

## EXPLANATORY FOREWORD

The Council's statutory accounts and financial statements for 2005/2006 are set out on Pages 15-59 of this document, which will eventually be subject to an independent Audit opinion

In addition, this document includes a Report by the Head of Financial Services, which is designed to help the reader understand in greater detail the financial standing of Sedgefield Borough Council as at 31<sup>st</sup> March 2006.

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

### **1. Report by the Head of Financial Services**

A review of the financial performance of the Council in 2005/2006, together with a financial summary of the outturn position is detailed in Pages 3-12.

### **2. Statement of Responsibilities for the Statement of Accounts**

Page 13 summarises the responsibilities of the Authority and Head of Financial Services, relating to the making of proper arrangements for the administration of the financial affairs of Sedgefield Borough Council and the keeping of accounting records.

The statements of account are intended to present fairly the financial transactions of the Council during the year ended 31<sup>st</sup> March 2006.

The accounts and statements in respect of 2005/2006 have been prepared using the guidance given in the Code of Practice on Local Authority Accounting 2005 together with other legal requirements as contained in various Acts of Parliament, including the Accounts and Audit Regulations 2003.

The preparation of the Final Accounts for 2005/2006 was completed by 23rd May 2006. They were made available for public inspection on 2<sup>nd</sup> June 2006 and approved by the Council on the 30<sup>th</sup> June 2006

Once the Accounts have been audited and the relevant certificate issued as detailed on pages 16-17 the Council will be taking steps to publish the approved accounts. It is anticipated that this will occur by no later than early October 2006.

### **3. Auditor's Report**

Pages 16-17 give an independent, professional opinion by the District Auditor on the Council's Accounts for the year ended 31<sup>st</sup> March 2006 and the arrangements for securing economy, efficiency and effectiveness in the use of resources.

### **4. Statement of Accounting Policies**

Pages 18-25 explain the accounting policies adopted in preparing the Council's Accounts.

### **5. Consolidated Revenue Account**

Pages 26-33 show the Council's main revenue account, which details the income and expenditure on all Council services including housing services and trading services.

Following the statement are notes providing further information and explanation of the items included in the Revenue Account.

### **6. Housing Revenue Account**

Pages 34-39 show the major elements of income and expenditure on Council housing which reflects the statutory obligation to account separately for local authority housing provision.

Following the statement are notes providing further information and explanation of the items included in the Revenue Account.

## **7. Collection Fund**

Pages 40-42 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 Town/Parish Councils) and precepts from Durham County Council, Durham Police Authority and the Durham and Darlington Fire and Rescue Authority.

## **8. Consolidated Balance Sheet**

Pages 43-52 summarise the overall financial position of the Council as at 31<sup>st</sup> March 2006. Following the statement are notes providing further information and explanation of the items included in the Balance Sheet.

## **9. Statement of Total Movements in Reserves**

Pages 53-56 summarise all the transactions on the Council's Revenue and Capital Reserves during the year.

## **10. Cash Flow Statement**

Pages 57-59 summarize the inflows and outflows of cash arising from revenue and capital transactions with third parties.

## **11. Statement on the System of Internal Control and Corporate Governance**

Pages 60-63 summarize the responsibilities of the Authority, the Leader of the Council and the Chief Executive, relating to monitoring of an effective system of internal financial control.

## **12. Accounting Standards**

Pages 64-68 detail the accounting standards which are currently in force and applicable to local authorities and are the basis on which this Statement has been prepared.

## **13. Glossary of Terms**

Pages 69-74 provide 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.

## REPORT BY THE HEAD OF FINANCIAL SERVICES

### **Overview of Financial Performance in 2005/2006**

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

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

### **General Fund 2005/2006**

#### **2005/2006 Initial Plans**

Overall the Council received a relatively small increase in Revenue Support Grant considering the financial pressures facing the Council through pay awards, pension costs, insurance premiums and in meeting the cost of improving key services.

However, the Council was still able to include significant service growth in key priority areas in the 2005/06 Budget largely funded from the additional investment income generated from significant housing land sale capital receipts received by the Council and an increased use of balances to support revenue spending.

The Council approved a budget requirement of £12,410,000 for 2005/2006, which represented a net increase of £410,000 or 3.4% on 2004/2005. However after taking account the higher level of investment income and increased use of balances, the actual increase in spending was around 14%.

As a result, the additional investment was achieved while restricting the increase in Council Tax to 3%.

The Budget assumed a use of balances of £800,000 from the Budget Support Fund.

#### **2005/2006 Actual Position**

The quarterly reporting of each portfolio's spending performance and probable outturn position to Cabinet and Strategic Working Groups has ensured that effective budgetary control has been achieved during 2005/2006.

The financial outturn position on the General Fund has improved considerably throughout 2005/2006, primarily as a result of the following items:-

- Significant additional subsidy entitlement in respect of Housing and Council Tax Benefits, and better than anticipated recovery of overpaid benefit.
- An unexpected grant from the ODPM in respect of Local Authority Business Growth Initiative of £147, 982 for which the Council has yet to determine a use. In the meantime it has been added directly to the Budget Support Fund
- Several rating appeals in respect of the Council's Leisure Centres were resolved with the District Valuer resulting in refunds in excess of £200,000 that were added to the Contingency Fund.
- During the year the turnover of staff employed by the Council, which is normally expected to be in the region of 2.5% per annum, was running at a much higher level than expected. As a consequence the impact of vacant posts and delays in filling posts resulted in significant cost savings on the salaries budget.
- During the year the Job Evaluation review was completed and paid. The contingency sum allocated to cover the anticipated increased pay bill was fully utilised.

A summary of the final outturn on the Council's General Fund is shown in the table below:

	<b>What we Spent 2005/2006</b>		
	<b>Revised Budget £000</b>	<b>Actual Spend £000</b>	<b>(Underspend) Overspend £000</b>
<b>Portfolio</b>			
Resource Management	(1,356)	(1,269)	87
Culture and Recreation	4,015	3,913	(102)
Environment	4,643	4,642	(1)
Neighbourhood Services	1,851	1,809	(42)
Regeneration	2,190	2,009	(181)
Community Safety	755	736	(19)
Supporting People	1,112	444	(668)
<b>Total</b>	<b>13,210</b>	<b>12,284</b>	<b>(926)</b>
<i>(Use of )/ contribution to Budget Support Fund</i>	(800)	126	926
<b>Budget Requirement</b>	<b>12,410</b>	<b>12,410</b>	<b>-</b>

As a result of the favourable outturn position on the General Fund, the Council has been able make a contribution of £126,000 to the Budget Support Fund as opposed to the budgeted use of balances of £800,000.

### **Training and Employment Services**

The initial budget prepared for 2005/2006 forecast that the Training Services account would make an operating loss of about £95,000 [excluding asset charges] by the 31<sup>st</sup> March 2006. As a consequence of higher contract income generated by the Job Centre plus contract the overall loss for the year was only £14,141.

In addition the Council has received from both the Learning & Skills Council and the Job Centre Plus additional contract payments in respect of 2004/2005 that had not been anticipated. The overall transfer to the Training Fund was £71,456

### **Revenue Provisions Into 2006/2007**

In view of the Council's favourable outturn position, I have made provision in the 2005/2006 accounts to carry forward unused resources amounting to £349,500 into the current year to meet specific needs identified within the Budget and Policy Framework. This action is in line with the Financial Regulations.

Details of the provisions made are as follows:-

	<b>£000</b>
<b>General Fund</b>	
Organisational Training & Development Initiatives	20
Wear Valley ICT Management Fee	9
Replacement Catering Equipment – Green lane	4
Phoenix house – Structural Repairs	18
Local Strategic Partnership- Admin Team	53
Waste Management Strategy	2
Waste Recycling	24
Arts Centre Feasibility Study	20
Open Spaces Need Assessment Project	15
Community Economic Appraisals	25
CCTV Camera Maintenance	3
Housing Benefits Administration Improvement Initiatives	145
<b>Housing Revenue</b>	
ICT Software - Decent Homes Initiatives	11
<b>Total Revenue Provisions</b>	<b>349</b>

In addition the Council has received grant funding in respect of specific initiatives that was unspent at the 31<sup>st</sup> March 2006 amounting to £733,100. The budget framework already assumes that some of this grant funding will be utilised in 2006/2007, however if the specific programmes do not need all of the funds in the current financial year unspent resources will be rolled forward into later years to meet specific requirements of the relevant initiatives.

	<b>£000</b>
<b>General Fund</b>	
<i>Community Empowerment Fund</i>	12
<i>Homeless Support</i>	32
<i>New Opportunities Fund</i>	8
<i>Planning Delivery Grant</i>	233
<i>Local Enterprise Growth Initiative</i>	64
<i>Sure Start – Local Programme Grant</i>	384
<b>Total Grant Provisions</b>	<b>733</b>

## Housing Revenue Account 2005/2006

### 2005/2006 Initial Plans

In 2005/2006 further refinements were made by the Government to the way in which subsidy allowances for management and maintenance were derived as part of major methodology changes. As a consequence the Council's management and maintenance subsidy allocations were increased by 20%. This and other changes meant that additional resources of around £1.6 million were made available to the HRA to invest in the management and maintenance of the Council's housing stock.

However, the HRA continues to be in a negative subsidy position, meaning that for 2005/2006 the Council is required to make a payment of £1.9m to the Government to be redistributed nationally to other Housing Authorities.

### 2005/2006 Actual Position

The approved budget for 2005/2006 assumed that the HRA would break even with no requirement for a contribution to or from Balances.

The financial outturn position on the HRA shows a contribution to HRA Balances of £1,190,000.

A summary of the final outturn on the Council's Housing Revenue Account is shown in the table below:

	<b>What We Spent 2005/2006</b>		
	<b>Planned £000</b>	<b>Actual £000</b>	<b>(Underspend) Overspend £000</b>
<b>Income</b>			
<i>House Rents Net of Voids and Bad Debts</i>	20,923	21,199	(276)
<i>Other Rents</i>	816	844	(28)
<i>Government Subsidies</i>	124	124	-
<i>Other Grants, Contributions and Charges</i>	1,700	1,734	(34)
<i>Investment Income</i>	119	145	(26)
<i>Extraordinary Item</i>	-	740	(740)
<b>Total Income</b>	<b>23,682</b>	<b>24,786</b>	<b>(1,104)</b>
<b>Expenditure</b>			
<i>Management Costs</i>	8,063	7,944	(119)
<i>Maintenance Costs</i>	5,281	5,486	205
<i>Capital Financing</i>	6,116	6,147	31
<i>Revenue Contribution to Capital</i>	1,521	1,368	(153)
<i>Negative Subsidy Payable</i>	1,871	1,896	25
<i>Statutory Contributions to General Fund</i>	830	755	(75)
<b>Total Expenditure</b>	<b>23,682</b>	<b>23,596</b>	<b>(86)</b>
<b>Contribution to HRA Balances</b>	<b>-</b>	<b>1,190</b>	<b>(1,190)</b>

The contribution to HRA balances is made up of the reimbursement of LSVT costs totalling £740,000 from Sunderland Housing Group and a surplus of income over expenditure on the HRA of £450,000. This surplus was largely as a result of higher than estimated rent income as a result of a downturn in the level of RTB sales and a reduced revenue contribution to capital requirement.

## Reserves

The following statement sets out the actual position in respect of the level of reserves and balances available to the Council as at the 31<sup>st</sup> March 2006, which shows an increase in the overall level of resources available of £1.127m compared to the balances as at 31<sup>st</sup> March 2005. This is mainly attributable to the significant transfers to balances from the HRA and General Fund Revenue Accounts as outlined earlier.

		<b>Balances at</b>	
		<b>31/3/2005 £000</b>	<b>31/3/2006 £000</b>
<b>General Fund</b>			
	<b>Earmarked Reserves</b>		
	<i>Budget Support Fund</i>	1,622	1,721
	<i>Insurance Fund</i>	1,099	1,237
	<i>Economic Development Fund</i>	267	183
	<i>Asset Management Fund</i>	502	502
	<i>Private Sector Housing Fund</i>	203	203
	<i>Training Services Fund</i>	386	458
	<i>Youth Development Fund</i>	151	109
	<i>MRP (Debt Repayment) Fund</i>	706	456
	<i>Building control Fund</i>	-	21
	<i>Other Earmarked Funds</i>	63	51
		<b>4,999</b>	<b>4,941</b>
	<b>Non-Earmarked Reserves</b>		
	<i>General Reserves</i>	<b>2,240</b>	<b>2,240</b>
<b>Housing Revenue Account</b>			
	<i>HRA Working Balance</i>	<b>3,460</b>	<b>4,647</b>
	<b>Total Reserves</b>	<b>10,699</b>	<b>11,828</b>

## Collection Fund

The Council, as billing authority, maintains the Collection Fund accounts in respect of all the precepting authorities within Sedgefield Borough. Surpluses and / or losses on the Fund have to be used to support future Council Tax bills.

As at the 31<sup>st</sup> March 2006 there was an accumulated surplus on the Fund of £758,000, of which £655,000 will be paid over to the precepting authorities in 2006-2007. Of the remaining balance and in anticipation of a final outturn surplus in excess of that at the 31<sup>st</sup> March 2006, Sedgefield Borough Council utilised £200,000 to fix its own level of Council Tax in 2006/2007.

## Borrowing Procedures

Section 45 of the Local Government and Housing Act 1989 requires the Council to set an overall borrowing limit, a short term borrowing limit and to determine what proportion of the Council's debt will be at variable rates of interest. The limits agreed by the Council in respect of the 2005/2006 financial year were as follows:-

	<i>Agreed Limit</i>	<i>Outturn Position</i>
<i>Overall Borrowing Limit</i>	£42m	£18.68m
<i>Short Term Borrowing Limit</i>	£8m	Nil
<i>Proportion of Interest Payable at Variable Rates</i>	50%	Nil

The Council operated within these limits throughout the year.

### 1. Long Term Borrowing

The Council's normal source of long-term borrowing is from the Public Works Loans Board. Overall long-term borrowing decreased by £308,000, during the year in accordance with the Council's agreed Treasury Management procedures. An analysis of the Council's long-term indebtedness as at 31<sup>st</sup> March 2006 is shown in notes 9-10 to the Consolidated Balance sheet on page 48.

### 2. Short Term Borrowing

The Council is also able to borrow by means of short-term loans (i.e. for less than 365 days). During 2005/2006 no short-term borrowing was undertaken. The Council had an overdraft facility with the Co-operative Bank plc of up to £350,000 during 2005/2006 and could borrow by means of temporary loans on the money market using banks, building societies and other financial institutions up to the limits specified above.

### 3. Variable Rate Loans

The Council did not have any variable rate long-term borrowings outstanding at the 31<sup>st</sup> March 2006.

### 4. Debt Redemption

Details of prematurely repaid debt in 2005-2006 are shown below, there was no premature repayment of debt during 2004-2005.

	2004/2005	2005/2006
	£	£
<i>Value of Loans Prematurely Redeemed</i>	-	3,839,039
<i>Premium Paid on Redemption</i>	-	751,330
<i>Discounts Received on Redemption</i>	-	-

Premiums and discounts arise when the interest rate on the loan debt being repaid is either higher or lower than the current costs of borrowing. Discounts and premiums have to be shared between the General Fund and the Housing Revenue Account in proportion to the amount of loan debt outstanding on each of the accounts at the beginning of the financial year.

## Capital Investment in Sedgefield Borough 2005/2006

In preparing the Council's Capital Budgets for 2005/2006, account had to be taken of the resources available to the Council in the form of Government grants and allocations such as the Major Repairs Allowance, Supported Borrowing Approvals and the Council's own capital resources such as usable capital receipts, revenue contributions and accumulated reserves.

The approved net spending target for 2005/2006 was subsequently set at £15.8m with £3.8m set aside for General Fund Services, £7.0m for Council Housing Services and £5.0m for Major Regeneration Initiatives to be funded from Housing Land Capital Receipts.

The spending targets were revised during the year to reflect outstanding commitments carried forward from 2004/2005, the approved use of capital contingencies and the reduction in the Major Regeneration allocation to reflect delays in receiving capital receipts from land sales.

Following these amendments, the revised net spending approval was set at £15.293m, with £7.300m set aside for Council Housing Services, £4.939m for General Fund Services and £3.054m for Major Regeneration Initiatives.

Taking into account additional external funding secured during the year, the total gross spending target was £20.309m with £9.955m for General Fund, £7.300m for Council Housing and £3.054m for Major Regeneration Initiatives.

The figures in the tables below detail the actual gross and net capital expenditure in 2005/06 in respect of the General Fund and Council Housing Programmes. The net spend shown is after the deduction of any external capital grants and contributions received during the year and therefore represents the expenditure to be financed from the Council's own resources and Government allocations built into the base budget such as the Major Repairs Allowance and Supported Borrowing Allocations.

## General Fund Services

The final outturn position on the 2005/06 General Fund Capital Programme (including the Major Regeneration Programme) can be summarised as follows: -

<b>Portfolio</b>	<b>Net Capital Programme Budget £000</b>	<b>Gross Capital Programme Budget £000</b>	<b>Actual Gross Spend* £000</b>	<b>Less Capital Grants and Contributions £000</b>	<b>Actual Net Spend To Finance £000</b>
<b>Resource Management</b>					
ICT and E-Government	1,323	1,472	807	(279)	528
Green Lane	175	175	195	-	195
Chilton Depot	132	132	116	-	116
<b>Culture and Recreation</b>					
Leisure Centres	673	673	633	(1)	632
Gymnastics Centre	-	1,233	1,083	(1,083)	-
<b>Regeneration</b>					
Spennymoor Town Centre	150	1,401	853	(822)	31
Neighbourhood Renewal	520	660	405	(140)	265
Other Schemes	224	324	118	(43)	75
<b>Economic Development</b>	359	659	324	(250)	74
<b>General Fund Housing</b>					
Improvement Grants	1,000	1,000	1,045	(243)	802
Other Private Sector Housing	-	668	652	(650)	2
<b>Community Safety</b>	193	193	51	-	51
<b>Environment</b>	120	120	120	(1)	119
<b>Supporting People</b>					
Sure Start Centres	-	1,175	615	(615)	-
Other Initiatives	70	70	56	-	56
<b>Major Regeneration</b>	3,054	3,054	809	(19)	790
<b>TOTAL</b>	<b>7,993</b>	<b>13,009</b>	<b>7,882</b>	<b>(4,146)</b>	<b>3,736</b>

### \* Net of deminimus spend transferred to revenue

The underspend can be attributed to a number of reasons: -

- Where capital schemes are funded through external agencies, such as the Single Capital pot these resources must be spent first as in most instances if the resources are not defrayed within the year they have to be repaid.
- Delays in the implementation of the Major Regeneration Initiatives Programme pending the approval by Council of the overall Borough Regeneration Master Plan.
- Late Approval from the Government Office meant a later than anticipated start on the construction of the two Sure Start Centres.
- Delays in the completion of a number of schemes on the Regeneration and Economic Development Capital Programme mainly in respect of Spennymoor Town Centre, Neighbourhood Renewal and Aycliffe Industrial Park
- A number of ICT capital projects were delayed or did not go ahead as planned during the year

The Council has again been successful in securing additional grants and contributions from external sources to support its capital investment. The amounts to be financed from the Council's own resources were therefore lower than anticipated.



## Council Housing Services

The Housing Investment Programme (H.I.P.) provides, in the main, for the re-vitalisation of the Council's dwellings and associated land and infrastructure. The significant areas of the Programme in 2005/2006 were all designed to help the Council achieve the Government's Decent Homes standard, including:

1. Continuation of Tenant Led Improvement Programme and Kitchen Units replacement, where the tenant has significant choice in the new facilities installed in their homes.
2. Continuation of the programme of external joinery and the installation P.V.C.U. rear doors.
3. Continuation of a programme to renewing inefficient central heating systems and the provision of cavity wall insulation in all Council dwellings.
4. Continuation of a programme to renew roofing on all Council dwellings
5. Continuation of a programme of structural repairs and the replacement of dilapidated external components on Council dwellings
6. Other works, including the works to sheltered housing schemes, fencing and landscaping works and works to Council owned shops.

The outturn position on the 2005/06 Council Housing Capital Programme can be summarised as follows:

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Scheme	<b>Capital Programme Budget £000</b>	<b>Actual Gross Spend* £000</b>	<b>Less Capital Grants and Contributions £000</b>	<b>Actual Net Spend To Finance £000</b>
<b>Council Dwellings</b>				
Tenant Led Improvements	2,380	2,573	-	2,573
Kitchen Units	350	451	-	451
Structural Repairs	460	331	-	331
External Fabric Replacement	550	512	-	512
Central Heating / Cavity Wall Insulation	1,415	1,401	-	1,401
P.V.C.U. Doors / External Joinery	200	295	-	295
Re-roofing Works	1,300	1,122	(26)	1,096
Other Council Housing Works	255	60	-	60
<b>Other Works</b>				
Disabled Persons Adaptations	100	117	-	117
Infrastructure Works	61	120	-	120
Council Shops	85	195	-	195
Sheltered Housing Schemes	144	34	-	34
<b>Total</b>	<b>7,300</b>	<b>7,211</b>	<b>(26)</b>	<b>7,185</b>

### \* Net of de minimus spend transferred to revenue

A report has recently been considered by Cabinet to align available housing capital resources to spending programmes in order to achieve the decent homes targets by 2011/12.

Overall, the Council therefore spent £15.093m gross on the 2005/06 Capital Programme against a gross spending target of £20.309m. The financing of the capital programme outturn is detailed in the section below.

## Financing the Capital Programme

### Capital Resources Available

#### 1. Government Allocations

These consist of Government grants and supported capital expenditure allocations. The Council's supported capital expenditure allocation, for which an authority can raise credit to finance capital expenditure, is in the form of a Supported Borrowing Approval, and can only be applied Housing capital expenditure incurred in the year. The Council is also allocated capital grants by the Government to support spending on specific projects. The Major Repairs Allowance is the most significant grant that the Council receives and this used to support achievement of the Decent Homes Standard for the Council's housing stock. The Council also receives a number of other Government grants to support specific capital schemes e.g. E-Government grant to achieve electronic service delivery and Disabled Facility Grant.

#### 2. Other Capital Grants and Contributions

All other external funding secured against capital projects including lottery funding, capital grants and contributions and partnership funding.

#### 3. Council's Own Resources

These consist of capital receipts, direct revenue financing and the use of Council balances. The Council is able to use 25% of capital receipts from the sale of Council houses and 100% in respect of the sale of all General Fund Assets. In addition the Council is allowed to use 100% of capital receipts generated from sales of housing land, provided a suitable resolution has been approved by the Council and the receipts are earmarked for affordable housing and/or regeneration initiatives. Direct revenue financing involves financing capital expenditure directly from revenue income. Whilst there is no limit set on this method of financing the penalties for not achieving Government guidelines for both rent and Council Tax increases have an effective indirect control over the level of direct revenue financing which can be applied.

The capital resources available to the Council to finance capital expenditure as at 31<sup>st</sup> March 2006 can be summarised as follows:

Available Capital Resources	Resources Held At 31.03.05 £'000	Received During the Year £'000	Total Resources Available £'000
Capital Receipts:			
- Sale of Council Houses [RTB's]	2,421	2,443	4,864
- Land Sales	119	13,603	13,722
- Other Sales / Receipts	47	367	414
- Section 106 Planning Agreements	137	50	187
<b>Total Capital Receipts</b>	<b>2,724</b>	<b>16,463</b>	<b>19,187</b>
Capital Grants:			
- Single Programme	65	955	1,020
- Single Housing Investment Pot	-	650	650
- Disabled Facility Grant	-	228	228
- Lottery Funding	18	1,065	1,083
- Sure Start Grant	-	998	998
- Other Grants	23	276	299
<b>Total Capital Grants</b>	<b>106</b>	<b>4,172</b>	<b>4,278</b>
<b>Capital Contributions</b>	<b>19</b>	<b>343</b>	<b>362</b>
<b>Supported Capital Borrowing</b>	<b>-</b>	<b>674</b>	<b>674</b>
<b>Major Repairs Allowance [HRA]</b>	<b>-</b>	<b>5,038</b>	<b>5,038</b>
<b>Direct Revenue Financing [HRA]</b>	<b>-</b>	<b>1,875</b>	<b>1,875</b>
<b>Total Available Resources</b>	<b>2,849</b>	<b>28,565</b>	<b>31,414</b>

## Capital Financing in 2005/2006

Full details of how the 2005/2006 Capital Programme was financed are shown in Note 1(d) to the Consolidated Balance Sheet on Page 45. The programme reflects the use of the Major Repairs Allowance to support the Housing Investment Programme and a number of other grants and contributions to support spending on the General Fund Capital Programme.

However, the Council also needed to use substantial sums from its own resources in order to finance the remainder of the capital programme.

Based on the gross final outturn position of £15.093m, and the available capital resources highlighted in the table above, the financing of the capital programme will to be as follows:

	<b>£'000</b>
<b>Gross Capital Spending Target</b>	<b>15,093</b>
<b>Financed by:</b>	
Government Allocations:	
- Supported Capital Expenditure	674
- Capital Grants and Contributions	4,173
- Major Repairs Allowance	5,038
Capital Receipts	
- General Fund	393
- Housing	2,549
- Regeneration	898
Direct Revenue Financing – HRA	1,368
<b>Total Resources</b>	<b>15,093</b>

As the table above shows, out of total gross capital spending of £15.093m, £9.211m (61.1%) was funded by external grants and contributions, the Council was allowed to borrow a further £0.674m (4.4%) with the balance of £5.208m (34.5%) coming from the Council's own resources.

## Capital Programme – Carry Forward to 2006/2007

The Council has commitments of £4.302m into 2006/07, of which £3.347m has been contractually committed and £0.955m approved in principle to proceed, but not yet contractually committed. (See Note 1(e) to the Consolidated Balance Sheet on Page 46).

A number of carry forward requests in respect of these commitments have been received and following approval of the Statement of Accounts; Portfolio spending targets for 2006/2007 will be adjusted accordingly, to take these additional commitments into account.


The following table summarises the underspends and overspends on each portfolio's capital programme, and details the outstanding commitments which will need to be carried forward into 2006/2007:-

<i>Portfolio / Capital Programme</i>	<i>(Underspend) Overspend*</i>	<i>Commitments/ Carry Forward To 2006/2007</i>
	<i>£000</i>	<i>£000</i>
<i>ICT</i>	(642)	635
<i>Green Lane</i>	19	-
<i>Chilton Depot</i>	(16)	16
<i>Culture and Recreation</i>	(48)	48
<i>Environment</i>	(1)	-
<i>Regeneration</i>	(523)	518
<i>Economic Development</i>	(285)	281
<i>Supporting People</i>	(14)	14
<i>Housing General Fund</i>	29	-
<i>Community Safety</i>	(142)	142
<i>Major Regeneration</i>	(2,264)	401
<i>Housing Revenue Account</i>	64	-
<b>Total</b>	<b>(3,823)</b>	<b>2,055</b>

\* The underspend / overspend figures shown are net of any deminimus capital spend transferred to revenue and any capital grants and contributions not already built into the 2005/06 Base Budget

### Usable Capital Receipts

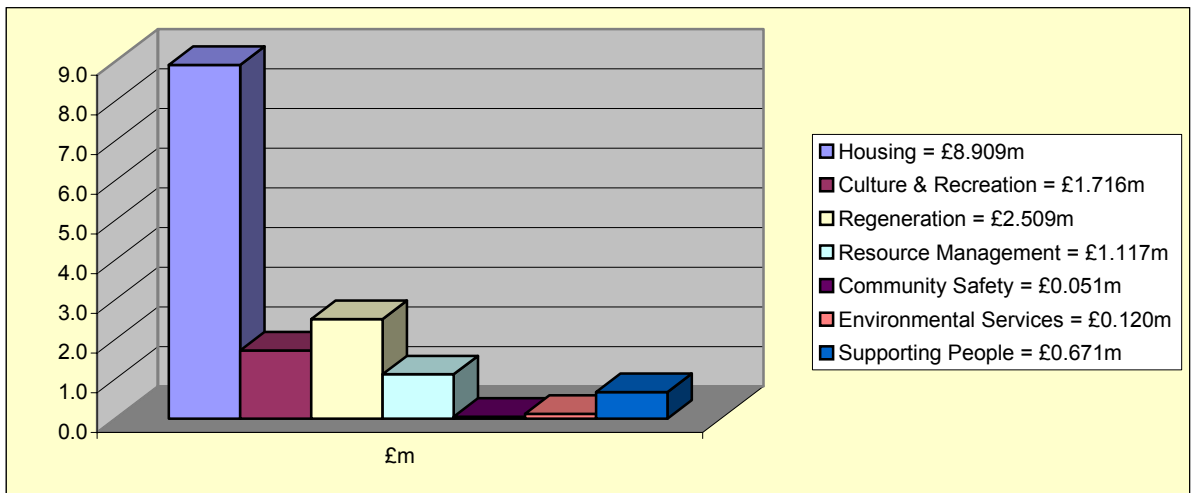
As a consequence of the underspend in the 2005/2006 Capital Programme and the significant level of Capital Receipts generated during the year, the Council has Usable Capital Receipts available to finance future capital works, amounting to £15.151m as at 31<sup>st</sup> March 2006. In accordance with decisions taken by Council in July 2004, £12,824m of these Capital Receipts have been earmarked specifically for major regeneration and affordable housing schemes.

<i>Harold Moses Head of Financial Services</i>		<i>Date</i>	<i>9<sup>th</sup> June 2006</i>
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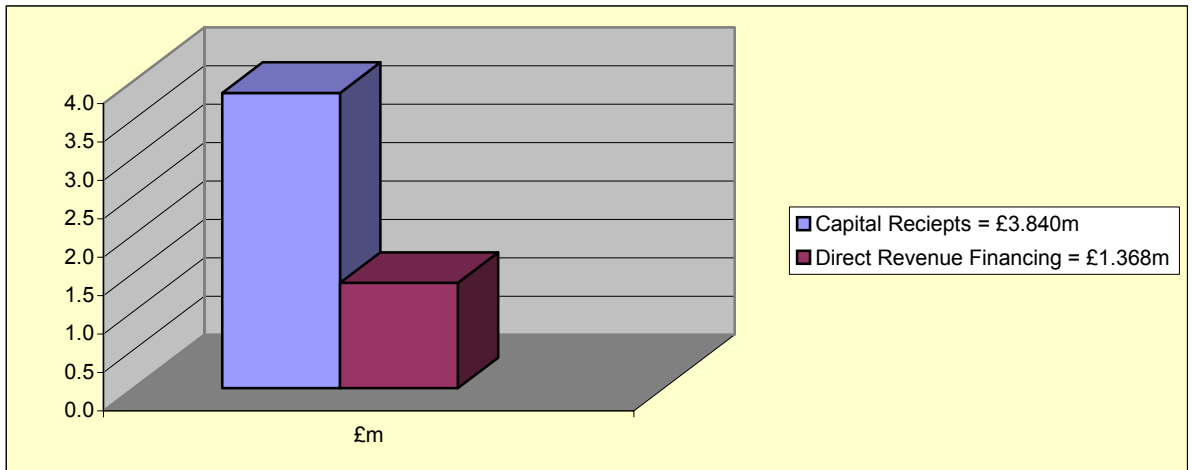
## CAPITAL INVESTMENT 2005/2006

### Expenditure £15.093m

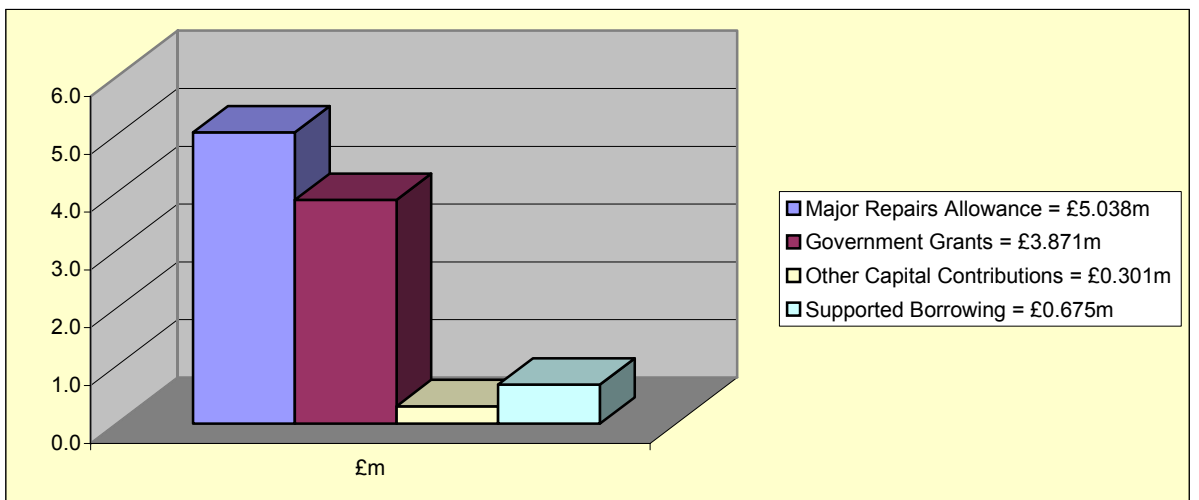


### How it was Financed

#### Council's Own Resources £5.208m



#### Government Grants and Borrowing Allocations £9.885m



## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### Responsibilities of the Authority

- 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 Financial Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### Responsibilities of the Head of Financial Services

The Head of Financial Services is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ('the Code of Practice').

In preparing this Statement of Accounts, the Head of Financial Services has:


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

The Head of Financial Services has also:

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

### Certification of the Head of Financial Services

In our opinion the Statement of Accounts as shown on pages 26-63 present fairly the financial position of the Authority at 31<sup>st</sup> March 2006 and its income and expenditure for the year then ended.

<b>Harold Moses</b> <b>Head of Financial</b> <b>Services</b>		<b>Date</b>	<b>9<sup>th</sup> June 2006</b>
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## Independent auditor's report to the Members of Sedgefield Borough Council

### Opinion on the financial statements

I have audited the financial statements of Sedgefield Borough Council under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Sedgefield Borough Council accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Chief Finance Officer and auditors

The Head of Financial Services's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31<sup>st</sup> March 2006 and its income and expenditure for the year then ended.

<b>S Nicklin</b> <b>District Auditor</b>		<b>Date</b>	<b>2006</b>
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## Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

### Authority's Responsibilities

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention that prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- Certifying that I have done so;
- Stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- Where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Sedgefield Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

### Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2005/2006 in October 2005. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

<b>S Nicklin</b> <b>District Auditor</b>		<b>Date</b>	<b>2006</b>
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The District Auditor can be contacted at:-

Audit Commission, 2<sup>nd</sup> Floor, Nickalls House, Metro Centre, Gateshead. NE11 9NH. [0191 460 2022]

## STATEMENT OF ACCOUNTING POLICIES

The Council's accounting policies have been drawn up in line with recommended accounting principles, as specified in the Best Value Code of Practice on Local Authority Accounting (BVACOP) and accompanying Guidance Notes for Practitioners, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Institute's guidance notes on the application of Statements of Standard Accounting Practice (SSAP), Statement of Recommended Practice (SORP) and Financial Reporting Standards (FRS) have also been taken into account. The financial statement contained in the Statement of Accounts takes into account the recommended accounting principles wherever possible and any departures from the recommended practice are identified in the following notes.

### 1. Revenue Accounts

#### 1.1 Income and Expenditure

The Revenue Accounts are maintained on an income and expenditure basis (accruals basis), in accordance with the Code of Accounting Practice and SSSP 2. This means that sums due to or from the Council are included whether or not the cash has actually been received or paid in the year.

At the year-end provisions are made to reflect income and expenditure which have not been received or paid in respect of goods and services, where exact amounts are unknown estimates are used.

There are a few exceptions to this general rule where costs are not apportioned between years

- Wages are accounted for in whole weeks
- Housing Rents are accounted for in whole weeks
- Leisure Centre Income is accounted for in whole weeks
- Periodic accounts e.g. Electricity are reflected on the basis of four payments per annum [the same principal applies for annual and half yearly payments]

This policy is consistently applied each year and does not materially affect the accounts.

#### 1.2 Cost of Support Services

Charges or apportionments covering all support service costs are made to all users (including HRA and Capital) in accordance with the seven principles of overhead apportionment outlined in BVACOP. These principles are:-

<i>Complete recharging of overheads</i>	All overheads not defined as non-distributed costs central overheads, should be fully recharged to service expenditure headings as defined in Section 3 of the BVACOP
<i>Correct Recipients</i>	The system must identify correctly who should receive overhead recharges.
<i>Transparency</i>	Recipients must be clear what each recharge covers and be provided with sufficient information to enable them to challenge the approach being followed.
<i>Flexibility</i>	The recharging arrangements must be sufficiently flexible to allow recharges to be made regularly enough and to a level of detail appropriate to meeting both users' and providers' needs.
<i>Reality</i>	Recharging arrangements should result in a distribution of actual costs, which have a basis in fact. Even if the link cannot be direct, reality should be the main aim.
<i>Predictability/Stability</i>	Recharges should be as predictable as possible, although there will be practical limitations to this.
<i>Materiality</i>	It is unlikely that a simple system will be adequate to meet all the other requirements noted above. However, due regard should be had to materiality to minimise the costs involved in running the system.

#### 1.3 Interest

All surplus capital and revenue monies are externally invested and the General Fund initially receives all the interest earned.

Interest is not generally credited to internally held funds other than the Housing Revenue Account and Third Party Funds administered by the Council. Internal transfers are made to these accounts to reflect their share of interest earned, based upon the actual interest rate achieved on the Council's external investments throughout the year as recommended in the SORP.

Both Interest payable on external borrowings and investment income are accrued and accounted for in the accounts for the period to which they relate.

#### **1.4 Pensions**

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

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

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

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

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

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

In accordance with Standard Accounting Practice for Local Authorities, the additional costs which would have arisen over the relevant period, in order to comply with FRS 17, are shown by way of a note to the Consolidated Balance Sheet. (See Note 18 pages 50-52).

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

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

#### **1.5 Redemption of Debt**

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

- (a) **Equal instalment loans** – equal instalments of principal are repaid over the appropriate repayment period.
- (b) **Maturity loans** – the principal is repaid in full on the date the loan matures. In the interim, interest payments are made.
- (c) **Annuity loans** – repayments of these loans are calculated on the basis of a sinking fund where the proportion of principal in relation to the payment increases throughout the term of the loan.

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

Where early redemption of debt takes place, premiums or discounts incurred are accounted for as follows: -

- Premiums and discounts incurred as a result of a debt restructuring exercise are charged to the revenue account over the life of the new loan for the General Fund, and over the life of the old loan or ten years, whichever is shorter, for the Housing Revenue Account.

- Premiums and discounts that are not associated with a wider restructuring of the Council's debt portfolio are charged to the revenue account in the year in which they are incurred.
- Premiums and discounts are split between the General Fund and the Housing Revenue Account, in accordance with their share of debt as identified by the Council's credit ceiling at 1<sup>st</sup> April in the year in which they are incurred.

The repayment (redemption) of debt by services is provided for in accordance with the requirements of the Local Government and Housing Act 1989. Service Revenue accounts must be charged with an amount known as the Minimum Revenue Provision (MRP).

The MRP is calculated on the basis of 4% of the Non-Housing Credit Ceiling. There is no longer a requirement to provide for the repayment of HRA debt.

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 Consolidated Revenue 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.

Copies of the Council's Annual Review of Treasury Management are available from the Head of Financial Services.

## **1.6 Insurances**

The Council insures against the majority of its potential losses by using an Insurance Company. However, in order to minimize external premiums, the Council has an established Insurance Fund to meet the potential cost of insurance claims falling within agreed excesses. (For example, all Public Liability claims up to £64,500 and all Fire Claims up to £25,000 is borne by the Council and the Insurance Company meets only amounts above this excess).

There are no material unfunded risks and it is considered that the present Insurance Fund balance is adequate to meet any potential claims on the Council for which external insurance cover has not been arranged.

## **1.7 Value Added Tax**

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

## **1.8 Post Balance Sheet Events**

- (a) Where a material post balance sheet event occurs which:
  - Provides additional evidence relating to conditions existing at the balance sheet date; or
  - Indicates that application of the going concern concept to a material part of the authority is not appropriate;
 Changes are made in the amounts to be included in the Statement of Accounts.
- (b) Any occurrence of a material post balance sheet event which concerns conditions which did not exist at the balance sheet date, are disclosed. The disclosure states the nature of the event and, where possible, an estimate of the financial effect of the event.

## **1.9 Acquired Operations**

Income and expenditure directly related to acquired operations will be shown separately on the face of the consolidated revenue account under the heading of acquired operations. [There were no acquired operations in 2005/2006].

## **1.10 Discontinued Operations**

Income and expenditure directly related to discontinued operations will be shown separately on the face of the consolidated revenue account under the heading of discontinued operations. Any liabilities in respect of discontinued operations will be disclosed separately in the notes to the consolidated balance sheet. [There were no discontinued operations in 2005/2006].

### **1.11 Contingent Assets**

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

### **1.12 Contingent Liabilities**

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

### **1.13 Exceptional Items, Extraordinary Items and Prior Year Adjustments**

- (a) Exceptional items will be included in the cost of the service to which they relate or on the face of the consolidated revenue account if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item will be given within the notes to the accounts. The costs of any fundamental re-organization or restructuring which has a material effect on the nature and focus of the authority's operations will be shown separately on the face of the consolidated revenue account.
- (b) Extraordinary items will be disclosed and described on the face of the consolidated revenue account after dealing with all items within the ordinary activities of the authority and will be explained fully in a note to the accounting statements.
- (c) Prior year adjustments will be accounted for in the year in which they are identified and disclosed within the notes to the accounts or, where considered necessary for fair reporting, on the face of the appropriate revenue account. However, there will not be any adjustment of preceding year comparative figures or of the opening balances of funds. This reflects the requirement to match all expenditure in the reporting period with income from general Government grants and local taxpayers. An explanation will be given by way of notes to the accounts of the estimated effect on the prior year figures.

### **1.14 Foreign Currency Translation**

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

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

### **1.15 Government Grants (Revenue Services)**

- (a) Whatever their basis of payment, revenue grants are matched with the expenditure to which they relate. Grants made to finance the general activities of a local authority or to compensate for a loss of income are credited to the revenue account of the period in respect of which they are payable.
- (b) Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

## **2. Current Assets**

### **2.1 Stocks and Work in Progress**

Stocks are valued at latest price paid, with an allowance made for obsolete and slow moving items. This is a departure from the requirements of S.S.A.P. 9, which requires stocks to be shown at actual

costs or net realisable value, if lower. The effect of this different treatment has not been quantified, but the opinion is held that any difference in value would be immaterial.

## 2.2 Investments

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

## 2.3 Provision for Bad and Doubtful Debt

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

## 3. Other Accounts

### 3.1 Revenue Provisions

- (a) Provisions are required for any liabilities of uncertain timing or amounts that have been incurred.
- (b) Provisions are required to be recognised when:
  - The local authority has a present obligation (legal or constructive) as a result of a past event;
  - It is probable that a transfer of economic benefits will be required to settle the obligation; and
  - A reliable estimate can be made of the amount of the obligation.A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision is recognised.
- (c) Provisions are charged to the appropriate revenue account; when payments for expenditure are incurred to which the provision relates they should be charged direct to the provision. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the events.
- (d) Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.
- (e) Details of the provisions contained within these Accounts are shown in Note 13 to the Consolidated Balance Sheet on pages 48-49.

### 3.2 Revenue Reserves

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

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

(c) **Earmarked Reserves:**

These are amounts set aside for specific purposes and include:-

- *Budget Support Fund:* Represents an amount available for future Budget support in years beyond 2005/2006.
- *Asset Management Fund:* An amount established to provide support to meet the Council's future commitments under the Asset Management Plan.
- *Insurance Fund:* An amount established under statutory powers to indemnify the Council directly against specified risks not covered by the Council's insurance policy (see also note 1.6 on page 20).

A complete Schedule of Reserves held at 31<sup>st</sup> March 2006 is shown in Note 2 to the 'Statement of Total Movement in Reserves' on Page 54.

## 4. Capital Accounts

### 4.1 Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets, has been capitalised in accordance with Part IV of the Local Government and Housing Act 1989. Assets acquired under finance leases and hire agreements (if any) are capitalised in the Council's accounts on the basis of their notional capital value as notified by the Lessor or Hirer. Operational assets have been included in the Balance Sheet at the lower of net current replacement cost or net realisable value.

The Asset values used in the accounts are based on a certificate issued by the Council's Valuation & Corporate Property Services Manager, Mr. J. Wilkinson (F.R.I.C.S.). All additions are included in the accounts at their cost of acquisition. The basis of the valuation of Fixed Assets, shown in the Balance Sheet as at 1<sup>st</sup> April 2005, is shown below:-

<i>Asset Type</i>	<i>Basis of Valuation</i>
<i>Council Dwellings</i>	Market Value - Existing Use Value – Social Housing
<i>Other Land and Buildings</i>	Market Value or Net Current Replacement Cost
<i>Vehicles Plant and Equipment</i>	Historical Cost or Net Current Replacement Cost
<i>Infrastructure</i>	Historical Cost – No Added/Tangible Value
<i>Community Assets</i>	Historical Cost or Market Value
<i>Non-Operational Assets</i>	Market Value

The housing stock and other assets have been revalued in accordance with statutory ODPM "Guidance on Stock Valuation". These values are reflected in the consolidated Balance Sheet under Fixed Assets – Council Dwellings.

### 4.2 Depreciation

Assets, other than land, are being depreciated over their estimated useful economic lives, in accordance with Financial Reporting Standard 15.

Where depreciation is provided for, assets are being depreciated using the straight line method over the following periods:-

	<i>Years</i>
<i>Motor Vehicles</i>	5 to 7
<i>Other Plant, Furniture and Equipment</i>	3 to 20
<i>Council Dwellings, Offices and Other Buildings</i>	21 to 60

From 1<sup>st</sup> April 2003 Community Assets were no longer depreciated in line with recommended accounting practice. This change has no material impact on the Financial Statements.

### 4.3 Impairment

The value at which each category of assets is included in the balance sheet is reviewed at the end of each reporting period and where there is reason to believe that its value has changed materially in the period, the valuation is adjusted accordingly. Examples of events and changes in circumstances that indicate a reduction in value may have incurred include:-

- (a) a significant decline in a fixed asset's market value during the period;
- (b) evidence of obsolescence or physical damage to the fixed asset;
- (c) a significant adverse change in the statutory or other regulatory environment in which the authority operates; and
- (d) a commitment by the authority to undertake a significant reorganisation.

### 4.4 Capital Receipts

Under the 1985 Housing Act, Council tenants have the right to buy their dwellings. The proceeds of these sales, together with other disposals of assets in excess of £10,000 that arise in the normal course of Council activities, are known as capital receipts.

The Government has prescribed the ways in which Councils may utilise these receipts as follows:

	<i>Pooled Proportion</i>	<i>Usable Proportion</i>
	<i>%</i>	<i>%</i>
<i>Right to Buy Receipts</i>	75	25
<i>Other HRA Receipts</i>	50	50
<i>Other Receipts</i>	0	100

With effect from 1<sup>st</sup> April 2004 the reserved proportion of the capital receipt (now known as the Pooled Proportion) has to be paid over to the Government rather than used to redeem loan debt. The usable proportions are immediately available to finance new capital expenditure.

Legislation prevents the Council from crediting capital receipts to the General Fund.

### 4.5 Charges to Revenue

- (a) 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 and where required, any related impairment loss (due to a clear consumption of economic benefits), for all fixed assets used in the provision of the service.
- (b) Such charges are calculated on the current valuation of the asset and comprise:-
  - A notional interest charge using rates specified each year by CIPFA/LASAAC in accordance with the code of practice on Local Authority Accounting. For 2005/06 these rates were set at 3.5% for assets carried at current cost and 4.95% for all other assets.
  - In appropriate cases, a depreciation charge calculated by using the straight-line method.
  - Capital charges to the HRA are the statutory capital financing charges in accordance with the item 8 debit calculation of the Housing Subsidy Determinations.
- (c) All expenditure on repairs and maintenance relating to fixed assets is charged to the appropriate service revenue account.
- (d) Finance costs, (including interest payable and interest payable under finance leases) and provisions for depreciation are charged to the asset management revenue account.
- (e) Capital charges for the use of fixed assets and relevant impairment losses included in revenue accounts are credited to the asset management revenue account.
- (f) 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 consolidated revenue account, below net operating expenditure.



#### 4.6 Intangible Assets and Deferred Charges

Deferred Charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. They include grants to other persons and bodies for capital expenditure purposes and expenditure on fixed assets, which have been sold. These charges are written off annually to revenue.

Intangible Assets are defined in FRS10 – as being non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. The only Intangible Assets acquired by the Council are computer software.

#### 4.7 Leases

- (a) **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.
- (b) **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.

#### 4.8 Reserves

*The Council operates the following capital reserves:-*

- (a) **The Fixed Asset Restatement Account**, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
- (b) **The Capital Financing Account**, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

#### 4.9 Government Grants and Contributions (Capital)

- (a) Where the acquisition of a fixed asset is financed, either wholly or in part, by a Government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. Amounts are released to the Asset Management Revenue Account over the useful life of the asset to which it relates.
- (b) Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

### 5. Infrastructure Assets

All infrastructure assets, previously shown in the Balance Sheet at historic cost, have been written off at 31<sup>st</sup> March 2000. All capital expenditure incurred in the year and in subsequent years, will be written off as expenditure not enhancing the value of the Council's Asset Register.

### 6. Group Accounts

The 2005/2006 SORP requires local authorities to prepare Group Accounts where they have an interest in subsidiary or associate companies, or joint ventures with other organisations. This Council believes that this change does not affect the presentation of the 2005/2006 Accounts. Transactions in respect of the Hackworth Trust Fund have been excluded on the grounds of materiality and the relationship with Groundwork Trust is excluded as the Council does not have access to benefits or exposure to the risk of a potential loss.

### 7. Changes in Accounting Practice

The only change in accounting practice during 2005-2006 was the establishment of the Building Control Fund to reflect the balance on the trading account. (see note 12 page 30).

**CONSOLIDATED REVENUE ACCOUNT  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2006**

<b>2004/2005</b>		<b>2005/2006</b>		
<b>Net £000</b>		<b>Expenditure £000</b>	<b>Income £000</b>	<b>Net £000</b>
10,224	Cultural, Environmental & Planning Services	19,204	7,337	11,867
510	Highways, Roads & Transport Services	692	117	575
1,761	Housing Services – General Fund	23,232	20,898	2,334
1,076	Housing Services – Housing Revenue Account	28,090	23,725	4,365
167	Social Services	1,794	1,591	203
5,376	Corporate & Democratic Core	6,571	2,004	4,567
551	Central Services to the Public	10,941	10,452	489
(1,043)	Non Distributed Costs	(267)	-	(267)
<b>18,622</b>	<b>Net Cost of Services</b>	<b>90,257</b>	<b>66,124</b>	<b>24,133</b>
4,023	Precepts Paid to Parish Councils			4,121
266	Deficit from Trading Operations			-
5,600	Interest Payable on Pension Fund Liabilities (See Note 5)			5,350
(3,700)	Expected Return on Pension Fund Assets (See Note 5)			(4,030)
(791)	Interest and Investment Income (See Note 6)			(1,287)
(6,808)	Transfer from Asset Management Revenue Account (See Note 7)			(10,537)
7,441	Contribution of Housing Capital Receipts to Government Pool			6,705
449	(Surpluses)/Losses on the Repurchase of Borrowing (See Note 8)			446
<b>25,102</b>	<b>Net Operating Expenditure</b>			<b>24,901</b>
457	Surplus/(Deficit) Transferred from/(to) HRA Balances			1,191
(668)	Contribution to/(from) Earmarked Reserves			(184)
(1,020)	Deferred Charges			(1,284)
-	Financing of Capital Expenditure			1,368
(1,243)	Minimum Revenue Provision Net of Depreciation (See Note 9)			(1,601)
1,250	Transfer to Major Repairs Reserve			(604)
81	Government Grant Appropriations			126
(7,441)	Transfer from Usable Capital Receipts Reserve			(6,705)
(960)	Appropriations – Movement on Pension Reserve (See Note 5)			(809)
-	Appropriations – Premiums Charged to Capital Financing Reserve			-
<b>15,558</b>	<b>Amount to be met from Government Grant and Local Taxpayers</b>			<b>16,399</b>
(8,435)	Precept from Collection Fund			(8,700)
(233)	Collection Fund Transfer			(250)
(4,973)	Revenue Support Grant			(5,060)
(2,365)	Contribution from Non-Domestic Rate Pool			(2,521)
<b>(448)</b>	<b>(Surplus)/Deficit for the Year</b>			<b>(132)</b>
(2,340)	Balance at 1 <sup>st</sup> April			(2,240)
(448)	(Surplus)/Deficit for the Year			(132)
100	Transfer to Youth Development Fund			-
-	Prior Year Adjustment			6
448	Contribution to Budget Support Fund			126
<b>(2,240)</b>	<b>Balance at 31<sup>st</sup> March 2006</b>			<b>(2,240)</b>

## Notes to the Consolidated Revenue Account

### 1. General Fund Actual Outturn by Portfolio

The Statement of Recommended Practice (SORP) requires authorities to present net cost of services within the CRA using the Service Expenditure Analysis (SEA) as set out in the Best Value Accounting Code of Practice. This enables inter-authority comparison as local authorities prepare their accounts in a similar manner and include like services under agreed definitions.

Sedgefield Borough Council's Cabinet structure differs from the SEA and the table below shows the actual outturn on each of the Council's 9 Portfolios as reported to all Strategic Working Groups, Cabinet and Full Council.

<i>Portfolio</i>	<i>2005/2006</i>		
	<i>Gross Spend £000</i>	<i>Income £000</i>	<i>Net Spend £000</i>
<i>Resource Management*</i>	12,952	14,221	(1,269)
<i>Culture and Recreation</i>	6,352	2,439	3,913
<i>Environment</i>	6,023	1,381	4,642
<i>Regeneration</i>	4,352	2,343	2,009
<i>Housing General Fund</i>	2,327	518	1,809
<i>Supporting People</i>	34,750	34,306	444
<i>Community Safety</i>	1,534	798	736
<i>Contribution to Budget Support Fund</i>	126	-	126
	<b>68,416</b>	<b>56,006</b>	<b>12,410</b>

\*includes the Welfare & Communication and Performance Management Portfolios

### 2. Section 137 Local Government Act 1972

The above Section, as amended by Section 36 of the Local Government and Housing Act 1989, enables a Local Authority to spend up to £1.90 per head of the resident population of the Authority for the benefit of the people in their area, on activities or projects not specifically authorised by other powers. The Council was permitted to spend £166,820 under this power in 2005/2006. Actual expenditure in the year amounted to £82,150 (£110,900 in 2004/2005) including the cost of administration.

The Local Government Act 2000 has repealed the majority of the Section 137 powers with effect from 18<sup>th</sup> October 2000, with the exception of the power to make contributions to charities in the UK, not-for-profit bodies and mayoral appeals. All expenditure incurred in 2005/2006 fell under these powers.

### 3. Agency Services

- Some residual horticultural works in respect of verge maintenance and weed spraying in respect of the former Highways Agency agreement with Durham County Council is still undertaken amounting to £54,273 (£49,364 in 2004-2005).
- The Council provides a rechargeable service to Wear Valley District Council in respect of Alarm Monitoring (Carelink Services) and out of hours emergency response amounting to £103,020 in 2005/2006. (£77,370 in 2004-2005).
- The Council also provides several services to the Town and Parish Councils on a rechargeable basis.

	<i>2004/2005 £</i>	<i>2005/2006 £</i>
<i>Horticultural Works, etc.</i>	79,218	108,266
<i>CCTV and Alarm Monitoring</i>	100,327	66,727
<i>Aycliffe Office &amp; Depot Extension</i>	-	550,000

#### 4. Publicity Expenditure

Section 5 of the Local Government Act 1986 requires an authority to disclose separately its expenditure on publicity. The amount incurred is set out below:-

	<b>2004/2005 £000</b>	<b>2005/2006 £000</b>
<i>Recruitment Advertising</i>	106	86
<i>Other Advertising</i>	30	39
<i>Local Government Review Publicity</i>	26	-
<i>Other Publicity</i>	168	150
<i>Housing Stock Transfer Publicity</i>	161	170
<b>Total Publicity Expenditure</b>	<b>491</b>	<b>445</b>

#### 5. Pensions [FRS17] - Last Actuarial Valuation was 31<sup>st</sup> March 2004

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

The authority participates in the Local Government Pension Scheme for civilian employees, administered by Durham County Council. This is a funded Scheme, meaning that the authority and employees pay contributions into the fund, calculated at a level intended to balance the Pensions liabilities with investment assets. In 2005/2006 the Council paid an employer's contribution of £3,133,993 representing 20.57% of the employees' pensionable pay into the fund. In addition the Council, who is also responsible for all pension payments relating to added years benefits it has awarded together with related increases, paid £500,179 [3.28% of pensionable pay] into the fund.

The Council recognises the cost of retirement benefits in the net cost of services, when employees earn them, rather than when the benefits are eventually paid as pensions in accordance with FRS17. However, the charge we are required to make against Council Tax / Rents is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account (CRA) after net operating expenditure. The following transactions have been made in the CRA during the year.

	<b>2004/2005 £000</b>	<b>2005/2006 £000</b>
<b>Net Cost of Services:</b>		
<i>Current Service Cost</i>	2,780	2,900
<i>Past Service Cost</i>	150	200
<b>Net Operating Expenditure:</b>		
<i>Interest Cost</i>	5,600	5,350
<i>Expected Return on Assets</i>	(3,700)	(4,030)
<b>Amount Met from Government Grants and Taxpayers:</b>		
<i>Movement on Pension Reserve</i>	(960)	(809)
<b>Actual Amount Charged Against Council Tax / Rents:</b>		
<i>Employer's contributions payable to Scheme</i>	3,870	3,611

Note 18 to the Consolidated Balance Sheet on Pages 50-52 shows details of the assumptions made in estimating the figures included in this note. Note 6 to the Statement of Total Movement in Reserves on Page 56 analyses the movements on the Pensions reserve during the year.

## 6. Interest Receivable

	<i>2004/2005 £000</i>	<i>2005/2006 £000</i>
<i>Interest Received on External Investments</i>	(768)	(1,255)
<i>Interest Received on Employee Car Loans</i>	(8)	(4)
<i>Interest Received on External Loans</i>	(2)	(2)
<i>Mortgage Interest</i>	(34)	(45)
<b>Total Interest Received</b>	<b>(812)</b>	<b>(1,306)</b>
<i>Less Recharges to Other Accounts</i>	21	19
<b>Net Credit to Consolidated Revenue Account</b>	<b>(791)</b>	<b>(1,287)</b>

## 7. Asset Management Revenue Account

	<i>2004/2005 £000</i>	<i>2005/2006 £000</i>
<i>Provision for Depreciation</i>	5,235	7,400
<i>External Interest Charges</i>	1,412	1,356
<i>Capital Asset Charges in Year</i>	(13,375)	(19,167)
<i>Release of Grants and Contributions Deferred</i>	(80)	(126)
<b>Transfer from Asset Management Revenue Account</b>	<b>(6,808)</b>	<b>(10,537)</b>

## 8. Premiums & Discounts on Early Redemption of Loan Debt

During 2005/2006 loans to the value of £3,839,039 were repaid prematurely and a new loan of £3.84m was taken out at 3.7% repayable in 2051 resulting in a Premium amounting to £751,330 being incurred [2004/2005 £nil] In accordance with proper accounting practice, premiums and discounts incurred on such repayments and rescheduling are being amortised to revenue accounts over a number of years, as outlined in the Statement of Accounting Policies. The impact on revenue accounts in 2005/2006 in respect of previous debt repayments is shown below:-

	<i>2004/2005 £000</i>	<i>2005/2006 £000</i>
<i>General Fund Premiums</i>	47	47
<i>General Fund Discounts</i>	-	-
<b>Charge to General Fund</b>	<b>47</b>	<b>47</b>
<i>HRA Premiums</i>	441	438
<i>HRA Discounts</i>	(39)	(39)
<b>Charge to Housing Revenue Account</b>	<b>402</b>	<b>399</b>
<b>Total Charge to Consolidated Revenue Account</b>	<b>449</b>	<b>446</b>

As at 31<sup>st</sup> March 2006, provisions set aside for amortising premiums to the General Fund and HRA amount to £458,628 and £989,220 respectively. See note 13 to the Consolidated Balance Sheet Page 48.

## 9. Minimum Revenue Provision

	2004/2005 £000	2005/2006 £000
<i>Actual Depreciation Charged to Revenue Accounts</i>	(1,562)	(1,758)
<i>General Fund MRP (4% of Capital Financing requirement)</i>	439	407
<i>Use of MRP Repayment Fund</i>	(120)	(250)
<b><i>Excess of Depreciation Charged over MRP Credited to Consolidated Revenue Account</i></b>	<b>(1,243)</b>	<b>(1,601)</b>

The Council is not required to provide for repayment of Housing Revenue Account debt.

## 10. Officers' Emoluments

The number of employees whose remuneration in 2005/2006, excluding pension contributions, was £50,000 or more in bands of £10,000 are as follows:-

<i>Remuneration Band</i>	<i>2004/2005 Number of Employees</i>	<i>2005/2006 Number of Employees</i>
<i>£50,000-59,999</i>	3*	1
<i>£60,000-69,999</i>	3	4
<i>£70,000-79,999</i>	-	-
<i>£80,000-89,999</i>	-	-
<i>£90,000-99,999</i>	1	1

\*The 2004/2005 numbers include 1 employee who left the Council's employment on enhanced redundancy terms.

## 11. Members' Allowances

During 2005/2006 the total sum paid to Members in respect of basic, special responsibility and attendance allowances, was as follows:-

<i>Type of Allowance</i>	<i>2004/2005 £</i>	<i>2005/2006 £</i>
<i>Basic Allowance</i>	298,527	309,000
<i>Special Responsibility Allowance</i>	127,760	133,839
<i>Attendance Allowance</i>	133	154
<b><i>Total</i></b>	<b>426,420</b>	<b>442,993</b>

## 12. Building Control Trading Account

	<i>Chargeable Activities 2005/2006 £</i>	<i>Non-Chargeable Activities 2005/2006 £</i>	<i>Total 2005/2006 £</i>
<b><i>Expenditure</i></b>			
<i>Employee Expenses</i>	140,208	72,229	212,437
<i>Premises</i>	4,693	2,417	7,110
<i>Transport</i>	9,842	5,070	14,912
<i>Supplies &amp; Services</i>	5,340	1,844	7,184
<i>Central &amp; Support Service Charges</i>	8,758	4,512	13,270
<i>Building Control Services</i>	3,601	1,855	5,456
<i>Consultancy Services</i>	25,171	1,057	26,228
<b><i>Total Expenditure</i></b>	<b>197,613</b>	<b>88,984</b>	<b>286,597</b>
<b><i>Income</i></b>			
<i>Building Regulation Charges</i>	200,118	-	200,118
<b><i>(Surplus)/Deficit for Year</i></b>	<b>(2,505)</b>	<b>88,984</b>	<b>86,479</b>

The Building Control Charges Regulations (SI 1998/3129) require an authority to disclose information regarding the setting of charges for the administration of the building control function. The statement above shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities for 2005/2006. The Government expects the Building Control Trading Accounts to break even over a three-year rolling period, subject to local authorities recovering at least 90% of their operating costs. The position for the three years is a surplus of £20,900.

### 13. Local Authority (Goods & Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During 2005/2006 the following services were provided:-

	£
<i>Housing Maintenance Works for Housing Associations</i>	12,899
<i>Emergency Alarm Monitoring for Housing Associations</i>	87,232
<i>MOT Testing and Associated Works</i>	4,992
<i>ICT Management – Wear Valley District Council</i>	12,500
<i>CCTV Monitoring &amp; Security Checks</i>	10,344

### 14. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals 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 might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

*Related Parties include:*

#### **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 set out in the Cash Flow Statement. [Notes 1 & 3 pages 58-59]

#### **Precepts**

Precept transactions in relation to Durham County Council, the Durham Police Authority, Durham and Darlington Fire and Rescue Authority and the various Town and Parish Councils, are shown within a note to the Collection Fund.

#### **Members of the Council**

Members have direct control over the Council's financial and operating policies. During the year no Members have taken any declarable transactions with the Council. Details of any transactions (if they exist) are recorded in the Register of Members' Interests, open to public inspection at the Council's offices. This is in addition to a specific declaration obtained in respect of Related Party Transactions.

The Council has decided not to make disclosures with regard to family/household members, on the basis that there is no reasonable expectation of influence over the independent action of Members.

#### **Officers of the Council**

Related parties in respect of Officers are only required to be disclosed when they have been involved in material transactions. During the year, no officers have been involved in declarable transactions.

#### **Other Public Bodies**

Transactions in relation to the Local Government Pension Scheme administered by Durham County Council are set out in Note 5 on page 28.

### **Joint Ventures**

During 2005/2006 the Council acted as the Accountable Body for the following programmes:-

*Single Regeneration Budget (Rounds 5 and 6)*

*Sure Start*

- *Ferryhill and Chilton*
- *Shildon and Newton Aycliffe West*

*Community Empowerment Fund*

*Neighbourhood Renewal Fund*

*Building Safer Communities Fund*

The Council, along with other 'Partners' has a substantial interest in ensuring the above programmes function effectively. Both Members and Officers represent the Council on the Partnership Board and during 2005/2006 there were no declarable interests.

### **15. Disclosure of Audit Costs**

In 2005/2006 Sedgefield Borough Council incurred the following fees relating to external audit and inspection.

	<b>2004/2005 £000</b>	<b>2005/2006 £000</b>
<i>Fees payable to the Audit Commission with regard to external Audit Services carried out by the Appointed Auditor</i>	99	90
<i>Fees payable to the Audit Commission in respect of Statutory Inspection</i>	-	2
<i>Fees payable to the Audit Commission for the certification of Grant Claims and Returns</i>	31	18
<i>Fees payable in respect of other services provided by the appointed Auditor</i>	1	-
	<b>131</b>	<b>110</b>

### **16. Exceptional Items and Prior Year Adjustments**

There were no exceptional items during 2005-2006. The prior year adjustment of £6,000 reflects a technical amendment in respect of the 2004-2005 accounts resulting from a software problem within the Financial Management System.

### **17. Finance and Operating Leases**

The Council uses vehicles throughout a number of its services, which are financed under the terms of an operating lease. The amount paid under these arrangements in 2005/2006 was £558,000 (£537,000 in 2004/2005).

In addition to the above, the Council financed the replacement of its Carelink Lifeline Units through a seven-year operating lease, which is charged to the Housing Revenue Account (HRA). The annual charge to HRA is £150,220.



The Council is committed to making payments of £429,000 under these leases in 2006/2007 as shown below. Outstanding liabilities in respect of later years amount to £1,301,000.

	<b>£000</b>
<i>Leases Expiring in 2006/2007</i>	20
<i>Leases Expiring between 2007/2008 and 2011/2012</i>	409
<i>Leases Expiring after 2011/2012</i>	-

The Council's only finance leases relate to secondary lease rentals in respect of Industrial Units. The total annual payments under these leases was £924 in 2005/2006, which is charged direct to the relevant service and is included within net cost of services in the Consolidated Revenue Account.

## 18. Economic and Monetary Union

The 'Euro', the new single currency for the European Union, was introduced across 11 of the member states, with effect from 1<sup>st</sup> January 1999. The United Kingdom did not join in the first wave and has yet to make a decision on when it intends to join.

The Council changed its financial management system during 2003/2004, which ensures compatibility with the introduction of the Euro if and when it is introduced.

At this stage the Authority has not incurred any other expenditure nor is it committed to any significant expenditure.

## 19. Trading Accounts

The Council operates a number of Trading Services and the financial results are shown below. With effect from 1<sup>st</sup> April 2005 a decision has been taken to include the cost of these operations within the Service Expenditure Analysis rather than as a separate line within the Consolidated Revenue Account. (2004-2005 comparative figures have also been amended).

		<b>2005/2006 £000</b>	<b>2005/2006 £000</b>
<p>The Council owns and manages 4 <b>outdoor Markets</b> throughout the Borough, generating rental income from the letting of market stalls. The trading objective is to maximise the surplus. <b>(Trading Surplus for 2004/2005 was £18,037)</b></p>	<i>Turnover</i>	(43)	<b>(18)</b>
	<i>Expenditure</i>	25	
<p>The Council runs two <b>Staff Restaurants/Canteens</b> for the benefit of their employees. Both Canteens are currently provided in-house by Leisure Services. The trading objective on the Depot Canteen is to minimise the trading deficit. <b>(Trading Deficit for 2004/2005 was £8,739).</b></p>	<i>Surplus</i>		
	<i>Turnover</i>	(130)	<b>2</b>
<i>Expenditure</i>	132		
<p>The Council lets over 100 <b>Units on Industrial Estates</b> located in various parts of the Borough. The trading objective is to maximise rental income before asset charges are applied. There was a trading surplus of £208,815 before asset charges in 2005/06. <b>(Trading Surplus before asset charges in 2004/2005 was £174,353).</b></p>	<i>Deficit</i>		
	<i>Turnover</i>	(490)	<b>237</b>
<i>Expenditure</i>	727		
	<i>Deficit</i>		<b>237</b>
<b>Net Deficit on Trading Services</b>			<b>221</b>

**HOUSING REVENUE ACCOUNT  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2006**

<b>2004/2005</b>		<b>2005/2006</b>	
<b>£000</b>		<b>Notes</b>	<b>£000</b>
	<b><i>Income</i></b>		
21,012	Dwelling Rents (Gross)	1	21,246
825	Non Dwelling Rents (Gross)		844
109	Charges for Services and Facilities		119
1,532	Contributions towards Expenditure		1,615
283	HRA Subsidy Receivable	2	124
-	Extraordinary Item	15	740
<b>23,761</b>	<b><i>Total Income</i></b>		<b>24,688</b>
	<b><i>Expenditure</i></b>		
5,075	Repairs and Maintenance		5,486
5,342	Supervision and Management – General		5,050
2,389	Supervision and Management – Special		2,705
179	Rent, Rates, Taxes and Other Charges		189
3,326	Negative Subsidy Payment to Secretary of State	2	1,896
1,015	Sums Directed by Secretary of State	3	754
113	Provision for Bad and Doubtful Debts	4	47
7,166	Cost of Capital Charge	6	10,770
3,673	Depreciation of Fixed Assets	7	5,642
37	Debt Management Costs		35
<b>28,315</b>	<b><i>Total Expenditure</i></b>		<b>32,574</b>
<b>4,554</b>	<b><i>Net Cost of Services</i></b>		<b>7,886</b>
(6,544)	Adjusting Transfer from Asset Management Revenue Account		(10,094)
402	Amortised Premiums and Discounts on Debt Redemption		399
(119)	HRA Investment Income		(145)
<b>(1,707)</b>	<b><i>Net Operating Expenditure</i></b>		<b>(1,954)</b>
-	Revenue Contribution to Capital Expenditure	8	1,368
1,250	Transfer from Major Repairs Reserve	9	(605)
<b>(457)</b>	<b><i>(Surplus)/Deficit for Year</i></b>	10	<b>(1,191)</b>
(3,003)	Balance Brought Forward		(3,460)
-	Prior Year Adjustment		4
<b>(3,460)</b>	<b><i>Balance Carried Forward</i></b>		<b>(4,647)</b>

## Notes to the Housing Revenue Account (HRA)

### 1. Rent of Dwellings

This sum represents the gross rental income due for the year after allowance is made for empty properties. During the year 1.11% of properties available for rent were vacant, compared with 1.20% in 2004/2005, which is less than the Government's target of 2% for empty properties. The average rent in 2005/2006 was £50.94 a week, paid over 47 weeks, compared with £48.82 in 2004/2005, with 5 weeks being designated as rent free weeks.

### 2. HRA Subsidy

The negative HRA Subsidy payable by the Council to the Government for redistribution to other local housing authorities over the last two years is shown below:-

	<b>2004/2005</b> <b>£000</b>	<b>2005/2006</b> <b>£000</b>
<i>Management and Maintenance Allowance</i>	9,745	11,199
<i>Major Repairs Allowance</i>	4,923	5,038
<i>Charges for Capital</i>	1,993	2,010
<i>Admissible Allowance</i>	35	23
<i>Anti-Social Behaviour Allowance</i>	1	-
<i>Prior Year Subsidy Audit Adjustment</i>	-	10
<b><i>Subsidy Allowances</i></b>	<b>16,697</b>	<b>18,280</b>
<i>Less:</i>		
<i>Mortgage Interest</i>	(18)	(13)
<i>Assumed Rent Income</i>	(20,005)	(20,163)
<b><i>Subsidy Reductions</i></b>	<b>(20,023)</b>	<b>(20,176)</b>
<b><i>Housing Element (Negative Subsidy Payable to ODPM)</i></b>	<b>(3,326)</b>	<b>(1,896)</b>
<i>Rent Rebate Subsidy Receivable</i>	158	-
<b><i>Total Housing Subsidy</i></b>	<b>(3,168)</b>	<b>(1,896)</b>
<i>Housing Defects Act Subsidy Receivable</i>	125	124
<b><i>Total Subsidy (Payable)/ Due</i></b>	<b>(3,043)</b>	<b>(1,772)</b>

### 3. Rent Rebates

As from the 1<sup>st</sup> April 2004, Rent Rebates were no longer accounted for within the HRA and transferred to the General Fund. The Rent Rebate Subsidy Receivable in respect of 2004/05 in Note 2 above relates to a prior year adjustment.

Following the removal of rent rebates from the HRA in 2004/2005, the Secretary of State issued a direction allowing the Council to make a contribution to the General Fund in respect of the costs of rent rebate subsidy limitation and unsubsidised rebates in respect of incentive areas.

The contribution towards unsubsidised rebates is a transitional measure determined by the Government, which is only available in respect of the 2004/2005 and 2005/2006 financial years.

The respective contributions were as follows:-

	<b>2004/2005</b> <b>£000</b>	<b>2005/2006</b> <b>£000</b>
<i>Rent Rebate Subsidy Limitation</i>	646	570
<i>Unsubsidised Rent Rebates</i>	369	184
<b><i>Total</i></b>	<b>1,015</b>	<b>754</b>

#### 4. Provision for Bad and Doubtful Debts

The Council, in accordance with SORP Guidance, annually reassesses the potential losses that could arise from defaulting debtors. The charge to the HRA reflects the change in the provision required after taking into account sums recovered from former tenants. The provision balance is shown below:-

	<b>2004/2005</b> <b>£000</b>	<b>2005/2006</b> <b>£000</b>
<i>Sundry Debtors</i>	7	23
<i>Current Tenant Arrears</i>	100	79
<b>Total Bad Debt Provisions</b>	<b>107</b>	<b>102</b>

The actual charge to the HRA in respect of bad debts written off in 2005/2006 was £47,302.

#### 5. Rent Arrears

During 2005/2006 rent arrears, as a proportion of gross income, decreased from 2.25% of the amount due to 2.08%. The arrears figures are as follows:-

	<b>2004/2005</b> <b>£000</b>	<b>2005/2006</b> <b>£000</b>
<i>Arrears at 31<sup>st</sup> March</i>	677	583
<i>Former Tenants Arrears Written off During the Year</i>	209	58
<b>Total Arrears</b>	<b>886</b>	<b>641</b>

The 2005/2006 arrears figure includes £78,521 in respect of overpaid Housing Benefit (£144,757 in 2004/2005).

The Council's policy is to write off all former tenants' arrears in the year in which they arise to the provision for Bad and Doubtful Debts, although the Council still endeavours to recover sums due wherever possible.

The Council collects water rates from its tenants on behalf of Northumbria Water Ltd. It is very difficult to provide an accurate split of how much current tenants' arrears relate to these water rates. However, an assessment is made when former tenants' arrears are written off, of approximately how much relates to water rates and the General Fund contributes towards this sum. For 2005/2006 this amounted to £11,331.

#### 6. Cost of Capital Charge/Capital Financing Costs

The Cost of Capital Charge and Capital asset Charges Accounting Adjustment, calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination is shown below:-

	<b>2004/2005</b> <b>£000</b>	<b>2005/2006</b> <b>£000</b>
<b>Item 8 Debit</b>		
<i>Cost of Capital Charge (Notional Interest @ 3.50%)</i>	7,166	10,770
<i>Depreciation of Fixed Assets</i>	3,673	5,642
<i>Debt Management Costs</i>	37	35
<i>Premiums on Debt Redemption</i>	441	438
<i>Transfer to Major Repairs Reserve</i>	1,250	-
<b>Total Item 8 Debit</b>	<b>12,567</b>	<b>16,885</b>
<b>Item 8 Credit</b>		
<i>Discounts on Debt Redemption</i>	(39)	(39)
<i>HRA Interest Receivable</i>	(119)	(145)
<i>AMRA Adjusting Transfer</i>	(6,544)	(10,094)
<i>Transfer from Major Repairs Reserve</i>	-	(605)
<b>Total Item 8 Credit</b>	<b>(6,702)</b>	<b>(10,883)</b>
<b>HRA Cost of Capital Charge</b>	<b>5,865</b>	<b>6,002</b>

## 7. Depreciation Charge

During 2005/2006 the total charge to the HRA in respect of depreciation on its assets was £5.642m as shown below:-

	<b>2004/2005 £000</b>	<b>2005/2006 £000</b>
<i>Operational Assets: Dwellings</i>	3,507	5,396
<i>Operational Assets: Other Buildings eg Garages</i>	116	199
<i>Non-Operational Assets: Shops etc</i>	50	47
<b>Total Depreciation Charge</b>	<b>3,673</b>	<b>5,642</b>

## 8. Capital Expenditure and Financing

8.1 The Council spent £7.211m during 2005/2006 on its HRA Assets as shown below:-

	<b>2004/2005 £000</b>	<b>2005/2006 £000</b>
<i>Improvements to Council Housing</i>	7,005	6,776
<i>Other Works</i>	409	435
<b>Total Expenditure</b>	<b>7,414</b>	<b>7,211</b>

8.2 This expenditure was financed as follows:-

	<b>2004/2005 £000</b>	<b>2005/2006 £000</b>
<i>Major Repairs Allowance</i>	4,924	5,038
<i>Capital Receipts</i>	1,659	108
<i>Credit Approvals</i>	655	671
<i>Revenue Contributions</i>	-	1,368
<i>Other Contributions</i>	176	26
<b>Total Financing</b>	<b>7,414</b>	<b>7,211</b>

8.3 During 2005/2006 the Council generated £22.752m gross capital receipts from the sale of its Housing assets as shown below:-

	<b>2004/2005 £000</b>	<b>2005/2006 £000</b>
<i>Council House Sales (RTB Legislation)</i>	10,017	9,136
<i>Council House Mortgage Repayments</i>	71	13
<i>Housing Land Sales</i>	150	13,603
<i>Other House Sales (Surplus Housing)</i>	438	-
	<b>10,676</b>	<b>22,752</b>

Under the Capital Receipts Pooling Arrangements the Council had to pay over to the Government £6,705,582 of the above sale proceeds in 2005-2006. (£7,405,836 in 2004-2005)

## 9. Movement on Major Repairs Reserve (MRR)

The movement on the Council's Major Repairs Reserve (MRR) during the year was as follows and the Major Repairs Allowance (MRA) was fully utilised to finance capital expenditure on Council Houses:

	<b>2004/2005 £000</b>	<b>2005/2006 £000</b>
<b>Balance as at 1<sup>st</sup> April</b>	-	-
Depreciation on HRA Assets	(3,673)	(5,642)
Amount transferred to HRA – HRA Appropriations (HRA Depreciation is higher than MRA)	(1,250)	605
HRA Capital Expenditure funded from MRA	4,923	5,037
<b>Balance as at 31<sup>st</sup> March</b>	-	-

## 10. Movement in Housing Revenue Account Balance

	<b>2004/2005 £000</b>	<b>2005/2006 £000</b>
<b>Balance as at 1<sup>st</sup> April</b>	(3,003)	(3,460)
Prior Year Adjustment	-	4
Surplus transferred to HRA Balances Extraordinary Item	(457)	(1,191)
<b>Balance as at 31<sup>st</sup> March</b>	<b>(3,460)</b>	<b>(4,647)</b>

## 11. Housing Stock

The Council was responsible for managing 8,803 dwellings at 31<sup>st</sup> March 2006. The stock was made up follows:-

	<b>Houses</b>	<b>Flats</b>	<b>Bungalows</b>	<b>Total</b>
<b>Stock at 1<sup>st</sup> April, 2005</b>	5293	951	2,797	9,041
Sales	(230)	(4)	(4)	(238)
Other Disposals	-	-	-	-
Demolitions	-	-	-	-
Stock Conversions	-	-	-	-
Other Adjustments	-	-	-	-
<b>Stock at 31<sup>st</sup> March, 2006</b>	<b>5,063</b>	<b>947</b>	<b>2,793</b>	<b>8,803</b>

## 12. Housing Assets Valuation

The balance sheet valuations of Housing Revenue Account Assets is shown below:-

	<b>Valuation at 1.4.2005 £000</b>	<b>Valuation at 31.3.2006 £000</b>
<b>Operational Assets:</b>		
Dwellings	291,387	301,576
Garages	7,525	8,235
Other Land and Buildings	284	276
Vehicle, Plant and Equipment	176	244
Community Assets	88	88
<b>Non-Operational Assets:</b>		
Commercial Properties (Shops etc.)	1,397	1,834
Land	6,598	4,672
Investment Property	263	259
<b>Balance Sheet Valuation</b>	<b>307,718</b>	<b>317,184</b>

The vacant possession value of the dwellings held in the Housing Revenue Account as at 1<sup>st</sup> April 2005 was £571,347,479. The difference between the vacant possession value and balance sheet value of dwellings within the HRA shows the true economic cost to the Government of providing Council housing at less than open market rents.

### **13. Impairment Charges**

There were no charges arising in 2005/2006 in respect of Impairment of HRA assets.

### **14. Deferred Charges**

There were no charges in respect of deferred charges attributable to the HRA for 2005/2006.

### **15. Exceptional Items and Prior Year Adjustments**

During 2005/06 the Council was reimbursed its costs in respect of the unsuccessful LSVT ballot amounting to £740,000, this is shown as an extraordinary item on the face of the HRA on page 34.

The prior year adjustment of £4,000 reflects a technical amendment in respect of the 2004/2005 accounts resulting from a software problem with the Financial Management System.

### **16. FRS17**

The 2005 Statement of Recommended Practice (SORP) allows authorities to fully account for retirement benefits in the HRA in accordance with FRS17. However the SORP includes arguments for and against the inclusion of these entries and reaffirms the view that the bottom line charge to the HRA must be accounted for on the basis of the pension regulations ie contributions payable.

The Council is of the opinion that the statutorily prescribed nature of the HRA does not permit the inclusion of these costs/adjustments.

On this basis, all FRS17 adjustments have therefore been excluded from the Housing Revenue Account, shown on Page 32.

However, FRS17 adjustments in respect of the HRA are fully accounted for in the Consolidated Revenue Account, shown on Page 26.

**COLLECTION FUND - INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2006**

<i>2004/2005</i>		<i>2005/2006</i>	
<i>£000</i>		<i>Notes</i>	<i>£000</i>
	<b><i>Income</i></b>		
28,369	Council Tax Due from Taxpayers	1	29,503
8,059	Council Tax Benefit		8,332
15,927	Non-Domestic Rates Due from Ratepayers	2	16,249
<b>52,355</b>	<b><i>Total Income</i></b>		<b>54,084</b>
	<b><i>Expenditure</i></b>		
	<b><i>Precepts and Demands</i></b>		
22,889	Durham County Council	3	24,119
8,435	Sedgefield Borough Council (including Parishes)		8,701
2,369	Durham Police Authority		2,504
1,922	County Durham & Darlington Fire & Rescue Authority		1,915
	<b><i>Business Rates</i></b>		
15,820	Payment to National Pool		16,143
107	Costs of Collection		106
	<b><i>Bad &amp; Doubtful Debts</i></b>		
35	Write Offs - Council Tax		31
(230)	Provision for Bad and Doubtful Debts		(155)
971	<b><i>Distribution of Previous Year's Estimated Surplus</i></b>	4	1,055
<b>52,318</b>	<b><i>Total Expenditure</i></b>		<b>54,419</b>
(37)	Movement on Fund Balance		335
(1,056)	Surplus on Fund Brought Forward		(1,093)
<b>(1,093)</b>	<b><i>Fund Balance Carried Forward</i></b>	5	<b>(758)</b>



## Notes to the Collection Fund Accounts

### 1. Council Tax

The Council Tax was introduced by the Government to replace the Community Charge with effect from 1<sup>st</sup> 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.

The tax base for determining Council Tax levels is calculated on the number of Band D equivalent dwellings throughout the Borough. The following table illustrates the number of properties in each Band and the Band 'D' equivalent after allowing for exemptions, discounts and anticipated losses on collection of 2%.

<i>Property Value</i>	<i>Band</i>	<i>Number of Properties in Each Band</i>	<i>Band 'D'</i>	<i>Band 'D' Equivalent</i>
Up to £ 40,000	Band A	27,542	6/9ths	15,308
Over £ 40,000 up to £ 52,000	Band B	4,364	7/9ths	3,006
Over £ 52,000 up to £ 68,000	Band C	3,757	8/9ths	3,010
Over £ 68,000 up to £ 88,000	Band D	2,778	1	2,558
Over £ 88,000 up to £120,000	Band E	1,303	11/9ths	1,456
Over £120,000 up to £160,000	Band F	414	13/9ths	552
Over £160,000 up to £320,000	Band G	102	15/9ths	154
Over £320,000	Band H	17	18/9ths	9
	<b>Chargeable Properties</b>	<b>40,277</b>	<b>Tax Base</b>	<b>26,053</b>

The average Band D tax for the year was made up as follows:-

	<i>2004/2005</i> <i>£ p</i>	<i>2005/2006</i> <i>£ p</i>
<i>Durham County Council</i>	884.16	924.84
<i>Sedgefield Borough Council</i>	170.44	175.60
<i>Parish Council (average)</i>	155.38	158.02
<i>Durham Police Authority</i>	91.53	96.03
<i>County Durham &amp; Darlington Fire &amp; Rescue Authority</i>	74.25	73.44
<b>Average Band D Tax</b>	<b>1,375.76</b>	<b>1,427.93</b>

### 2. Business Rates

Business Rates are determined on a national basis by Central Government, which sets an annual non-domestic rating multiplier each year.

A new valuation list was applied from 1<sup>st</sup> April 2005 that revalued all non-domestic properties and rebased the annual multiplier. A new small Business relief was also introduced for properties with a rateable value below £15,000 at the same time. For 2005/2006 the general multiplier amounted to 42.2p (45.6p in 2004/2005), and the Small Business Relief was set at 41.5p].

Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds, after various exemptions and Reliefs (empty premises, charitable organisations, etc.) into a national non-domestic rate pool, administered by the Government. The total non-domestic rateable value for Sedgefield Borough, at 31<sup>st</sup> March 2006, was £47,111,872 (£41,806,254 at 31<sup>st</sup> March 2005).

### 3. Precepts and Demands

There are 15 Town, Parish Councils and Parish Meetings, which made precepts on Sedgefield Borough in 2005/2006 amounting to 4,120,980 (£4,022,525 in 2004/2005). The following Town/Parish Councils made precepts in excess of £100,000:-

	<b>2004/2005</b> <b>£000</b>	<b>2005/2006</b> <b>£000</b>
<i>Great Aycliffe</i>	1,345	1,392
<i>Spennymoor</i>	993	1,032
<i>Shildon</i>	594	539
<i>Ferryhill</i>	488	524
<i>Sedgefield</i>	174	195
<i>Chilton</i>	161	167

### 4. Previous Year's Surplus

Any surplus or deficit on the Collection Fund at the end of the year must be taken into account in setting future years Council Taxes by those authorities precepting upon the fund.

The Council Tax surplus distributed during 2005/2006 was shared between principal authorities as follows:-

	<b>Total Surplus</b> <b>2004/2005</b> <b>£000</b>	<b>Total Surplus</b> <b>2005/2006</b> <b>£000</b>
<i>Sedgefield Borough</i>	233	250
<i>Durham County Council</i>	678	683
<i>Durham Police Authority</i>	60	69
<i>County Durham &amp; Darlington</i> <i>Fire &amp; Rescue Authority</i>	-	53
<b>Total Distributed</b>	<b>971</b>	<b>1,055</b>

### 5. Collection Fund Balance

On the basis of anticipated collection levels, the fund balance at the end of the relevant financial year, is shown below:-

	<b>Balance at</b> <b>31/3/2005</b> <b>£000</b>	<b>Balance at</b> <b>31/3/2006</b> <b>£000</b>	<b>Surplus Used In</b> <b>2006/2007</b> <b>£000</b>	<b>Deficit Carried Forward to</b> <b>2007/2008</b> <b>£000</b>
<i>Sedgefield Borough</i>	(259)	(177)	200	23
<i>Durham County Council</i>	(708)	493	554	61
<i>Durham Police Authority</i>	(72)	(51)	57	6
<i>County Durham &amp; Darlington</i> <i>Fire &amp; Rescue Authority</i>	(54)	(37)	44	7
<b>Collection Fund Surplus</b>	<b>(1,093)</b>	<b>(758)</b>	<b>855</b>	<b>97</b>

Sedgefield Borough, as the billing authority is required by statute to forecast the estimated surplus each year by the end of December and to use that surplus to reduce the following year's Council Tax Demand. The anticipated surplus was assessed at £855,000 and this has been used in 2006/2007 as shown above.

**CONSOLIDATED BALANCE SHEET  
AS AT 31<sup>ST</sup> MARCH 2006**

<i>31<sup>st</sup> March 2005</i>		<i>31<sup>st</sup> March 2006</i>		
<i>£000</i>		<i>Notes</i>	<i>£000</i>	<i>£000</i>
	<b>Fixed Assets</b>			
291,387	Council Dwellings		301,575	
25,022	Land and Buildings		26,918	
2,783	Vehicles, Plant and Equipment		3,301	
712	Community Assets		711	
16,341	Non-Operational Assets		15,093	
<b>336,245</b>	<b>Total Fixed Assets</b>	1		<b>347,598</b>
-	Deferred Charges	2		-
<b>485</b>	Long Term Debtors	3		<b>211</b>
-	Long Term Investments	4		<b>9,500</b>
<b>336,730</b>	<b>Total Long Term Assets</b>			<b>357,309</b>
	<b>Current Assets</b>			
294	Stocks and Work in Progress	5	279	
14,450	Short Term Investments	6	19,080	
8,623	Debtors	7	8,629	
16	Cash in Hand		13	
<b>23,383</b>	<b>Total Current Assets</b>			<b>28,001</b>
	<b>Current Liabilities</b>			
(9,694)	Creditors	8 & 16	(9,611)	
(387)	Cash (Overdrawn) / In hand at Bank		(357)	
(309)	Borrowing Repayable within 12 months	9	(38)	
<b>(10,390)</b>	<b>Total Current Liabilities</b>			<b>(10,006)</b>
(18,678)	Long Term Loans Outstanding	10	(18,641)	
-	Deferred Liabilities	11	-	
(211)	Deferred Capital Receipts	12	(161)	
812	Provisions	13	365	
(45,870)	Pensions Liability	18	(43,580)	
<b>(63,947)</b>	<b>Total Long Term Liabilities</b>			<b>(62,017)</b>
<b>285,776</b>	<b>Total Assets Less Liabilities</b>			<b>313,287</b>
	<b>Financed By (see Notes pages 53-56)</b>			
11,792	Revenue Reserves		12,586	
2,569	Usable Capital Receipts		15,151	
262	Capital Grants/Contributions		680	
168,747	Fixed Asset Restatement Account		174,486	
1,305	Government Grants Deferred		2,314	
146,971	Capital Financing Account		151,650	
(45,870)	Pensions Reserve	18	(43,580)	
<b>285,776</b>	<b>Total Net Worth</b>			<b>313,287</b>

The 2005/2006 Statement of Accounts was authorised for issue on the 22<sup>nd</sup> June 2006 by H. Moses  
[Head of Financial Services]

## Notes to the Consolidated Balance Sheet

### 1. Fixed Assets

#### (a) Movements in Fixed Assets during the year were as follows:-

	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles Plant and Equipment £000</b>	<b>Community Assets £000</b>	<b>Non- Operational Assets £000</b>	<b>Total £000</b>
<i>Gross Book Value at 31/3/2005</i>	304,872	27,777	9,477	741	17,461	<b>360,328</b>
<i>Revaluation and Restatements</i>	-	-	-	-	-	-
<b><i>Value at 1/4/2005</i></b>	<b>304,872</b>	<b>27,777</b>	<b>9,477</b>	<b>741</b>	<b>17,461</b>	<b>360,328</b>
<i>Additions</i>	5,160	2,066	1,641	6	2,526	<b>11,399</b>
<i>Transfers from Work In Progress</i>	1,615	273			(273)	<b>1,615</b>
<i>Additions not Enhancing Value</i>	(762)	(398)	-	(6)	(1,889)	<b>(3,055)</b>
<i>Disposals</i>	(7,671)	(28)	(16)	-	(2,383)	<b>(10,098)</b>
<i>Revaluations</i>	17,242	661	-	(1)	990	<b>18,892</b>
<b><i>Gross Book Value at 31/3/2006</i></b>	<b>320,456</b>	<b>30,351</b>	<b>11,102</b>	<b>740</b>	<b>16,432</b>	<b>379,081</b>
<b><i>Gross Depreciation at 31/3/2005</i></b>	<b>(13,485)</b>	<b>(2,755)</b>	<b>(6,694)</b>	<b>(29)</b>	<b>(1,120)</b>	<b>(24,083)</b>
<i>Depreciation for Year</i>	(5,396)	(678)	(1,107)	-	(219)	<b>(7,400)</b>
<b><i>Gross Depreciation at 31/3/2006</i></b>	<b>(18,881)</b>	<b>(3,433)</b>	<b>(7,801)</b>	<b>(29)</b>	<b>(1,339)</b>	<b>(31,483)</b>
<b><i>Net Book Value at 31/3/2006</i></b>	<b>301,575</b>	<b>26,918</b>	<b>3,301</b>	<b>711</b>	<b>15,093</b>	<b>347,598</b>
<b><i>Net Book Value at 31/3/2005</i></b>	<b>291,387</b>	<b>25,022</b>	<b>2,783</b>	<b>712</b>	<b>16,341</b>	<b>336,245</b>

#### (b) Analysis of Net Assets Employed

The net assets employed represents the aggregate of reserves attributable (both revenue and capital) to the Authority, and as such represent the sum of the local taxpayers' equity. This is summarised below.

	<b>31/3/2005 £000</b>	<b>31/3/2006 £000</b>
<i>General Fund</i>	7,223	25,725
<i>Housing Revenue Account</i>	278,553	287,562
<b><i>Net Assets Employed</i></b>	<b>285,776</b>	<b>313,287</b>

### (c) Valuation Information

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The Council's Valuation & Corporate Property Services Manager, John Wilkinson (F.R.I.C.S.), carries out the valuations. The basis for valuation is set out in the Statement of Accounting Policies, note 4.1 on page 23.

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles Plant and Equipment</b>	<b>Community Assets</b>	<b>Non-Operational Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Valued at historical cost</b>	-	-	2,783	712	-	<b>3,495</b>
<b>Valued at current value in:</b>						
Current year 2005/06	96,565	4,359	518	(1)	445	<b>101,886</b>
Previous year 2004/05	98,476	2,194	-	-	191	<b>100,861</b>
Two years ago 2003/04	34,867	6,291	-	-	256	<b>41,414</b>
Three years ago 2002/03	41,171	13,447	-	-	6,555	<b>61,173</b>
Four years ago 2001/02	30,496	627	-	-	7,646	<b>38,769</b>
<b>Total</b>	<b>301,575</b>	<b>26,918</b>	<b>3,301</b>	<b>711</b>	<b>15,093</b>	<b>347,598</b>

### (d) Capital Expenditure and Financing 2005/2006

	<b>31/3/2005</b>	<b>31/3/2006</b>
	<b>£000</b>	<b>£000</b>
<b>Total Capital Expenditure</b>	12,313	15,093
<b>Financed By</b>		
Capital Receipts	3,891	3,840
Capital Grants and Contributions	7,390	9,211
Revenue Resources	-	1,368
<b>Unfinanced Capital Expenditure</b>	<b>1,032</b>	<b>674</b>
<b>Capital Financing Requirement</b>		
Opening balance at 1 <sup>st</sup> April	19,040	19,221
Unfinanced Capital Expenditure	1,032	674
Less:		
Minimum Revenue Provision	439	407
Other Adjustments	413	341
<b>Closing Balance at 31<sup>st</sup> March</b>	<b>19,221</b>	<b>19,147</b>

**(e) Commitments into 2006/2007**

The Council has commitments of £4.302m into 2006/07, of which £3.347m has been contractually committed and £0.955m approved in principle to proceed, but not yet contractually committed. A summary of these commitments is shown below:-

<b>Portfolio</b>	<b>Approved and Contracted at 31/3/2006</b>	<b>Approved but not Contracted at 31/3/2006</b>	<b>Request to carry Forward to 2006-2007*</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<i>Resource Management</i>	225	439	651
<i>Culture and Recreation</i>	524	-	374
<i>Regeneration</i>	412	387	799
<i>Community Safety</i>	142	-	142
<i>Supporting People</i>	729	14	89
<i>Council Housing (HRA)</i>	1,315	115	-
<b>Total Commitments</b>	<b>3,347</b>	<b>955</b>	<b>2,055</b>

\* carry forward only permitted where there is an underspend on the 2005-2006 capital programme

**(f) An analysis of fixed assets, other than land holdings, includes:**

	<b>31/3/2005 Numbers</b>	<b>31/3/2006 Numbers</b>
<i>Council Dwellings</i>	9,041	8,803
<i>Council Garages</i>	2,801	2,791
<i>Administrative Offices</i>	5	5
<i>Depots and Workshops</i>	2	2
<i>Leisure Centres</i>	4	4
<i>Recreation Grounds</i>	3	3
<i>Outdoor Markets</i>	4	4
<i>Shops &amp; Commercial Premises</i>	56	55
<i>Industrial Units</i>	109	109

**2. Intangible Assets / Deferred Charges**

	<b>31/3/2005</b>	<b>Expenditure 2005/2006</b>	<b>Amounts Written Off</b>	<b>31/3/2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<i>Improvement Grants</i>	-	1,013	(1,013)	-
<i>Other Grants &amp; Contributions</i>	-	1036	(1,036)	-
<i>Computer Software</i>	-	30	(30)	-
<b>Total</b>	<b>-</b>	<b>2,079</b>	<b>(2,079)</b>	<b>-</b>

**3. Long Term Debtors**

	<b>31/3/2005</b>	<b>31/3/2006</b>
	<b>£000</b>	<b>£000</b>
<i>Mortgages</i>	195	144
<i>Housing Associations</i>	227	-
<i>Loans to Other Organisations</i>	63	67
<b>Total</b>	<b>485</b>	<b>211</b>

**4. Long Term Investments**

	<b>31/3/2005</b>	<b>31/3/2006</b>
	<b>£000</b>	<b>£000</b>
<i>Banks</i>	-	9,500

## 5. Stocks and Work in Progress

	<b>31/3/2005</b> <b>£000</b>	<b>31/3/2006</b> <b>£000</b>
Building Stocks	70	22
Central Stores	174	218
Bar & Catering Stocks	43	31
Postal Franking Stocks	1	4
Other Stocks	6	4
<b>Total Stocks</b>	<b>294</b>	<b>279</b>

## 6. Short Term Investments -Repayable Within 12 Months

	<b>31/3/2005</b> <b>£000</b>	<b>31/3/2006</b> <b>£000</b>
Banks	450	2,080
Building Societies	14,000	17,000
<b>Total Short Term Investments</b>	<b>14,450</b>	<b>19,080</b>

## 7. Debtors

	<b>31/3/2005</b> <b>£000</b>	<b>31/3/2006</b> <b>£000</b>
<b>Amounts Falling Due in One Year</b>		
Government Departments	3,017	1,118
Other Local Authorities	723	2,295
Housing Rents	810	773
Sundry Debtors	2,086	1,970
Non-Domestic Rate payers	219	245
Council Tax payers	2,851	3,278
<b>Sub Total</b>	<b>9,706</b>	<b>9,679</b>
Less Provision for Doubtful Debts	(1,117)	(1,059)
	<b>8,589</b>	<b>8,620</b>
<b>Amounts Falling Due After One Year</b>		
Car Loans to Employees	34	9
<b>Total Debtors</b>	<b>8,623</b>	<b>8,629</b>

## 8. Creditors

	<b>31/3/2005</b> <b>£000</b>	<b>31/3/2006</b> <b>£000</b>
Government Departments	(3,566)	(2,935)
Other Local Authorities	(779)	(1,893)
Housing Rents	(50)	(60)
Sundry Creditors	(4,455)	(3,735)
Third Party Funds	(37)	(31)
Non-Domestic Rate payers	(331)	(353)
Council Tax payers	(476)	(604)
<b>Total Creditors</b>	<b>(9,694)</b>	<b>(9,611)</b>

## 9. Borrowing Repayable Within 12 Months

	31/3/2005 £000	31/3/2006 £000
<b>Source of Loan</b>		
Public Works Loan Board	(145)	(31)
Durham County Superannuation Fund	(164)	(7)
<b>Total</b>	<b>(309)</b>	<b>(38)</b>

## 10. Long Term Borrowing

Source of Loan	Range of Interest Rates %	Balance at	
		31/3/2005 £000	31/3/2006 £000
Public Works Loan Board	3.75 – 12.00	(18,348)	(18,318)
Durham County Superannuation Fund	5.75 – 9.875	(330)	(323)
		<b>(18,678)</b>	<b>(18,641)</b>
<b>Analysis of Loans by Maturity</b>		<b>31/3/2005</b>	<b>31/3/2006</b>
<i>Maturity Period in Years:</i>		<b>£000</b>	<b>£000</b>
	1 - 2	(166)	(41)
	3 - 5	(592)	(140)
	6 - 10	(3,529)	(3,291)
	More Than 10	(14,391)	(15,169)
	<b>Total Long Term Borrowing</b>	<b>(18,678)</b>	<b>(18,641)</b>

## 11. Deferred Liabilities

The Council's only deferred liabilities relate to the secondary lease rentals in respect of finance leases on industrial units. The total annual payments under these leases was £924 in 2005/2006, which is charged direct to the relevant service and is included within net cost of services in the Consolidated Revenue Account.

## 12. Deferred Capital Receipts

	No. Loans	31/3/2005 £000	No. of Loans	31/3/2006 £000
Council House Mortgages	66	(194)	60	(144)
Rents to Mortgages	1	(17)	1	(17)
<b>Total</b>	<b>67</b>	<b>(211)</b>	<b>61</b>	<b>(161)</b>

## 13. Provisions

	2004/2005 £000	2005/2006 £000
General Fund: Debt Rescheduling	193	459
HRA: Debt Rescheduling	949	989
General Fund: Revenue Provisions	(330)	(1,072)
HRA: Revenue provisions	-	(11)
<b>Total Provisions</b>	<b>812</b>	<b>365</b>



The provision for debt rescheduling will be charged to the General Fund and / or Housing Revenue Account over the next few years as follows:-

	<b>General Fund £000</b>	<b>HRA £000</b>
1 – 2 years	(1,039)	521
3 – 5 years	38	353
6 – 10 years	64	105
More than 10 years	324	-
<b>Total</b>	<b>(613)</b>	<b>978</b>

#### 14. **Contingent Liabilities**

##### **Insurance**

A Scheme of Arrangement to facilitate an orderly run down of the business of the Council's former insurers, Municipal Mutual Insurance Ltd., (MMI) became effective from 21<sup>st</sup> January 1994. MMI will continue to pay agreed claims in full on behalf of the Council as a scheme creditor, for so long as a solvent run-off of liabilities is foreseen. Claims amounting to £201,585 have been paid by MMI up to 31<sup>st</sup> March 2006 and there are four outstanding claims as at that date amounting to £50,500. If the Scheme of Arrangement is triggered, a claw back may occur which could amount to the total value of claims paid less £50,000.

##### **Net Park Development Sedgefield**

The Council has entered into an agreement with Durham County Council and the National Health Service to develop the former Winterton Hospital site into a 'high-tec' Business Park. This may give rise to a contingent liability if the development fails to achieve expected land sales.

##### **Disrepair Claims**

The Council has received a number of disrepair claims from Council housing tenants who are claiming that the Council has failed to maintain their accommodation in a 'fit for purpose' condition. All claims have been successfully resolved and no compensation payments have been made. However whilst the number of claims is relatively small this may not always be the case and a contingent liability may arise where tenants are successful with their disrepair claims.

##### **Equal Pay Compensation Claims**

A number of authorities have been approached by their employees regarding equal pay compensation claims over the past few months. Some of these authorities have settled the claims rather than proceeding through legal avenues. The Council has to date received one claim (although there may be others) and agreement has been made with the Union that this pay claim will be settled once the current job evaluation process has been concluded. The potential liability at this point in time is not quantifiable.

#### 15. **Trust Funds**

The Council is the sole trustee to the following Trust Fund:-

	<b>2004/2005 £000</b>	<b>2005/2006 £000</b>
<b>Hackworth Locomotive Trust:</b>		
Balance at 1 <sup>st</sup> April	(6)	(6)
Income	(1)	(1)
Expenditure	-	1
<b>Balance at 31<sup>st</sup> March</b>	<b>(7)</b>	<b>(6)</b>

The purpose of the fund is to build and maintain a replica of the locomotive 'Sans Pareil' and replicas of similar locomotives.

The Fund balance is invested in Government Securities and interest earning internal balances of the Council. The Fund balance is not included in the Consolidated Balance Sheet.

## 16. Third Party Funds

The Council administers the following funds on behalf of Third Party Organisations:-

	<b>2004/2005</b> <b>£000</b>	<b>2005/2006</b> <b>£000</b>
<i>Sedgefield Town Twinning Association</i>	(4)	(3)
<i>Sedgefield Borough Mayor's Charity Appeal</i>	(8)	(8)
<i>Heritage Line Working Party</i>	(10)	(10)
<i>Union Learning Representatives Fund</i>	(5)	(3)
<i>Pioneer Care Partnership</i>	-	(7)
<b><i>Balance at 31<sup>st</sup> March</i></b>	<b>(27)</b>	<b>(31)</b>

### **Sedgefield Town Twinning Association**

Funds held in respect of the Borough's Town Twinning Association to assist with visits between the Borough and Rheinhausen.

### **Mayor's Charity Appeal**

Relate to the proceeds of fund raising events held on behalf of the Borough's Mayor during their year of office.

### **Heritage Line Working party**

The funds represent contributions received from participating organisations that are promoting the use and development of the Heritage Rail line

### **Union Learning Representatives Fund**

The fund was established by the Council's Trades Unions with the support of AMICUS to provide learning facilities for trades union representatives throughout the Council.

### **Pioneer Care Partnership**

Sedgefield PCT provided the funds as a contribution towards development works in respect of Pioneering Care Centre at Newton Aycliffe. The Council undertakes the works and recovers the costs from the funds held by the Council.

## 17. County Durham E-Government Partnership

Wear Valley District Council acts as the Accountable Body for the partnership in respect of Programme Management and Implementation of the project through a Project office. As at the 31<sup>st</sup> March 2006 they held funds on behalf of the partnership amounting to £1,115,000 that in accordance with the Partnership agreement can only be spent with full approval of all the partners. The transactions of the Partnership are shown below: -

	<b>2004/2005</b> <b>£000</b>	<b>2005/2006</b> <b>£000</b>
<i>Balance at 1<sup>st</sup> April 2005</i>	135	174
<i>Contributions from Partners</i>	181	1,786
<i>Interest Credited in Year</i>	12	29
<i>Expenditure in Year</i>	<b>(154)</b>	<b>(874)</b>
<b><i>Balance at 31<sup>st</sup> March 2006</i></b>	<b>174</b>	<b>1,115</b>

## 18. Retirement Benefits

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

The Authority participates in the Local Government Pension Scheme for employees, administered by Durham County Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. In addition, the authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

The underlying assets and liabilities attributable to the authority are as follows:-

	<b>Local Government Pension Scheme</b>	
	<b>31<sup>st</sup> March 2005</b> <b>£000</b>	<b>31<sup>st</sup> March 2006</b> <b>£000</b>
<i>Estimated share of liabilities in Scheme</i>	(101,290)	(113,970)
<i>Estimated share of assets in Scheme</i>	55,420	70,390
<b>Net asset/(liability)</b>	<b>(45,870)</b>	<b>(43,580)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £43.58m has an impact on the net worth of the authority as recorded in the balance sheet, showing a reduction. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis, using the projected unit method, an estimate of the pensions that will be payable in future years, dependent upon assumptions about mortality rates, salary levels, etc. The Actuary has provided the figures shown below to the Durham County Council Pension Scheme using information provided to them and assumptions determined by the Council in conjunction with the Actuary. Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

The main assumptions used in their calculations have been:

	<b>Local Government Pension Scheme</b>	
	<b>2004/2005</b> <b>%</b>	<b>2005/2006</b> <b>%</b>
<i>Rate of Inflation</i>	2.9	3.0
<i>Rate of Increase in Salaries</i>	4.4	4.5
<i>Rate of Increase in Pensions</i>	2.9	3.0
<i>Rate for Discounting Scheme Liabilities</i> <i>(NB: based on 3.5% real)</i>	5.3	4.9
<i>Rate of Increase in Deferred Pensions</i>	2.9	3.0

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	<b>31<sup>st</sup> March 2005</b>	<b>31<sup>st</sup> March 2006</b>	<b>Long Term Return</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<i>Equity Investments</i>	84	87	7.3
<i>Government Bonds</i>	9	7	4.7
<i>Corporate Bonds</i>	-	-	4.3
<i>Other Assets</i>	4	3	4.6
<i>Property</i>	3	3	6.3
	<b>100</b>	<b>100</b>	

The movement in the net pension liability for the year to 31<sup>st</sup> March 2006 is as follows:

	<b>2004/2005</b> <b>£m</b>	<b>2005/2006</b> <b>£m</b>
<b>Net Pensions Liability at 1<sup>st</sup> April 2005</b>	<b>(37.13)</b>	<b>(45.87)</b>
<b>Movements in the year:</b>		
<i>Current service cost</i>	(2.78)	(2.90)
<i>Employer's contributions payable to scheme</i>	3.87	3.59
<i>Past service costs</i>	(0.15)	(0.02)
<i>Interest cost</i>	(5.60)	(1.32)
<i>Expected return on assets in the scheme</i>	3.70	10.97
<i>Actuarial gains (losses)</i>	(7.78)	(8.03)
<b>Net Pensions Liability at 31<sup>st</sup> March 2006</b>	<b>(45.87)</b>	<b>(43.58)</b>

**STATEMENT OF TOTAL MOVEMENT IN RESERVES  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2006**

	<b>2004/2005 £000</b>	<b>2005/2006 £000</b>
<i>Surplus/(deficit) for the year:</i>		
<i>    General Fund</i>	448	126
<i>    Housing Revenue Account</i>	457	1,187
<i>Add back Movements on specific Revenue Reserves</i>	(630)	(519)
<i>Deduct appropriation (from)/to Pensions Reserve</i>	(960)	809
<i>Actuarial gains and losses relating to pensions</i>	(7,780)	(1,481)
<b><i>Total increase/(decrease) in Revenue Resources (Notes 1-2)</i></b>	<b>(8,465)</b>	<b>(3,084)</b>
<i>Increase/(decrease) in useable capital receipts</i>	(480)	(12,582)
<i>Increase/(decrease) in unapplied capital grants and contributions</i>	101	418
<i>    Housing Pooling Receipts set aside</i>	(7,441)	(6,705)
<i>    Housing Pooling Receipts paid to ODPM</i>	7,441	6,705
<b><i>Total increase/(decrease) in Realised Capital Resources (Note 3)</i></b>	<b>(379)</b>	<b>(13,000)</b>
<i>Gains/(losses) on revaluation of fixed assets</i>	112,309	18,892
<i>Impairment losses on fixed assets due to general changes in prices</i>	(1,941)	(3,055)
<b><i>Total increase/(decrease) in unrealised value of Fixed Assets (Note 4)</i></b>	<b>110,368</b>	<b>15,837</b>
<b><i>Value of assets sold, disposed of or decommissioned (Note 4)</i></b>	<b>(17,045)</b>	<b>(10,098)</b>
<i>Capital Receipts set aside</i>	3,891	3,841
<i>Revenue resources set aside</i>	752	838
<i>Movement on Government Grants Deferred</i>	456	1,009
<b><i>Total increase/(decrease) in amounts set aside to finance Capital Investment (Note 5)</i></b>	<b>5,099</b>	<b>5,688</b>
<b><i>Total recognised Gains and Losses</i></b>	<b>89,578</b>	<b>27,511</b>

## 1. Movements in Revenue Resources

	<b>General Fund £000</b>	<b>HRA £000</b>	<b>Earmarked £000</b>	<b>Pensions £000</b>
Surplus (Deficit) for 2005/2006	132	1,191	-	-
Prior Year Adjustments	(6)	(4)	-	-
<b>Revised Surplus (Deficit) for 2005/2006</b>	<b>126</b>	<b>1,187</b>	<b>-</b>	<b>-</b>
Appropriations to/from Revenue	-	-	(519)	809
Transfers between Funds	(126)	-	126	-
Actuarial Gains / Losses relating to pensions	-	-	-	1,481
Balance at 1 April 2005	<b>2,240</b>	<b>3,460</b>	<b>6,092</b>	<b>(45,870)</b>
<b>Balance at 31 March 2006</b>	<b>2,240</b>	<b>4,647</b>	<b>5,699</b>	<b>(43,580)</b>

## 2. Movements in Individual Reserves

	<b>Balance at 1/4/2005 £000</b>	<b>Transfers To £000</b>	<b>Transfers From £000</b>	<b>Balance at 31/3/2006 £000</b>
<b>EARMARKED BALANCES:</b>				
Economic Development Fund	267	-	(84)	<b>183</b>
Asset Management Fund	502	-	-	<b>502</b>
Training Services Fund	386	72	-	<b>458</b>
Youth Development Fund	151	-	(42)	<b>109</b>
Insurance Fund	1,099	138	-	<b>1,237</b>
Budget Support Fund	1,622	99	-	<b>1,721</b>
Private Sector Housing Fund	203	-	-	<b>203</b>
Energy Conservation Fund	30	-	-	<b>30</b>
Superannuation Fund	-	7	-	<b>7</b>
Debt Repayment Fund	706	-	(250)	<b>456</b>
PC Licences Fund	20	37	(49)	<b>8</b>
Health Development Fund	12	-	(7)	<b>5</b>
Building Control Fund	-	21	-	<b>21</b>
D. Wood Memorial Fund	1	-	-	<b>1</b>
<b>Total Earmarked Balances</b>	<b>4,999</b>	<b>374</b>	<b>(432)</b>	<b>4,941</b>
<b>NON EARMARKED BALANCES:</b>				
General Fund Reserve	<b>2,240</b>	-	-	<b>2,240</b>
<b>Total General Fund Reserves</b>	<b>7,239</b>	<b>374</b>	<b>(432)</b>	<b>7,181</b>
<b>Housing Revenue Account</b>	<b>3,460</b>	<b>1,187</b>	-	<b>4,647</b>
Collection Fund	<b>1,093</b>	-	(335)	<b>758</b>
<b>Pensions Reserve</b>	<b>(45,870)</b>	<b>2,290</b>	-	<b>(43,580)</b>
<b>Total Reserves</b>	<b>(34,078)</b>	<b>3,851</b>	<b>(767)</b>	<b>(30,994)</b>

During 2006/2007 the Council has agreed to use reserves totalling £2,173,000 as follows:-

	<b>£000</b>
<i>Support Revenue Expenditure</i>	818
<i>Reduce Council Tax Demand</i>	855
<i>Support Housing Capital Programme</i>	500
<b>Use of Reserves</b>	<b>2,173</b>

The Insurance Fund Reserve amounting to £1.237m has been established to meet potential claims for which no external insurance cover has been arranged. [See note 1.6 on Page 20]

### 3. Movements in Realised Capital Resources

	<b>Usable Capital Receipts £000</b>	<b>Unapplied Capital Grants and Contributions £000</b>
<i>Amounts receivable in 2005/2006</i>	16,423	4,591
<i>Amounts applied to finance new Capital Investment in 2005/2006</i>	(3,841)	(4,173)
<b>Total increase/(decrease) in realised Capital Resources in 2005/2006</b>	<b>(12,582)</b>	<b>418</b>
<i>Balance brought forward at 1<sup>st</sup> April 2005</i>	<b>2,569</b>	<b>262</b>
<b>Balance carried forward at 31<sup>st</sup> March 2006</b>	<b>15,151</b>	<b>680</b>

This statement shows the extent to which the authority is able to finance capital investment in future years.

### 4. Movements in Unrealised Value of Fixed Assets

	<b>Fixed Asset Restatement Account £000</b>
<i>Gains/losses on revaluation of fixed assets in 2005/2006</i>	18,892
<i>Impairment losses on fixed assets due to general changes in prices in 2005/2006</i>	(3,055)
<b>Total increase/(decrease) in unrealised Capital Resources in 2005/2006</b>	<b>15,837</b>
<i>Value of Assets sold, disposed of or Decommissioned Amounts written off fixed asset balances for disposals in 2005/2006</i>	(10,098)
<b>Total Movement on Reserve in 2005/2006</b>	<b>5,739</b>
<i>Balance brought forward at 1<sup>st</sup> April 2005</i>	168,747
<b>Balance Carried Forward at 31<sup>st</sup> March 2006</b>	<b>174,486</b>

This statement shows the extent to which the value of the authority's asset portfolio has changed in the year.

## 5. Movements in Amounts Set Aside to Finance Capital Investment

	<b>Capital Financing Account £000</b>	<b>Government Grants Deferred £000</b>	<b>Total £000</b>
<i>Capital Receipts Set Aside in 2005/2006:</i>			
<i>Useable Receipts Applied</i>	3,841	-	3,841
<b>Total Capital Receipts Set Aside in 2005/2006</b>	<b>3,841</b>	<b>-</b>	<b>3,841</b>
<i>Revenue Resources Set Aside in 2005/2006:</i>			
<i>Capital Expenditure Financed from Revenue</i>	1,368	-	1,368
<i>Reconciling amount for provisions for Loan Repayment</i>	(530)	-	(530)
<b>Total Revenue Resources Set Aside in 2005/2006</b>	<b>838</b>	<b>-</b>	<b>838</b>
<i>Grants applied to Capital Investment in 2005/2006</i>			
<i>Amounts credited to the Asset Management Revenue Account in 2005/2006</i>	-	1,135	1,135
<i>Movement on Government Grants Deferred</i>	-	(126)	(126)
	-	<b>1,009</b>	<b>1,009</b>
<b>Total increase/(decrease) in amounts set aside to Finance Capital Investment</b>	<b>4,679</b>	<b>1,009</b>	<b>5,688</b>
<i>Total movement on Reserve in 2005/2006</i>	4,679	1,009	5,688
<i>Balance brought forward at 1<sup>st</sup> April 2005</i>	146,971	1,305	148,276
<b>Balance Carried Forward at 31<sup>st</sup> March 2006</b>	<b>151,650</b>	<b>2,314</b>	<b>153,964</b>

The Capital Financing Account contains the amounts, which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that are required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid.

Where the acquisition of a fixed asset is financed, either wholly or in part, by a Government grant or other contribution, the amount of the grant or contribution is initially included in the Capital Grants and Contributions Deferred account. It is then released to the asset management revenue account over the useful life of the asset, to match the depreciation charged on the asset to which it relates. This account does not represent cash received, but the balance of un-discharged credit.

## 6. Actuarial Gains and Losses

The actuarial losses identified as movement in the pensions reserve in 2005/2006 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31<sup>st</sup> March 2006.

	<b>2004/2005 £000</b>	<b>%</b>	<b>2005/2006 £000</b>	<b>%</b>
<i>Differences between the expected and actual return on assets</i>	2,000	3.6	10,920	15.5
<i>Differences between actuarial assumptions about liabilities and actual experience</i>	2,840	2.8	50	0.1
<i>Changes in demographic and financial assumptions used to estimate liabilities</i>	(12,620)	(12.5)	(8,030)	(7.1)
	<b>(7,780)</b>	<b>(7.7)</b>	<b>2,940</b>	<b>2.6</b>



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006**

<i>2004/2005 £000</i>		<i>Notes</i>	<i>2005/2006 £000</i>
	<b>REVENUE ACTIVITIES</b>		
	<i>Cash Outflows</i>		
(23,405)	Cash Paid to and on behalf of Employees		(27,535)
(18,773)	Other Operating Cash Payments		(22,035)
(6,896)	Housing Benefit Paid Out		(7,675)
(15,820)	NNDR Payments to National Pool		(16,836)
(31,204)	Precepts Paid		(32,656)
(5,973)	Payments to the Capital Receipts Pool		(6,495)
<b>(102,071)</b>			<b>(113,232)</b>
	<i>Cash Inflows</i>		
7,863	Rents (net of Benefits)		10,720
28,258	Council Tax Receipts		28,894
17,840	NNDR Receipts		16,750
2,365	NNDR Pool Redistribution		2,521
4,989	Revenue Support Grant		5,043
7,134	DWP Grants for Benefits		8,105
27,117	Other Government Grants	1	26,442
1,909	Cash Received for Goods and Services		3,040
5,676	Other Operating Cash Receipts		11,655
<b>103,151</b>			<b>113,240</b>
<b>1,080</b>	<b><i>Revenue Activities Net Cash Flow</i></b>	<b>2</b>	<b>12</b>
	<b>SERVICING OF FINANCE</b>		
	<i>Cash Outflows</i>		
(1,946)	Interest Paid		(1,400)
	<i>Cash Inflows</i>		
778	Interest Received		1,024
<b>(1,168)</b>	<b><i>Servicing of Finance Net Cash Flow</i></b>		<b>(376)</b>
	<b>CAPITAL ACTIVITIES</b>		
	<i>Cash Outflows</i>		
(10,516)	Purchase of Fixed Assets		(11,065)
(1,448)	Other Capital Cash Payments		(1,266)
<b>(11,964)</b>			<b>(12,332)</b>
	<i>Cash Inflows</i>		
11,072	Sale of Fixed Assets		24,685
1,400	Capital Grants Received	3	2,004
1,172	Other Capital Cash Receipts		219
<b>13,644</b>			<b>26,908</b>
<b>1,680</b>	<b><i>Capital Activities Net Cash Flow</i></b>		<b>14,576</b>
<b>1,592</b>	<b><i>Net Cash Flows Before Financing</i></b>		<b>14,212</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
<b>(1,850)</b>	Net (Increase) / Decrease in Long & Short Term Deposits	<b>4</b>	<b>(14,130)</b>
	<b>FINANCING</b>		
(283)	Repayments of Amounts Borrowed		(3,949)
-	New Loans Raised		(3,840)
<b>(283)</b>	<b><i>Financing Net Cash Flow</i></b>		<b>(109)</b>
<b>(541)</b>	<b><i>Net Increase / (Decrease) in Cash</i></b>	<b>5</b>	<b>(27)</b>

## Notes to Cash Flow Statement

### 1. Other Government Revenue Grants

	2004/2005 £000	2005/2006 £000
<i>Department for Works &amp; Pensions</i>		
Council Tax Benefits	8,097	9,344
Rent Rebate Subsidy	12,630	12,858
Discretionary Housing Payments	9	9
Benefit Administration Subsidy	968	1,070
Performance Standards Funding	10	42
<i>Department for Education &amp; Skills</i>		
Surestart Local Programme	1,494	1,304
Sheltered Placement	1	-
<i>Office of the Deputy Prime Minister</i>		
Housing Defects Act Subsidy	125	125
Single Regeneration Budget	1,139	417
Neighbourhood Renewal Fund	1,246	1,139
Home Improvement Agency Grant	14	14
Housing Revenue Account Subsidy	158	(1,878)
Homelessness Grant	25	25
Planning Delivery Grant	140	242
Local Government On Line	648	-
Community Empowerment Fund	56	263
Local Business Growth Initiative	-	148
Local Enterprise Growth Initiative	-	80
Supporting People	-	982
<i>Home Office</i>		
Building Safer Communities	153	145
<i>Department for Environment, Food &amp; Rural Affairs</i>		
DEFRA Recycling Grant	16	27
<i>Department for Culture, Media &amp; Sport</i>		
Museums Admission Grant	150	-
<i>Other Revenue Grants</i>		
Investing in Children	18	79
New Opportunities Fund	18	-
European Regional Development Fund	2	7
<b>Total Revenue Grants</b>	<b>27,117</b>	<b>26,442</b>

### 2. Reconciliation of Revenue Surplus with Net Cash Flow from Revenue Activities

	2004/2005 £000	2005/2006 £000
<b>General Fund Surplus (Deficit) for the year</b>	448	126
Add (less) contributions to (from) HRA reserves	457	1,187
Add (less) contributions to (from) Collection Fund	37	(335)
<b>Non Cash Transactions</b>		
Add Minimum Revenue Provision	439	407
Add Deferred Charges written off	1,448	2,079
Add Government Grants Deferred	81	126
Add (less) contributions to (from) Earmarked reserves	(630)	(58)
Add (less) other non-cash transactions	(3,672)	(5,872)
Add Capital met from revenue	-	1,368
<b>Items on an Accruals basis</b>		
Add (less) decrease (increase) in stock	(23)	15
Add (less) decrease (increase) in debtors	(2,526)	(6)
Add (less) increase (decrease) in creditors	3,853	(83)
<b>Items included in another classification</b>		
Add interest paid	1,946	1,400
Less investment interest	(778)	(1,024)
<b>Net Cash Flow from Revenue Activities</b>	<b>1,080</b>	<b>12</b>

### 3. Capital Grants

	<b>2004/2005 £000</b>	<b>2005/2006 £000</b>
<i>Office of the Deputy Prime Minister</i>		
<i>Disabled Facility Grants</i>	125	185
<i>E- Government Support &amp; Capacity Grant</i>	-	50
<i>Implementing E-Government Grant</i>	350	150
<i>Planning Delivery Grant</i>	-	29
<i>Single Capital Pot</i>	843	545
<i>Department for Education &amp; Skills</i>		
<i>Surestart Grant</i>	19	998
<i>Department for Works &amp; Pensions</i>		
<i>DWP Performance Standards Grant</i>	70	47
<i>Other Capital Grants</i>		
<i>European Regional Development Fund</i>	(7)	-
<b>Total Capital Grants</b>	<b>1,400</b>	<b>2,004</b>

### 3 Movement in Liquid Resources

	<b>Balance at 31.3.2005 £000</b>	<b>Balance at 31.3.2006 £000</b>	<b>As Disclosed in Cash Flow Statement £000</b>
<i>Long Term Investments</i>			
<i>Financial institutions</i>	-	9,500	9,500
<i>Short Term Investments</i>			
<i>Financial institutions</i>	14,450	19,080	4,630
<b>Total Liquid Resources</b>	<b>14,450</b>	<b>28,580</b>	<b>14,130</b>

### 5 Movement in Cash Balances

	<b>Balance at 31.3.2005 £000</b>	<b>Balance at 31.3.2006 £000</b>	<b>As Disclosed in Cash Flow Statement £000</b>
<i>Cash in Hand</i>	(16)	(13)	3
<i>Cash Overdrawn</i>	387	357	(30)
<b>Total Cash Balances</b>	<b>371</b>	<b>344</b>	<b>(27)</b>

## STATEMENT ON THE SYSTEM OF INTERNAL CONTROL AND CORPORATE GOVERNANCE

### 1. **Scope Of Responsibility**

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

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

### 2. **The Purpose Of The System Of Internal Control**

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

### 3. **The Internal Control Environment**

The system of internal control revolves around a framework of proper establishment of the Council's objectives, regular performance management information, risk awareness, financial regulations, standing orders, administrative procedures based on appropriate segregation of duties, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:-

- *Regular review and setting of the Council's priorities.*
- *Establishment and monitoring of targets within a performance management framework.*
- *Scheme of delegation within the approved Council Constitution.*
- *Ongoing development of risk management across the Council.*
- *Comprehensive budgeting processes and budgetary control information systems.*
- *Management Review of operational performance efficiency.*
- *Medium Term Financial Planning*
- *Financial performance reviews against forecasts.*
- *Clearly defined capital programme framework.*
- *Application of project management disciplines.*

### 4. **Major Developmental Areas**

#### 4.1 **Performance Management**

The Council's framework for performance management has developed in recent years, prompted by Best Value, Comprehensive Performance Assessment and the need to monitor progress with the Council's priority service areas. The Service Planning process helps to identify a wide range of performance measures to be applied to the Council's broad range of activities. Performance results are reported to Strategic Working Groups as well as Overview and Scrutiny Committee for discussion and action where appropriate. Each department's approach to the application of performance management within its structure is continuing to be developed, with a view to best practices being applied across the Council. This action is in line with recommendations from the Audit Commission and will make a major contribution to the revised Comprehensive Performance Assessment results next year.

#### 4.2 **Risk Management**

The development of the Council's approach to Risk Management continues to gather pace with an electronic risk register now in place. Identified risks are being prioritised and regular reviews of progress will be undertaken to ensure that risks to the Council are at the lowest possible level.

The Risk Management Group continues to work towards increasing the awareness and importance of risk across the Council's activities, as well as developing and progressing risk initiatives and responding to legislative changes. Work is ongoing to identify how risk issues can be highlighted and addressed within each department, and brought to the attention of Members to inform the decision making process

The Business Continuity plan in respect of the main council offices on the Green Lane site was completed during the year and now meets the requirements of the Civil Contingencies Act 2004. Its aim is to ensure that the operations of the Council suffer minimal, and only short-term disruption in the event of a serious workplace related incident such as fire, flood or utility services failure. Work has now started on producing similar plans for the Council's other public buildings.

Overview and Scrutiny Committee 1 considered a report in August 2005 on risk management and the Statement of Internal Control that covered the work carried out during the previous financial year with relevant comments on specific areas of activity being included in the report.

Work continues to be ongoing with regards to the Council's preparedness for a possible outbreak of Pandemic Flu.

### 5. **Review of Effectiveness**

The Council is responsible for ensuring the effectiveness of the system of internal control. The review of the effectiveness is informed by the work of the Council's Internal Auditors and Managers within the authority, who have responsibility for the development and maintenance of the internal control environment. Additionally, the Audit Commission, Best Value Inspectors and external agencies carry out review work on specific areas.

The Council's Internal Audit is provided by a team of six directly employed staff, under the control of the Audit Services Manager. The annual Audit Plan for 2005-2006, based on sound risk assessment criteria, was considered by Overview and Scrutiny Committee One and identified the individual areas of audit activity planned, taking account of policy, structural and developmental changes affecting the Council. All the major systems of the Council are examined every year to confirm that internal financial control is operating satisfactorily and effectively contributing to the delivery of services. Performance management arrangements are also examined.

During the year a group of senior officers representing all departments met on a regular basis to develop a wide range of issues within each Department and it is anticipated that this developmental work will continue.

Overview and Scrutiny Committee 1 considered a progress report on Internal Audit work in November 2005, to ensure that planned work was progressing satisfactorily.

The Internal Audit progress report confirmed that much of the audit work had been concluded satisfactorily, and that two of the three issues that were identified in the 2004-2005 Statement of Internal Control as requiring remedial action have now been satisfactorily resolved, namely reconciliations within the Financial Management Information System [FMIS] as well as within the income collection control systems.

In regard to the third issue, i.e. value for money in relation to housing property works, the development of a comprehensive Housing Services Improvement plan has included a range of actions to improve performance across the service. The Director of Housing is currently preparing a revised strategy for the delivery of the Housing Property works activities. The Housing Inspectorate key lines of enquiry assessment criteria also include performance management and value for money issues. A value for money strategy is being developed for the Housing Service which will consider all procurement options together with an examination of productivity levels throughout the service.

Further issues have arisen during the 2005/06 financial year

### **5.1 Accounts Receivable Module of the FMIS**

Some problems were experienced during the latter part of the financial year leading to an imbalance within the Financial Management system. Work was undertaken by the software supplier to resolve the problem and the Council incurred no losses.

### **5.2 Job Evaluation**

The Job Evaluation process which was completed during the year, highlighted a number of inconsistencies in the Establishment control arrangements which have now been substantially addressed.

### **5.3 Torex Management Information System**

A new booking and cash receipting system was introduced during the year within the Leisure Services department throughout the Council's four leisure centres. The system designed to provide improved management information on usage of the leisure centres has had some initial implementation problems and officers will be monitoring the system closely throughout the year to ensure the problems are resolved.

## **6. Audit Commission**

External audit and inspection is carried out by the Audit Commission in accordance with proposals agreed with the Council on an annual basis, with formal reports considered by the Council as necessary. From 2005/06 the Audit Commission has adopted a much more rigorous approach to the Comprehensive Performance Assessment (CPA) work, and the Council's self-assessment approach to the issues contained in various key lines of enquiry, including use of resources, will be used to develop our approach further.

## **7. Corporate Governance**

Sedgefield Borough 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. In discharging this responsibility, members and senior officers are responsible for putting in place proper arrangements for the governance of the authority's affairs and the stewardship of the resources at its disposal. To this end, the Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework 'Corporate Governance in Local Government: A Keystone for Community Governance'. A copy of the Local Code is on our website at [www.sedgefield.gov.uk](http://www.sedgefield.gov.uk) or can be obtained from the Head of Financial Services on 01388-816166 ext. 4385.

The Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. The Chief Executive is responsible for:-

- Overseeing the implementation and monitoring the operation of the code.
- Reviewing the operation of the code in practice.
- Ongoing constitutional review processes.
- Reporting annually to Cabinet on the compliance with the code and any changes that may be necessary to maintain it and ensure its effectiveness in practice. The 2005-2006 annual report was presented to Cabinet on 1<sup>st</sup> June 2006

## 8. Conclusions

On the basis of information supplied to us, we are satisfied that the Council's Internal Control and Corporate Governance arrangements are adequate and operating effectively, subject to the observations made above.

All Directors are aware of their responsibilities and are progressing the actions necessary to achieve full compliance. Each Director and Head of Service within the Chief Executives Department has also completed a Statement of internal Control assurance statement demonstrating their awareness and commitment to full development of the control environment

We are satisfied that these actions will address the need for improvements that have been identified and will review their implementation and operation as part of our continuous review processes.

<i>Signed</i>	<input type="text"/>	<i>Dated</i>	<input type="text"/>
	<i>Leader of the Council</i>		
<i>Signed</i>	<input type="text"/>	<i>Dated</i>	<input type="text"/>
	<i>Chief Executive</i>		

## APPLICATION OF ACCOUNTING STANDARDS

The following is a summary of Statements of Standard Accounting Practice (SSAP), Financial Reporting Standards (FRS) and Urgent Issues Task Force (UITF) Abstracts extant at the date of issue of the 2005/2006 SORP, and their applicability to local authorities. The standards have been incorporated into the SORP to the extent that they comply with specific legal requirements and are relevant to the activities of the local authority.

<i>Accounting Standard</i>	<i>Compliance</i>
<p><b>SSAP4 – Accounting for Government Grants</b> The general rule of SSAP4 is that Government grants should be recognised in the revenue account so as to match the expenditure towards which they are intended to contribute. To the extent that grants are made as a contribution towards specific expenditure on fixed assets, they should be recognised over the useful economic lives of the associated assets. In contrast, grants made to give immediate financial support or to reimburse costs already incurred, should be recognised in the Revenue Account in the period in which they become receivable.</p>	Applicable
<p><b>SSAP5 – Accounting for VAT</b> As a general rule, the treatment of VAT in the accounts should reflect the local authority role as a collector of the tax and VAT should not be included in income and expenditure, whether of a capital or revenue nature. Where VAT is irrecoverable it should be included in the cost of the items reported in the financial statements.</p>	Applicable
<p><b>SSAP9 – Accounting for Stocks and Long-Term Contracts</b> This gives guidance on the accounting treatment of both stock (inventories) and long-term contracts. The cost of unsold or unconsumed stocks is carried forward until the period in which the stock is sold or consumed. For long-term contract, credit is taken for turnover and profit while contracts are still in progress, rather than deferring these amounts until the whole contract is complete.</p>	Applicable
<p><b>SSAP13 – Accounting for Research and Development</b> This gives guidance on the accounting policy to be followed in respect of research and development. These policies must have regard to the fundamental accounting concepts, including the 'accruals' concept and the 'prudence' concept.</p>	Not Applicable
<p><b>SSAP17 – Accounting for Post Balance Sheet Events</b> This gives guidance on the identification and treatment of two types of post balance sheet events: adjusting and non-adjusting. Adjusting events are those post balance sheet events, which provide additional evidence of conditions existing at the balance sheet date. Non adjusting events are those post balance sheet events, which concern conditions that did not exist at the balance sheet date. Disclosure is required where this information is necessary for a proper understanding of the financial position.</p>	Applicable
<p><b>SSAP19 – Accounting for Investment Properties</b> This requires investment properties to be included in the balance sheet at the open market value, but without charging depreciation. This is to reflect that these assets are held for their investment potential rather than for consumption in business operations.</p>	Applicable
<p><b>SSAP20 – Foreign Currency Translation</b> As a general rule SSAP20 requires that the results of such transactions be translated in the local authority's local currency using the exchange rate in operation at the date on which the transaction occurred. The standard also gives rules on the treatment of exchange gains and losses, or where a transaction is unsettled at the year-end.</p>	Withdrawn - Replaced by FRS 23
<p><b>SSAP21 – Accounting for Leases and Hire Purchase Contracts</b> This defines two different types of lease: Finance Lease and Operating Lease. It prescribes the accounting treatment to be adopted in respect of these two types of lease. It requires lessees to capitalise material finance leases because the transaction is considered to be equivalent to borrowing to acquire an asset. An operating lease is more closely akin to the hire of an asset and so the lessee is not required to capitalise the asset.</p>	Applicable



## **Accounting Standard**

## **Compliance**

### **SSAP25 – Segmental Reporting**

Many entities carry on several classes of business or operate in several geographical areas. The purpose of SSAP25 is to provide information to assist users of financial statements to make judgements about the nature of the entity's various activities and their contributions to the entity's overall financial position. SSAP25 requires the disclosure of turnover, segment result and net assets by class of business and by geographical segment.

Applicable

### **FRS1 – Cash Flow Statements (Revised 1996)**

This requires reporting entities to prepare a Cash Flow Statement in the manner set out in the FRS. Cash flows are increases or decreases in the amounts of cash (cash in hand and deposits repayable on demand less overdrafts repayable on demand) over a financial period.

Applicable

### **FRS2 – Accounting for Subsidiary Undertakings**

This sets out the conditions under which an entity qualifies as a parent undertaking which should prepare consolidated financial statements for its Group – the parent and its subsidiaries.

Not Applicable

### **FRS3 – Reporting Financial Performance**

The objective of this FRS is to require entities to highlight a range of important components of financial performance to aid users in understanding the performance achieved by the entity in a period and to assist them in forming a basis for the assessment of future results and cash flows.

Applicable

### **FRS4 – Capital Instruments**

This requires capital instruments to be presented in the financial statements in a way that reflects the obligation of the issuer. The standard prescribes the methods to be used to determine the amounts to be ascribed to capital instruments and their associated costs and specifies relevant disclosures.

Applicable

### **FRS5 – Reporting the Substance of Transactions**

This requires that the substance of an entity's transactions is reported in its financial statements. This 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.

Applicable

### **FRS6 – Acquisition and Mergers**

This sets out the circumstances in which the two methods of accounting for a business combination (acquisition accounting and merger accounting) are to be used.

Not Applicable

### **FRS7 – Fair Values in Acquisition Accounting**

This sets out the purpose for accounting for a business combination under the acquisition method of accounting.

Not Applicable

### **FRS8 – Relating Party Disclosures**

The objective of FRS8 is to ensure that financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by the material transactions with them.

Applicable

### **FRS9 – Associates and Joint Ventures**

This sets out the definitions and accounting treatments for associates and joint ventures, two types of interests that a reporting entity may have in other entities.

Applicable

### **FRS10 – Goodwill and Intangible Assets**

The objective of FRS10 is to ensure that purchased goodwill and intangible assets are charged to the Revenue Account (Income Statement) in the period in which they are depleted.

Applicable only in relation to assets such as ICT Software

### **FRS11 - Impairment of Fixed Assets and Goodwill**

FRS11 sets out the principles and methodology for accounting for impairments of fixed assets and goodwill. It replaces the previous approach whereby diminution in value was recognised only if they were regarded permanent. Instead the carrying amount of an asset is compared with its recoverable amount and, if the carrying amount is higher, the asset is written down. Impairment Tests are only required when there has been some indication that an impairment has occurred.

Applicable

### **FRS12 – Provisions, Contingent Liabilities and Contingent Assets**

The objective is to ensure that a provision (a liability that is of uncertain timing or amount) is recognised only when it actually exists at the balance sheet date. Contingent liabilities and contingent assets are not recognised as liabilities or assets. However, a contingent liability should be disclosed if the possibility of an outflow of economic benefit to settle the obligation is more than remote. A contingent asset should be disclosed if an inflow of economic benefit is probable.

Applicable

## **Accounting Standard**

## **Compliance**

### **FRS13 – Derivatives and Other Financial Instruments: Disclosures**

This seeks to improve the disclosures provided in respect of all financial instruments and it does this by focusing on the way in which they are used by the entity. This applies to entities that have one or more capital instruments listed on the Stock Exchange.

Not Applicable

### **FRS14 – Earnings Per Share**

'Earnings Per Share' is one of a number of indicators used in financial statements to assess a company's performance. FRS14 sets out the way in which earnings per share calculations should be computed and disclosed.

Withdrawn - replaced by FRS22

### **FRS15 – Tangible Fixed Assets**

This sets out the principles for accounting for tangible fixed assets, with the exception of investment properties which are dealt with in SSAP19 'Accounting for Investment Properties'. The objective of the FRS is to ensure that tangible fixed assets are accounted for on a consistent basis. The standard also requires annual impairment reviews to be performed to ensure that the carrying amount of assets is not overstated.

Applicable

### **FRS16 – Current Tax**

This addresses all aspects of accounting for current tax. It deals with the recognition of gains and losses in the Revenue Account and the treatment of dividends, interest and other amounts payable or receivable.

Not Applicable

### **FRS17 – Retirement Benefits**

This sets out the accounting treatment for retirement benefits such as pensions and medical care during retirement. Its main requirements include the measurement of pension scheme assets at market value and the recognition of any pension scheme deficit or surplus in full on the balance sheet.

Applicable

### **FRS18 – Accounting Policies**

This deals primarily with the selection, application and disclosure of accounting policies. An entity should judge the appropriateness of accounting policies to its particular circumstances against the objectives of relevance, reliability, comparability and comprehension, to ensure that they remain the most appropriate to the entity's particular circumstances.

Applicable

### **FRS19 – Deferred Tax**

This standard requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation.

Not Applicable

### **FRS20 – Share Based Payments**

Not Applicable

### **FRS21 – Events After the Balance Sheet Date**

This specifies the accounting treatment to be adopted to deal with significant events that occur between the balance sheet date and the date when the financial statements were signed off, which may materially impact on the financial position of this Authority.

Applicable

### **FRS22 – Earnings Per Share**

Not Applicable

### **FRS23 – The Effects of Changes in Foreign Exchange Rates**

The replacement for SSAP20 to prescribe how foreign currency transactions should be converted into the currency used in the financial statements being presented.

Applicable

### **FRS24 – Financial Reporting in Hyper-inflationary Economies**

A replacement reporting standard for UITF9 dealing with how to report financial statements in an economy with hyper-inflation.

Not Applicable

### **FRS25 – Financial Instruments: Disclosure & Presentation**

Not Applicable

### **FRS26 – Financial Instruments: Measurement**

Not Applicable

### **FRS27 – Life Assurance**

Not Applicable

### **FRS28 – Corresponding Amounts**

This Standard sets out the requirements for disclosure of corresponding amounts or comparative figures in the primary financial statements.

Applicable

### **UITF Abstract 4 – Presentation of Long-Term Debtors in Current Assets**

Such items should be separately disclosed on the face of the balance sheet or in the notes to the accounts.

Applicable

### **UITF Abstract 5 – Transfers from Current Assets to Fixed Assets**

Requires that where assets are transferred from current to fixed, the current asset accounting rules should be applied up to the effective date of transfer, which is the date of management's change of intent. Consequently the transfer should be made at the lower of cost and net realisable value. Fixed asset accounting rules will apply to the assets subsequent to the date of transfer.

Applicable

### **UITF Abstract 9 – Accounting for Operations in Hyper-inflationary Economies**

Withdrawn

### **UITF Abstract 11 – Capital Instruments: Issuer Call Options**

Withdrawn

### **UITF Abstract 15 – Disclosure of Substantial Acquisitions**

Not Applicable

### **UITF Abstract 17 – Employee Share Schemes**

Not Applicable

<b>Accounting Standard</b>	<b>Compliance</b>
<b>UITF Abstract 18 – Pension Cost following the 1997 Tax Changes in respect of Dividend Income</b>	Applicable
As a result of the Finance Act 1997, pensions schemes are no longer able to reclaim a tax credit on dividend income. This will probably result in a reduction in actuarial value of the assets in a pension scheme or an increase in the actuarial value of liabilities.	
<b>UITF Abstract 19 – Tax on Gains and Losses on Foreign Currency Borrowings that Hedge an Investment in a Foreign Enterprise</b>	Not Applicable
<b>UITF Abstract 21 – Accounting Issues Arising from the Proposed Introduction of the Euro</b>	
The costs of making the necessary modifications to assets to deal with the Euro should be written off to the Profit and Loss Account, except in those cases where (a) an entity already has an accounting policy to capitalise assets of the relevant type, and (b) to the extent that the expenditure clearly results in an enhancement of an asset beyond that originally assessed, rather than merely maintaining its service potential. Other costs associated with the introduction of the Euro should also be written off to the Profit and Loss Account.	Applicable but Unlikely to be a material item
<b>UITF Abstract 22 – The Acquisition of a Lloyd’s Business</b>	Not Applicable
<b>UITF Abstract 23 – Application of the Transitional Rules in FRS15</b>	
Provides transitional rules on the use of prior period adjustments where tangible fixed assets, which were previously treated as a single asset, are identified as having two or more major components with substantially different useful economic lives.	Applicable
At the time of adopting FRS15 this was not applicable to local authorities due to the treatment of prior period adjustments in the SORP. The treatment of prior period adjustments has now changed to move into line with FRS3, and the Abstract can be deemed to apply. However, as FRS15 was adopted in the 2000 SORP, this Abstract will have been most relevant to accounting periods commencing 1 <sup>st</sup> April 2000.	
<b>UITF Abstract 24 – Accounting for Start-up Costs</b>	
Addresses whether start-up costs that cannot be included in the cost of a fixed asset may nevertheless be carried forward. It requires that start-up costs that do not meet the criteria for recognition under a relevant accounting standard should not be carried forward, but should be recognised as an expense when incurred.	Applicable
Where capital regulations allow an item covered by the Abstract to be capitalised this should be accounted for as a deferred charge.	
<b>UITF Abstract 25 – National Insurance Contributions on Share Option Gains</b>	Not Applicable
<b>UITF Abstract 26 – Barter Transactions for Advertising</b>	
Addresses the recognition of income and expenditure related to advertising transactions undertaken on a barter basis. Income from advertising undertaken on a barter basis is not to be recognised except where persuasive evidence exists that the advertising opportunity could have been sold for an equivalent sum (e.g. where substantially all advertising is sold for cash).	Applicable
<b>UITF Abstract 27 – Revisions to Estimates of Useful Economic Lives of Goodwill and Intangible Assets.</b>	
This Abstract states that a change from non-amortisation of goodwill or intangible assets, on the grounds that the life of the asset is indefinite, to amortisation over a period of 20 years or less should not be reported as a change in accounting policy. In such a circumstance, the carrying amount of the goodwill or intangible asset should be amortised over the revised remaining useful life.	Unlikely to be relevant
<b>UITF Abstract 28 – Operating Lease Incentives</b>	
The Abstract applies equally to lessors and lessees. It requires that the relevant expense or income (respectively) be recognised over the life of the lease or until the next rental review on a straight line basis, unless another systematic basis is more representative of the time pattern in which the benefit from the leased asset is receivable.	Applicable
<b>UITF Abstract 29 – Web Site Development Costs</b>	
Addresses the capitalisation of the costs of developing web sites to be used in the business. Such costs (other than planning costs) may be capitalised provided the relationship to the anticipated benefits is sufficiently certain. The Abstract assumes this will generally be the case only where the web site directly generates revenues, although a footnote to the Abstract notes this may not be the case in the public sector.	Applicable
Where capital regulations allow an item covered by the Abstract to be capitalised, this should be accounted for as a deferred charge. Local government web sites may provide economic benefits without being related to cash inflows, and to the extent that the relationship to such benefits is sufficiently certain such costs may be capitalised.	
<b>UITF Abstract 30 – Date of Award to Employees of Shares</b>	Not Applicable
<b>UITF Abstract 31 – Exchange of Businesses or other Non-Monetary Assets for an Interest in a Subsidiary, Joint Venture or Associate</b>	Not Applicable

**Accounting Standard****UITF Abstract 32 - Employee Benefit Trusts and other Intermediate Payment Arrangements****UITF Abstract 33 – Obligation in Capital Instruments****UITF Abstract 34 – Pre-Contact Costs**

Intended to bring consistency to the accounting treatment of costs incurred in bidding for and securing contracts to supply products or services. It deals in particular with costs incurred before formal contracts are signed.

**UITF Abstract 35 – Death-in-Service and Incapacity Benefits**

Clarifies accounting required by FRS17 for the cost of death-in-service and incapacity benefits. It deals with calculating the costs of the benefits that are not insured. The cost of insured benefits is determined by the relevant insurance premiums.

**UITF Abstract 36 – Contract for Sales of Capacity****UITF Abstract 37 – Purchase and Sales of Own Shares****UITF Abstract 38 – Accounting for ESOP Trusts****UITF Abstract 39 – Members shares in Co-operative Entities and Similar Instruments****UITF Abstract 40 – Revenue recognition and service contracts.****UITF Abstract 41 - Scope of FRS20 Share Based payments****UITF Abstract 41 – Reassessment of Embedded Derivatives****Compliance**

Not Applicable

Withdrawn

Applicable

Applicable

Not Applicable

Withdrawn

Not Applicable

Not Applicable

Not Applicable

Not Applicable

Not Applicable

## 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**

These are 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 2003**

The current set of regulations that detail the accounts needed, 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 consolidated revenue account.

### **Asset Charges**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

### **Asset Management Revenue Account**

This account compares charges to services for the use of assets with the costs to the authority of providing those assets. The net effect is shown in the consolidated revenue account.

### **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 use in the provision of services. They consist of depreciation and a notional interest charge on the book value of assets (to represent the cost of tying up resource in those assets).

### **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 Financing Account**

This account provides a balancing mechanism between the different rates at which assets are depreciated and financed.

### **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 2005**

The Statement of Recommended Practice (SORP) applicable to preparing the 2005 -20/06 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.

### **Consolidated Revenue Account**

The combined fund balance sheets of an authority, excluding trust funds.

### **Consolidated Revenue 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**

Credit approvals are issued by the Secretary of State and provide authority not to charge expenditure for capital purposes to the revenue account.

### **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**

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.

**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.

**Earmarked Reserves**

These reserves represent the monies set aside that can only be used for a specific usage or purpose.

**Exceptional Items**

Material items that derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**Extraordinary Items**

Material items, possessing a high degree of abnormality which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

**Financial Reporting Standards (FRS's)**

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 account is required to balance the balance sheet when fixed assets are revalued or written out upon disposal.

**Formula Spending Share**

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.

**General Fund**

The main revenue account of the Council, which brings together all income and expenditure other than recorded in the Housing Revenue Account, DSO 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.

### **Group Accounts**

These are required where a local authority has material interests in subsidiary and associate companies and/or joint ventures with other organisations.

### **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.

### **Impairment**

A reduction in the value of affixed asset below its carrying amount on the balance sheet.

### **Infrastructure Assets**

These are inalienable assets; expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are footpaths & landscaping works.

### **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 is that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a 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.

### **Net Book Value**

The amount at which fixed assets are included in the balance sheet, that is their historic cost of current value less the cumulative amounts provided for depreciation.

### **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.

### **Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.



### **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 that are 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 Loan Board (PWLB)**

A central government agency, which lends money to local authorities at lower rates than those generally available from the private sector.

### **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's)**

These are common standards of accounting practice issued by the Accounting Standards Board.

### **Stocks**

Comprises of the following categories:

- Goods or other assets purchased for resale
- Consumable goods [bar and catering goods]
- Raw materials and components purchased for incorporation into products
- Products and services in intermediate stages of completion
- Finished goods

### **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 Capital Expenditure**

Central Government provide support for capital expenditure in one of two ways:

- Supported Capital Expenditure (Revenue);
- Supported Capital Expenditure (Capital).

The Supported Capital Expenditure (Revenue) is in effect revenue support through the Revenue Support Grant System for borrowing. The Supported Capital Expenditure (Capital) is a capital grant given by Government.

### **Total Movement in Reserves**

This statement brings together all the recognised gains and losses of the authority and identifies those reserves that have and have not been recognised in the consolidated revenue account.

### **Trust Fund**

Funds established from donations or bequests for spending for a specific purpose.

***Urgent Issues Task Force (UITF)***

This is an Accountancy Task Force specifically set up to deal with new technical accounting issues that arise during the year and which have not been considered by the Financial Reporting Standards Board.

***Useful (Economic) Life***

The period over which the authority will derive benefits from the use of an asset.

***Work in Progress***

The cost of work done up to a specified date on an uncompleted project.

**CERTIFICATION OF PRESIDING OFFICER OF THE COUNCIL MEETING  
(AT WHICH THE APPROVAL WAS GIVEN)**

Under the Account and Audit Regulations 2003, the Presiding Officer of the Council / Committee approving the statement of accounts is required to sign and date the accounts

On behalf of the Council I confirm that the Statement of Accounts, as shown on pages 26-63, presents fairly the financial position of the Authority at 31<sup>st</sup> March 2006 and its income and expenditure for the year then ended and that they were approved on the 30<sup>th</sup> June 2006.

**Mayor**

**Date**

**30<sup>th</sup> June 2006**