.00</b> |                 | <b>17,223.10</b>  |

|  |                         |
|--|-------------------------|
| 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:-

| <b>Preceptor</b>               | <b>2006/2007<br/>£</b> | <b>2007/2008<br/>£</b> |
|--------------------------------|------------------------|------------------------|
| 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                 |
| <b>Total – Parish Precepts</b> | <b>181,400</b>         | <b>189,000</b>         |

### 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.

|                                    | <b>Year Ended<br/>31 March<br/>2007<br/>2006/2007<br/>£</b> | <b>Year Ended<br/>31 March<br/>2008<br/>2007/2008<br/>£</b> | <b>Surplus/<br/>(Deficit)<br/>Applied in<br/>2008/2009<br/>£</b> | <b>Surplus/<br/>(Deficit)<br/>Available for<br/>2009/2010<br/>£</b> |
|------------------------------------|---|---|--|---|
| 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)  |
| <b>Total</b>                       | <b>374,468</b>  | <b>62,968</b>   | <b>245,804</b>   | <b>(182,836)</b>  |

## **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](http://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:-

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

| <b>AGS Action</b>                                      | <b>Timeframe</b> |
|--|------------------|
| 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.

| <b>Action Point 2008-09</b>                                    | <b>Action Required</b>  | <b>Responsibility</b>          |
|--|---|--------------------------------|
| 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.

| <b>Action Point 2008-09</b>                  | <b>Action Required</b>  | <b>Responsibility</b>               |
|--|---|-------------------------------------|
| 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<br>Leader of The Council | Roy Templeman<br>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.