

EXPLANATORY FOREWORD

1. Introduction

The purpose of this foreword is to provide an understandable guide to the most significant matters reported in the accounts. The Council is committed to improving the openness and the understandability of the information it produces. Comments on the contents and layout of this foreword and statements that follow should be sent to: Corporate Director – Resources, Durham County Council, County Hall, Durham DH1 5UE

2. Information and Financial Statements

The Council's Statement of Accounts for the year ended 31st March 2009 is set out in the following pages. The information and the financial statements are:-

Statement of Accounting Policies (Page 7)

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

The Income and Expenditure Account (Page 15)

This shows the revenue income and expenditure for each service provided by the Council, the Council's demand from the Collection Fund, Revenue Support Grant and contribution from the Non-Domestic Rate Pool. This shows the Council's financial performance for the year measured in terms of the resources consumed and generated over the last twelve months. Notes giving further information on the more significant items are on pages 21 to 26.

Statement of Movement on the General Fund Balance (Page 16)

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

Statement of Total Recognised Gains and Losses (STRGL) (Page 18)

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

The Balance Sheet (Page 19)

This shows the Council's balances and reserves and long-term indebtedness and the fixed and net current assets employed in its operations as at 31st March 2009. Notes giving further information are on pages 27 to 46.

The Cash Flow Statement (Page 20)

This summarises the inflows and outflows of cash arising from transactions with other parties for revenue and capital purposes. Notes giving further information are on pages 47 to 48.

The Housing Revenue Account (Page 49)

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

The Collection Fund (Page 55)

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

Group Accounts (Page 57)

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

Annual Governance Statement (Page 67)

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

Statement of Responsibilities for the Statement of Accounts (Page 72)

This details the Council's and the Corporate Director – Resources responsibilities in compiling the Accounts.

The Auditor's Report to the Council (Page 73)

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

Glossary of Terms Used (Page 76)

3. Overview of Financial Performance

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

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

4. 2008/09 Summary General Fund Revenue Account

In setting its 2008/09 budget, the Council in moving towards Local Government re-organisation was committed in maintaining financial stability as it approached its demise. In addition the Council faced a number of financial pressures such as additional employer's contributions to meet shortfalls in the pension fund following the triennial actuarial review, mainstreaming of grant aided expenditure and the impact of new legislation. The Council also wished to minimise the burden on taxpayers and by rigorous scrutiny of all its expenditure limited the increase in the Council Tax charge to zero. A number of cost improvements were identified and resources reallocated to priority areas as indicated by consultation with residents. For example, the street warden scheme was further expanded and extra support given to the voluntary sector in the district.

The budgeted level of reserves to support the 2008/09 budget was consistent with the Council's Medium Term Financial Strategy of retaining flexibility to deal with unanticipated demands upon the Council finances in future years. Effective budgetary control was exercised during the year. The budget requirement for 2008/09 was £646,000 above budget although the council received LABGI grant funding and Area-based grant funding of £95,000 and £2,600,000 respectively. Due to this favourable position, £509,000 was transferred to reserves as opposed to a planned reduction of £1,540,000. This will be used to support the provision of services in the new unitary authority in future years. The main reasons for the under-spend were:

- Lower than expected costs of the improved concessionary travel scheme.
- Additional subsidy entitlement in respect of housing benefit rent allowances.
- Delays in filling vacant posts and posts vacant throughout the year because of Local Government re-organisation.

The main components of the General Fund revenue budget for 2008/09 and how these compare with actual income and expenditure are set out on the following page. The figures included in the table are based upon those included in the Income and Expenditure and the Note of Reconciling Items for the Statement of Movement on the General Fund Balance as presented in Pages 16 and 17 in the Accounts, excluding items therein included in respect of the Housing Revenue Account.

	Budget	Actual	Difference
	£000s	£000s	£000s
Central services to the public	980	528	(452)
Cultural, environmental & planning services	12,567	14,324	1,757
Highways, roads and transport services	895	776	(119)
Housing services - General Fund	1,747	1,424	(323)
Corporate and democratic core	1,923	2,000	77
Non distributed costs	331	466	135
Total	18,443	19,518	1,075
Capital Expenditure charged to Revenue	0	150	150
Other Operating Expenditure	(821)	2,279	3,100
Other Financing items	(4,174)	(7,853)	(3,679)
Amounts to be met from Government Grants & Local Taxation	13,448	14,094	646
Sources of Finance:			
Council Taxpayers	(4,354)	(4,354)	0
General Government Grants	(923)	(923)	0
Non-Domestic Rate Income	(6,631)	(6,631)	0
Local Authority Business Growth Incentive Grants	0	(95)	(95)
Area Based Grant	0	(2,600)	(2,600)
Net General Fund Surplus/(Deficit)	(1,211)	(651)	560
Transfers (from) / to earmarked reserves	(329)	1,160	1,489
Total Funding	(13,448)	(14,094)	(646)

5. 2008/09 Housing Revenue Account

The Housing Revenue Account made a surplus of £290,000, which was £722,000 more than budgeted. This surplus was achieved mainly due to higher rental income because of a significant fall in Right to Buy sales and an increase in Housing subsidy income payable by the Government. Housing Subsidy (£64,000) includes the receipt of £2,846,000 Major Repairs Allowance, which is netted off the total Housing Subsidy as shown in note 11 to the Housing Revenue Account. A summary of the final outturn is shown below:

	Budget	Actual	Difference
	£000s	£000s	£000s
Expenditure			
Repairs and Maintenance	3,707	3,931	224
Supervision and Management	3,337	3,288	(49)
Change in Provision for Bad Debts	0	42	42
Debt Charges	55	53	(2)
Housing Subsidy (Net of MRA)	155	(64)	(219)
Other	5,317	5,236	(81)
Total Expenditure	12,571	12,486	(85)
Income			
Rents	(11,555)	(11,883)	(328)
Other	(584)	(893)	(309)
Total Income	(12,139)	(12,776)	(637)
Contribution to HRA Balances	432	(290)	(722)

6. Capital

In 2008/09, the Council originally budgeted to spend £13.2m net of external funding. The 2008-09 programme was further increased by £4.2m being slippage from the previous years programme. This resulted in a revised budgeted programme of £17.4m net of grants and other contributions. The gross actual spend during the year on capital schemes was £16.8m and net of grants and other contributions was £15.5m (£9.4m on Housing Services and £6.1m on General Fund). The major underspends mainly arose due to slippage of £0.6m on schemes to improve the Council's buildings, £0.2m on private housing sector renewal projects, £0.4m on community capital projects and £0.7m on schemes to redevelop sites for economic regeneration. The capital programme is financed in a number of ways:

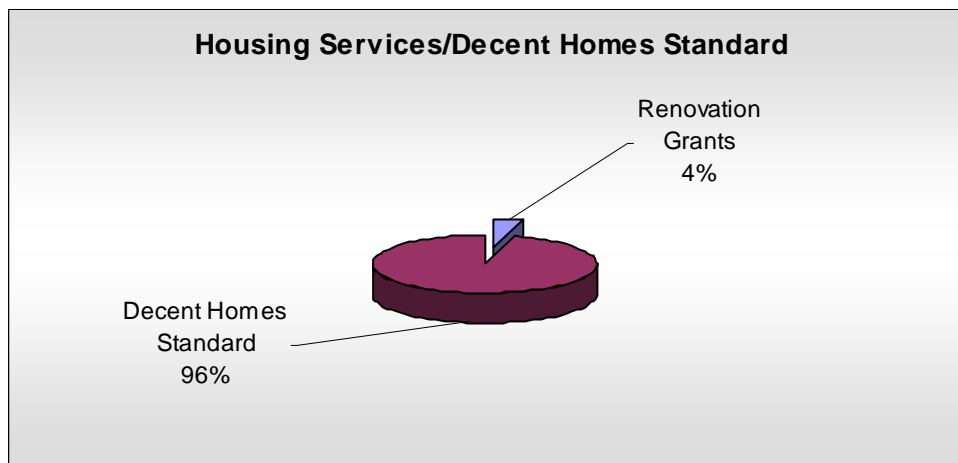
Borrowing – Central Government provide, through grant for General Fund services and Housing subsidy for housing services, financial support to fund borrowing to support the capital programme. This supported borrowing approval can be applied to any type of capital expenditure.

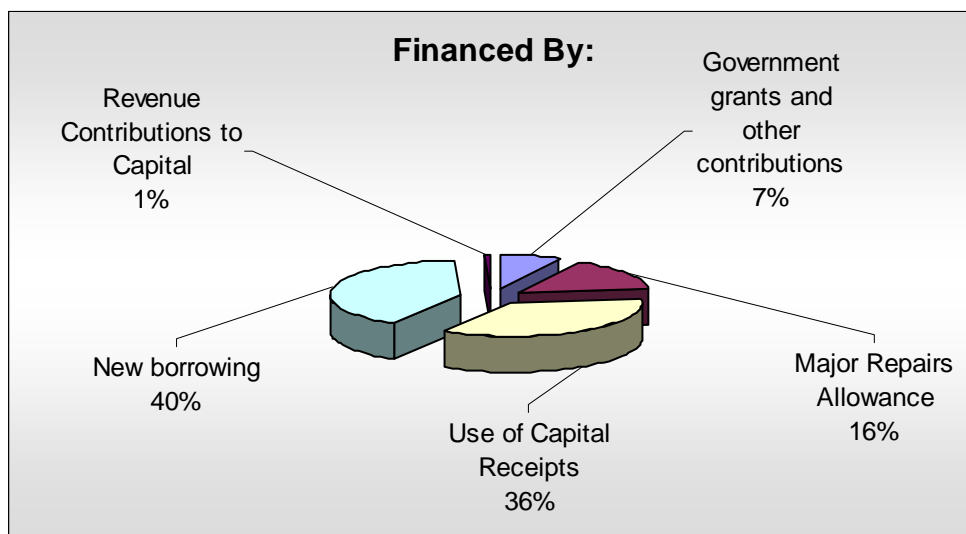
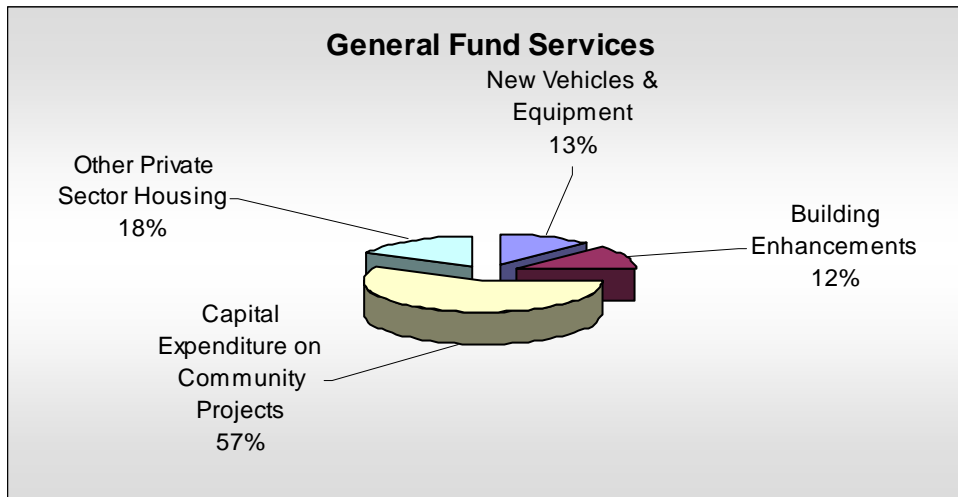
Major Repairs Allowance – Central Government provide a grant which can be used to improve the Council housing stock to meet the Government's objective that all council dwellings should meet the Decent Homes Standard by 2012 or it may also be applied to meet any repayment, made in the current year, of the principal of any amount borrowed and to meet any liability, in the current year in respect of credit arrangements, other than any liability which, in accordance with proper practices must be charged to the revenue account.

Capital Receipts – Capital receipts arise when the Council disposes of an asset. The Council is able to use 25% of capital receipts from the sale of Council houses and 100% for all other assets. This includes the use of 100% of proceeds from the sale of housing land as the Council approved a resolution that such receipts were earmarked for affordable housing and regeneration projects in line with Government rules. The Council had as at 31st March 2009 £8.6m of receipts that could be used to support the capital programme in future years.

Capital Grants - Various grants are received from other public bodies such as One North-East and allocations from other income streams such as the Local Area Agreement to fund capital expenditure.

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





The major areas of capital expenditure in 2008/09 were:

- £9.0m spent on the Decent Homes Standard mainly replacing kitchens, bathrooms and central heating systems within the Council housing stock
- £4.2m spent on non Council owned assets such as improving community managed assets.
- £1.0m on new vehicles and equipment
- £0.9m on building enhancements to the Council's assets

7. **Balances**

As at the 31st March 2009, total balances stood at:

	£000
General Fund	2,512
Housing Revenue	3,156
Collection Fund	102

Included in the General Fund Balance of £2.5m is a working balance of £0.85m. Included in the Housing Revenue Balance of £3.2m is a working balance of £1.5m. A further £4.3m is held as General Fund earmarked reserves as detailed in note 28 to the Balance Sheet. These balances are consistent with the Council's Medium Term Financial Strategy, which matches current and future estimated resources with priorities set down in the Council Plan.

8. Borrowing

The Council's overall borrowing increased by £7.0m during the year in accordance with its agreed Treasury Management procedures. The majority of borrowing is undertaken with the Government controlled Public Works Loan Board that lends to local authorities at preferential rates and is used to support the capital expenditure of the Authority. An analysis of the Council's long-term indebtedness is shown in note 17 to the Balance Sheet.

9. Pension Costs

In accordance with the requirements of Financial Reporting Standard No 17 – Retirement Benefits (FRS17), the Council is required to account for retirement benefits when it is committed to pay them as opposed to when actual payment is made. This treatment has resulted in the net operating expenditure of the Council shown on the face of the Income and Expenditure Account to be £1,040,000 greater than it otherwise would have been. This has no impact upon the overall amount to be met from Government grants and local taxation.

10. Economic and Monetary Union

The 'Euro', the new single currency for the European Union, was introduced across 11 of the member states, with effect from 1st January 1999. The United Kingdom did not join in the first wave and has yet to make a decision on when it intends to join. There have been no financial implications to the Council to date.

11. Local Government Reorganisation (LGR)

The introduction of Local Government White Paper – Strong and Prosperous Communities – in October 2006 enabled Durham County Council to prepare a successful bid submission to propose a Unitary Authority for County Durham.

On 25 February 2008 it was agreed by Parliament that a single unitary council for County Durham would replace the existing County and District Councils in County Durham with effect from 1 April 2009. All rights and obligations of the existing council will vest in the new council.

On 1 May 2008 elections were held to elect new Members to the County Council and these Members formed the new Unitary County Council and the District authorities within County Durham.

The LGR Programme in 2008/09 was to amalgamate the individual service functions to become Durham County Council Unitary authority through a series of business critical projects by 1 April 2009. This has required incurring initial (transition) costs, which were to be met from reserves. The bid submission anticipated that savings should be realised over the next three years that would repay sums used from reserves.

STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts summarises the council's transactions for the 2008-2009 financial year and its position at the year end of 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets and the use of fair values for certain categories of financial assets and financial liabilities.

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

2. Going Concern

The Statement of Accounts have been prepared on a going concern basis. Although the authority ceased to exist on 1st April 2009 all of its functions, activities, assets and liabilities are ongoing as part of the new Unitary Authority. Under FRS18 this could have meant that there was a requirement to change measurement bases used for assets and liabilities, however, the 08/09 SORP Guidance Notes make it clear that this is not necessary, as they state;

“In the case of local government reorganisation, where assets are to be redistributed, the concept of going concern should be applied to the provision of local government services as a whole, although an individual authority may itself cease to exist or to provide particular services. Authorities should therefore continue to use the going concern basis and there will rarely be a need to change measurement policies in preparation for a reorganisation.”

Taking this guidance into account these statements are prepared under normal going concern principles.

3. Accruals for Income and Expenditure

The Revenue accounts are maintained on an accruals basis i.e. the activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Accordingly:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services even if the money is not yet received.
- Where income has been recognised but money has not been received yet, a debtor for the relevant amount is recorded in the Balance Sheet.
- Supplies are recorded as expenditure when they are consumed even if it is not yet paid for.
- Where expenditure has been recognised but money has not been paid yet, a creditor for the relevant amount is recorded in the Balance Sheet.
- At the year-end, provisions are made to reflect income and expenditure which have not been received or paid in respect of goods or services. Estimates are used where exact amount is unknown.

4. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits extending over more than one year to the Authority and is greater in value than £5,000. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to Service Revenue Accounts.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). The housing stock and other assets have been revalued in accordance with statutory DCLG “Guidance on Stock Valuation” as at 01 April 2008 by the District Valuer, E. Josephs MRICS. Other assets were last revalued as at 01 April 2004 by the District Valuer P. Wilkinson MRICS and are required to be revalued every five years.

Fixed assets are classified into the following groupings required by the latest Code of Practice on Local Authority Accounting:

- land, operational properties and other operational assets are included in the Balance Sheet at the lower of net current replacement cost and net realisable value in their existing use.
- non-operational assets, including investment properties and assets that are surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value.
- community assets are included in the Balance Sheet for identification purposes at a nominal value of £5 each.
- housing operational properties are valued on the basis of existing use value for social housing.

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income that is not reserved for repayment to the Government in accordance with accounting regulations is included in the Balance Sheet as usable capital receipts.

5. Impairment

The value at which each category of assets is included in the Balance Sheet is required by FRS11 to be reviewed at the end of each reporting period by a professionally qualified valuer. Where there is reason to believe that its value has changed materially in the period, the valuation is adjusted accordingly. In accordance with this requirement the valuer carried out an impairment review of the council's housing and non-housing assets to consider whether impairment may have occurred and the necessary adjustment to the valuations are included in the notes to the Fixed Assets within the Notes to the Balance Sheet.

6. Depreciation

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) in accordance with FRS10 and 15.

In respect of Council Dwelling the Major Repairs allowance is treated as being a reasonable estimate of the depreciation charge. In respect of other assets depreciation is calculated using the straight-line method after taking into account the residual value of individual assets and on the following bases:

Offices and other buildings – 15 to 50 years as estimated by the valuer

Vehicles, plant and equipment – 3 to 20 years as estimated by a suitably qualified officer

7. Charges To Revenue

- 1) Redemption of Debt – It is necessary for all authorities to comply with the statutory requirement to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4 % of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity).
- 2) Interest Charges – External interest payable on borrowing is charged to the Income and Expenditure account and apportioned between the Housing Revenue Account (HRA) and the General Fund in accordance with regulations governing charges made to the HRA (item 8 debit). This is based upon the average weighted external interest rate and the HRA Capital Financing Requirement.
- 3) External interest receivable on investments is allocated to the HRA based upon the balance at each year-end together with an adjustment for transactions in the year. The balance remains in the General Fund as investment interest.

8. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement in General Fund Balance so there is no impact on the level of Council Tax.

9.

Capital Receipts

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

The Government prescribes the proportions of receipts that a Council can retain and utilise to finance its capital expenditure. From 1 April 2004 the Council has been required to pool the non-usable elements of all capital receipts and pay this over to the Government on a quarterly basis, as set out below:

Type of Receipt	Usable proportion	Repayable to the National pool (Central Government)
Sales proceeds from Right to Buy	25%	75%
Housing Land Asset sales	50%	50%
General Fund Asset sales	100%	0%

In terms of the Council, the new rules (introduced in April 2004) apply rigidly to Right to Buy (RTB) receipts but, in the case of housing land, the Council had the opportunity to retain the full amount if it resolved to spend these receipts either on the provision of ‘affordable housing’:

“the provision of dwellings to meet the housing needs, as identified by the local authority, of persons on low incomes, whether provided by the local authority or a registered local landlord...”

or ‘regeneration’: –

“any project for the carrying out of works or activities on any land where –

- *the land, or a building on the land, is vacant, unused, underused, ineffectively used, contaminated or derelict; and*
- *the works or activities are carried out in order to secure that the land or the building will be brought into effective use.”*

In response to this the Council took advantage of this rule and has resolved to use receipts from the disposal of housing land to be applied to affordable housing and regeneration.

10. Premia and Discounts

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

11. Financial Assets

(a) Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the investments the council has made this means that the amount presented in the Balance Sheet is the outstanding principal and the interest credited to the Income and Expenditure Account is the amount receivable for the year in accordance with the agreement.

(b) Assets available-for-sale include short term investments and are measured at amortised cost in the Balance Sheet.

12. Financial Liabilities

Financial Liabilities are initially measured at fair value and carried at amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the borrowings the council has made this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the amount charged to the Income and Expenditure Account is amount payable for the year in accordance with the loan agreement.

13. Government Grants And Contributions

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Grants are credited to the appropriate revenue account in the case of revenue grants and to the government grants deferred account in respect of capital grants. Capital grants in respect of schemes where the assets are not depreciated cannot be credited to the Government Grants Deferred Account. In accordance with the 2008 SORP these are credited to the relevant service area in the Income and Expenditure Account and reversed out in the Statement of Movement on the General Fund Balance via the Capital Financing Account.

14. Government Grants Deferred Account

In accordance with SORP 2008 the balance on the account is transferred to the Income and Expenditure Account annually based on the estimated lives of the assets involved. This entry is reversed out in the Statement of Movement on the General Fund Balance.

15. Capital Reserves

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

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

None of these reserves can be used to support spending.

16. Debtors And Creditors

Debtors and Creditors are included in the Balance Sheet as at 31st March 2009 on an accruals basis.

17. Stocks And Works In Progress

Stock in hand at 31st March 2009 is valued at actual costs or net realisable value, if lower.

18. Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement.

19. Repayment Of Debt

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

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

- (a) *Equal instalment loans* – equal instalments of principal are repaid over the appropriate repayment period.
- (b) *Maturity loans* – the principal is repaid in full on the date the loan matures. In the interim, interest payments are made.

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

20. Leases

(a) Financial Lease – The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. 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. The authority did in previous years use finance leases to provide some of its fixed assets.

(b) Operating Lease – Leases that do not meet the definition of finance leases are accounted for as operating lease. Rentals payable under operating leases are charged to service revenue accounts on an accruals basis. Only peppercorn rentals are paid on the operating leases.

21. Overheads

The costs of the Council’s Support Services are fully recharged to services, on the basis outlined below:-

<u>Support Service</u>	<u>Basis of Allocation</u>
Central Departments (e.g. Finance, Administration, Technical Services)	Monthly Time Sheet Analysis
Ancillary Services	Units of consumption
Offices	Floor Area Occupied

22. Pensions

The Council’s Accounts have been prepared in accordance with FRS17 ‘Retirement Benefits’, which became fully effective from 1st April 2003.

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

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

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

In accordance with Standard Accounting Practice for Local Authorities, the additional costs which would have arisen over the relevant period, in order to comply with FRS17, are shown by way of a note to the Balance Sheet. (See Note 29)

However the Council is of the opinion that the statutory prescribed nature of the Housing Revenue Account does not permit the inclusion of FRS17 costs/adjustments within that account.

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

23. Interest

All surplus capital and revenue monies are externally invested. The General Fund receives the interest and an internal transfer is made to the HRA, based upon the actual interest rate achieved on the Council’s external investments throughout the year. Interest receivable and payable on external borrowings and investment income are accounted for using the effective rate of interest.

24. Insurances

The Council insures against the majority of its potential losses by using an insurance company. However, in order to minimise external premiums, the Council has established an Insurance Fund to meet the potential cost of insurance claims falling within agreed excesses. (For example, all Public Liability claims up to £26,000 are borne by the Council and only amounts above this excess are met by the insurance company).

25. Value Added Tax

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

26. Post Balance Sheet Events

Where a material post balance sheet event occurs which:

- Provides additional evidence relating to conditions existing at the balance sheet date; or
- Indicates that application of the going concern concept to a material part of the authority is not appropriate;

Changes are made in the amounts to be included in the Statement of Accounts.

Any occurrence of a material post balance sheet event which concerns conditions which did not exist at the balance sheet date are disclosed. The disclosure states the nature of the event and, where possible, an estimate of the financial effect of the event.

27. 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.

28. Contingent Liabilities

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

29. Exceptional Items, Extraordinary Items

- (a) Exceptional items will be included in the cost of the service to which they relate or on the face of the Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item will be given within the notes to the accounts. The costs of any fundamental reorganisation or restructuring which has a material effect on the nature and focus of the authority's operations will be shown separately on the face of the Income and Expenditure Account.
- (b) Extraordinary items will be disclosed and described on the face of the Income and Expenditure Account after dealing with all items within the ordinary activities of the authority and will be explained fully in a note to the accounting statements.

30. 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.

At each balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated by using the closing rate. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date their fair value was determined.

31. Investments

Short Term Investments are shown in the Balance Sheet at amortised cost.

32. Interest in Companies and Other entities

The Council is the sole share holder in Dale and Valley Homes Ltd, which is limited by guarantee.

33. Provision for Bad and Doubtful Debt

All outstanding debts are reviewed on an ongoing basis and known uncollectible debts are written off. A separate provision is charged to the revenue accounts on an annual basis to reflect the fact that some debts will become doubtful or bad at a future date. The provision is calculated in accordance with BVACOP guidance is primarily based on the age of the debt outstanding and is not accordance with the impairment provisions set out in the Statement of Recommended Practice 2008. However the difference between the two treatments is considered to be immaterial.

34. Revenue Reserves

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

(a) ***General Fund Reserve:***

Represents an amount available to meet any shortfall between expenditure incurred in the day to day running of the Council and income received. It also provides support to maintain services when the Council is faced with cuts in Government Grant allocations. It includes the surplus or deficit on the General Fund for the year.

(b) ***Housing Revenue Account Reserve:***

Represents a sum earmarked for the repair, maintenance and management of the Council housing stock and a working balance available to meet any revenue shortfalls in the day to day running of the Council's housing service. It includes the surplus or deficit on the Housing Revenue Account for the year.

35. Group Accounts

The 2008/09 SORP requires local authorities to prepare Group Accounts where they have an interest in subsidiary or associate companies, or joint ventures with other organisations. Following the creation of an Arms Length Management Organisation (Dale and Valley Homes Ltd) on the 1st April 2006 it is now a requirement to produce group accounts which will show the position of the Authority as a whole, with a view to enhancing the information provided to the public. The group accounts which combine the Council's and Dale and Valley Homes Ltd income/expenditure after adjustments for transactions between the two organisations are produced in the group accounts section of these statements.

36. Pooling of Housing Capital Receipts

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

37. Changes in Accounting Practice

The 2008/09 accounts did not have any significant change in accounting practice from the 2007/08 Accounts. However, the following changes have been made:

- The disclosures related pensions have been changed in accordance with revised FRS 17
- The deferred charges have been renamed to Revenue expenditure funded from the capital under statute in accordance with SORP 2008. Because the council previously wrote-off to Income and Expenditure account all deferred charges which arose in the year, the new treatment has not resulted in any changes.

38. Prior Year Adjustments

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in

which they are identified, and are accounted for accordingly. Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Account and notes and adjusting the opening balance of reserves for the cumulative effect. Adjustments not considered material, applicable to prior years, are in respect of FRS17 disclosures related to opening balances (see note 29 to the Balance Sheet).

Adjustments considered material where comparative figures for the preceding year have been restated are –

- In accordance with LAAP 81 and SORP 2008, ‘other capital payments’ £5,143k for 2008-09 (£4,676 for 2007-08) which were shown as a separate item in the cash flow statement last year is now included in ‘other operating revenue payments’ (see cash flow statements on pages 20 and 60).
- Within the Financial Instruments disclosures stating fair values, an error was made in the 2007-08 accounts which gave a fair value to the accrued interest which had been included in the fair value calculation of the PWLB debt. The amount of £595k has been omitted in the restated 2007-08 comparative figures . A similar error has been made in respect of money market loans causing £2,682k to be omitted in the restated 2007-08 comparative figures. (see note 21 to the Balance Sheet)

INCOME AND EXPENDITURE ACCOUNT

FOR 2008/09

2007/08 Net Expenditure £000s		Gross Expenditure £000s	2008/09 Gross Income £000s	Net Expenditure £000s
	Discontinued Operations			
418	Central services to the public	8,418	(7,890)	528
8,098	Cultural, environmental & planning services	17,580	(3,256)	14,324
734	Highways, roads and transport services	1,432	(656)	776
2,003	Housing services - General Fund	21,464	(20,040)	1,424
2,315	Housing services - Housing Revenue Account	18,139	(12,659)	5,480
2,034	Corporate and democratic core	2,373	(373)	2,000
(267)	Non distributed costs	466	0	466
15,335	Net Cost of Services from discontinued operations	69,872	(44,874)	24,998
(967)	Gain or Loss on the disposal of fixed assets			(793)
192	Parish council precepts			253
428	(Surpluses) / deficits on trading undertakings not included in Net Cost of Services (note 1)			65
2,339	Interest payable and similar charges			2,588
(1,882)	Interest and investment income (note 12)			(1,667)
92	Unapportionable deferred charges			0
(122)	Discounts received on early resettlement of debt			0
260	Pensions interest cost and expected return on pensions assets			1,390
2,022	Contribution of housing capital receipts to Government Pool			443
17,697	Net Operating Expenditure			27,277
(4,205)	Demand on the Collection Fund			(4,354)
(1,069)	General Government Grants			(923)
(6,372)	Non-domestic rates redistribution			(6,631)
(598)	Local Authority Business Growth Incentive Grants			(95)
0	Area Based Grant			(2,600)
5,453	Net (Surplus)/Deficit			12,674

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007/08 £000s		2008/09 £000s
5,453	(Surplus)/deficit for the year on the Income and Expenditure Account	12,674
(6,842)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (see note on page 16)	(12,023)
(1,389)	(Increase)/Decrease in General Fund Balance for the Year	651
(1,774)	General Fund Balance brought forward	(3,163)
(3,163)	General Fund Balance carried forward	(2,512)

The 2008-09 SORP provides that where an authority will cease to exist under local government reorganisation and all of its services are transferring to the new authority, this can be disclosed as a note to the statements rather than splitting services on the face of the Income and Expenditure account into continued and discontinued operations.

Given that all of Wear Valley's former services are transferring to the new unitary authority, the whole of the Income and Expenditure account has been headed up as discontinued, but apart from this it does not look any different to the account that would have been prepared had the authority not been subject to reorganisation.

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The above reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

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

2007/08		2008/09
£000s		£000s
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(2,599)	Revenue expenditure funded from capital under statute	(4,396)
(5,099)	Excess of Depreciation and impairment charges to the HRA over the Major Repairs Allowance element of Housing Subsidy	(7,757)
(923)	Depreciation and impairment of fixed assets	(1,492)
148	Government Grants Deferred amortisation	171
967	Net gain or loss on sale of fixed assets	793
35	Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments	0
(2,130)	Net charges made for retirement benefits in accordance with FRS17	(2,780)
(9,601)		(15,461)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the Year	
44	Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments	(38)
561	Minimum revenue provision for capital financing	579
139	Use of Earmarked Reserves to finance capital expenditure	0
560	Capital expenditure charged in-year to the General Fund Balance	150
(2,022)	Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(443)
1,790	Employer's contributions payable to the Durham County Pension Fund and retirement benefits payable direct to pensioners	1,740
1,072		1,988
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
1,255	Surplus on Housing Revenue Account	290
432	Net transfer to or (from) earmarked reserves	1,160
1,687		1,450
(6,842)	Net additional amount required to be credited to the General Fund Balance for the year	(12,023)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR 2008/09

2007/08		2008/09
£000s		£000s
5,453	(Surplus) or deficit on the Income and Expenditure Account for the year	12,674
(8,944)	(Surplus) or deficit arising on revaluation of fixed assets	4,145
(4,370)	Actuarial gains and losses on pension fund assets and liabilities	8,841
(7,861)	Total recognised (gains) and losses for the year	25,660
(7,817)	(Increase)/Decrease in Net Worth	25,691
(51)	Adjusted opening balances on financial instruments adjustment account	0
6	Movement on undistributed Collection Fund Surplus	(33)
1	Movement on funds	2
(7,861)	Adjusted movement on Net Worth	25,660

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

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

BALANCE SHEET AS AT 31ST MARCH 2009

2007/08 £000s		£000s	2008/09 £000s	Notes
	Fixed Assets			1-5
	Tangible Fixed Assets			
	Operational Assets:			
145,397	Council Dwellings	140,206		
13,460	Other Land and Buildings	13,720		
3,036	Vehicles, Plant, Furniture and Equipment	3,211		
1	Community Assets	1		
	Non-Operational Assets:			
6,440	Investment Properties	6,212		
5,943	Surplus Property and Land	5,100		
174,277	Total Fixed Assets		168,450	
2	Long-term Investments		2	
694	Long-term Debtors		672	10
174,973	Total Long-term Assets		169,124	
	Current Assets			
96	Stocks and Work in Progress	8		11
6,058	Debtors	3,434		14
24,427	Investments	22,376		15
2,233	Cash and Bank	2,571		
			28,389	
207,787	Total Assets		197,513	
	Current Liabilities			
(1,695)	Short-term Borrowing	(5,518)		17
(13,290)	Creditors	(10,285)		16
(272)	Cash Overdrawn	(2,092)		
			(17,895)	
192,530	Total Assets Less Current Liabilities		179,618	
(43,995)	Long Term Borrowing		(47,127)	17
(18,210)	Pensions Liability		(28,090)	29
(3,693)	Government Grants Deferred		(3,557)	24
(278)	Provisions		(181)	26
126,354	Total Assets Less Liabilities		100,663	
	Financed by:			
112,413	Capital Adjustment Account		104,698	8
29	Financial Instruments Adjustment Account		(10)	6
7,600	Revaluation Reserve		3,404	7
13,462	Usable Capital Receipts Reserve		8,608	23
8	Deferred Capital Receipts		6	25
(18,210)	Pensions Reserve		(28,090)	29
1,661	Major Repairs Reserve		1,887	9
44	Funds		46	26
3,184	Earmarked Reserves		4,344	28
3,163	General Fund balance		2,512	
2,865	Housing Revenue Account balance		3,156	
135	Collection Fund balance		102	
126,354	Total Net Worth		100,663	32

These accounts were authorised for publication by the Corporate Director – Resources on 30th September 2009.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

Restated 2007/08 £000s	2008/09 £000s
REVENUE ACTIVITIES	
Cash Outflows	
14,786 Cash paid to and on behalf of employees	14,349
23,416 Other operating cash payments	28,228
8,736 Housing Benefit paid out	10,017
10,019 National non-domestic rate payments to national pool	10,201
24,270 Precepts paid	25,621
2,089 Payments to the Capital Receipts Pool	900
83,316	89,316
Cash Inflows	
(4,482) Rents (after rebates)	(4,739)
(22,093) Council Tax receipts	(23,057)
(6,372) National non-domestic rate receipts from national pool	(6,631)
(9,618) Non-domestic rate receipts	(10,364)
(1,069) Revenue Support Grant	(923)
(9,155) DWP grants for benefits	(9,638)
(14,106) Other government grants (Note 5)	(18,499)
(13,485) Cash received for goods and services	(10,190)
(80,380)	(84,041)
2,936 Revenue Activities Net Cashflow (Note 1)	5,275
Returns on Investments & Servicing of Finance	
2,249 Cash Outflow - Interest Paid	2,533
(1,805) Cash Inflow - Interest Received	(1,826)
444 Returns on Investments & Servicing of Finance Net Cashflow	707
CAPITAL ACTIVITIES	
Cash Outflows	
8,790 Purchase of Fixed Assets	10,679
8,790	10,679
Cash Inflows	
(3,742) Sale of Fixed Assets	(2,539)
(4,336) Capital grants received (Note 5)	(2,947)
(694) Other capital cash receipts	(793)
(8,772)	(6,279)
18 Capital Activities Net Cashflow	4,400
3,398 Net Cash (Inflow) / Outflow before Financing	10,382
870 Management of Liquid Resources (Note 3)	(2,000)
FINANCING	
2,030 Cash Outflow - Repayments of amounts borrowed	3,100
(9,000) Cash Inflow - New Loans Raised	(10,000)
(6,970) Financing Net Cashflow (Note 3)	(6,900)
(2,702) Net (Increase) / Decrease in Cash (Note 3)	1,482

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

1. Trading Operations

The Council has established 3 trading units where the service manager is required to operate in a commercial environment and balance their budget. Details of the activities of the trading units are shown below.			
2007/08		2008/09	
£000s		£000s	
	The Building Control unit carries out work which is chargeable. The trading objective of the unit is to break even.		
(221)		Turnover	(206)
296		Expenditure	260
75		Deficit	54
	The Council lets various industrial units in conjunction with Durham County Council and Wear Valley Development Agency. The trading objective is to break even.		
(112)		Turnover	(127)
468		Expenditure	137
356		Deficit	10
	The Council owns and manages 2 markets in the District generating income from rentals. The trading objective is to break even.		
(51)		Turnover	(52)
48		Expenditure	53
(3)		Deficit	1
428	Net (surplus) / deficit on trading operations		65

2. Section 137 Local Government Act 1972

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The expenditure is limited to £5.00 per head of population. The Council was permitted to spend £315,500 under this power in 2008/09 (£311,500 in 2007/08) and its actual expenditure in the year amounted to £214,885 in 2008/09 (£107,253 in 2007/08) mainly on donations to voluntary bodies working in the local area.

3. Publicity Expenditure

Set out below, under the requirements of S.5(1) of the Local Government Act 1986 is the Council's spending on publicity.

	2007/08	2008/09
	£000s	£000s
Recruitment advertising	28	1
Other advertising	72	106
Information relating to regional government	47	1
Other publicity	32	26
Total	179	134

4. Building Regulations Charging Account

Local Authorities are required to prepare a Building Control Statement under regulation 5 (6) of the Charges Regulations. The statement shows the total cost of the building control unit divided between chargeable and non chargeable activities.

	Non-chargeable	Chargeable	Total Building
	2008/09	2008/09	Control
	£000s	£000s	2008/09
	£000s	£000s	£000s
Expenditure	48	260	309
Income	0	(206)	(206)
(Surplus)/Deficit for Year	48	54	103
Comparitives for 2007/08			
Expenditure	40	256	296
Income	0	(221)	(221)
(Surplus)/Deficit for Year	40	35	75

5. Agency Work

The Council acts as an agent of Durham County Council in respect of verge maintenance and gully cleansing. The County Council reimburses the Council for this agency work including a contribution towards administrative costs. The amount reimbursable in respect of these activities is as follows:-

	2007/08	2008/09
	£000s	£000s
Routine Maintenance	13	12
Total amount reimbursable	13	12

6. Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During 2008/09 the following services were provided:

	2007/08	2008/09
	£000s	£000s
MOT Testing	11	23

7. Members' Allowances

There are 40 elected Members of the Council and during 2008/09 a total of £334,178 (2007/08 £327,776) was paid in respect of Members Allowances, made up of £252,312 (2007/08 £248,066) basic allowances and £81,867 (2007/08 £79,710) special responsibility allowances.

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

8. Officers' Emoluments

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

Remuneration Band	2007/08	2008/09	
	Number of Employees	Number of Employees	Including Redundancy
£50,000 - £59,999	3	2	1
£60,000 - £69,999	2	2	1
£70,000 - £79,999	1	6	4
£80,000 - £89,999	0	3	2
£90,000 - £99,999	0	0	0
£100,000 - £109,999	0	0	0
£110,000 - £119,999	0	0	0
£120,000 - £129,999	0	1	1

* The 2008/09 numbers include 9 employees who left the Council's employment on redundancy terms

9. **Related Party Transactions**

In accordance with FRS8, 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. During the year transactions with related parties arose as follows:-

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 (*Receipts from central government – See Cash Flow Statement - Note 5*).

Precepts

Precept transactions in relation to Durham County Council, the Durham Police Authority, Durham and Darlington Fire and Rescue Authority are shown within the Collection Fund (*See Collection Fund*).

Payment to Durham County Pension Fund in respect of Superannuation

As part of the terms and conditions of its officers and other employees, the Council offers access to the Local Government Pension Scheme and therefore contributes to the retirement benefits of its employees. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make payments that need to be disclosed at the time the employees earn their future entitlement. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary (*See note 13 to the Income and Expenditure Account*).

Dale and Valley Homes Ltd

The Council formed an arms length management organisation on 1st April 2006 and appoints 5 of the 15 board members. The Council contributes to the funding of this related company to the sum of £5,794,580.

Bishop Auckland Community Partnership

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

Area Based Grant

During 2008/09, the Authority acted as the accountable body for the distribution of Area Based Grant comprising of working Neighbourhoods Fund and Stronger Safer Communities Fund.

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

10. Disclosure of Audit Costs

In 2008/09 Wear Valley District Council incurred the following fees relating to external audit and inspection.

	2007/08 £000s	2008/09 £000s
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	124	130
Fees payable to the Audit Commission in respect of statutory inspection	18	22
Fees payable to the Audit Commission for the certification of grant claims and returns	33	39

11. Operating Leases

a) The Authority has provided certain I.T. equipment and photocopiers financed under the terms of an operating lease. The amount paid under these arrangements in 2008/09 was £12,911 (2007/08 £42,211). The Authority is committed to making payments of £12,911 under these leases in 2009/10, comprising the following elements:

	2007/08 £000s	2008/09 £000s
Leases expiring in 1 year	29	10
Leases expiring in 2 - 5 years	4	3

b) Authority as Lessor – The Authority has granted the following major leases under the terms of operating leases:

Mothercare UK Ltd for 25 years. The market rent charged is £47,500. A rent review is currently taking place which will be back dated to 11 December 2006.

WH Smiths for 25 years. The market rent charged is £46,250. A rent review is currently taking place which will be back dated to 11 December 2006.

The Royal Corner - leases range from periods of 3 years to 25 years. The total market rent charged was £36,210.

The gross value of assets held for use in operating leases was £583,613 for Mothercare UK Ltd, £571,300 for WH Smiths, £338,840 for the Royal Corner (valued at 31 March 2005).

12. Interest and Investment Income

	2007/08 £000s	2008/09 £000s
Interest received on external investments	(1,807)	(1,593)
Interest received on Housing Association loans	(75)	(74)
	(1,882)	(1,667)
Less Recharge to HRA (Item 8 Credit)	88	149
Net Credit to Income & Expenditure Account	(1,794)	(1,518)

13. Superannuation

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

The Authority participates in the Local Government Pension Scheme for civilian employees, administered by Durham County Council. This is a funded Scheme, meaning that the Authority and employees pay contributions into the fund, calculated at a level intended to balance the Pensions liabilities with investment assets.

The Authority recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account in the Statement of Movement on the General Fund Balance. This is shown in detail in the Note of Reconciling Items for the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account during the year:

	2007/08	2008/09
	£000s	£000s
Net Cost of Services		
Current service cost	1,480	950
Past Service Cost	420	440
Curtailement	(30)	0
Net Operating Expenditure		
Interest cost	3,590	3,980
Expected return on assets	(3,330)	(2,590)
Amount met from Government Grants and Taxpayers		
Movement on Pension Reserve	(340)	(1,040)
Actual amount charged against Council Tax		
Employer's contributions payable to scheme	1,790	1,740

Note 29 to the Balance Sheet shows details of the assumptions made in estimating the figures included in this note.

14. Local Area Agreement (LAA)

The Council is a participant in the LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2008/09, the LAA has completed the third year of a three year agreement.

The purposes of the LAA are:

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

Accountable Body

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

Identities of Partner Bodies

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

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

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

The total amount of LAA grant received by Durham County Council in 2008/09 is £849,184 (2007/08 £24,120,289). Wear Valley District Council received £82,000 in 2008/09 (2007/08 £1,057,000) of this total to fund projects in the area.

NOTES TO THE BALANCE SHEET

1. Fixed Assets

Movements of Fixed Assets during 2008/09 were as follows:

	Council Dwellings	Other land and buildings	Vehicles, Plant and Equipment	Investments	Community Assets	Surplus Properties	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Gross Book Value at 31/3/2008	148,107	14,922	8,500	6,443	1	5,982	183,955
Impairments as at 1/4/2008	0	0	0	0	0	0	0
Revaluation as at 1/4/2008	(2,648)	0	0	0	0	(7)	(2,655)
Value at 1/4/2008	145,459	14,922	8,500	6,443	1	5,975	181,300
Additions	9,363	648	961	200	0	0	11,172
Disposals	(761)	0	(500)	0	0	0	(1,261)
Revaluations in year	(4,007)	0	0	0	0	(138)	(4,145)
Impairments in year	(6,903)	0	0	(428)	0	(691)	(8,022)
Gross Book Value at 31/3/2009	143,151	15,570	8,961	6,215	1	5,146	179,044
Gross Depreciation at 31/3/2008	2,710	1,462	5,464	3	0	38	9,677
Revaluation as at 1/4/2008	(2,648)	0	0	0	0	(7)	(2,655)
Value at 1/4/2008	62	1,462	5,464	3	0	31	7,022
Depreciation for Year	2,884	388	786	0	0	15	4,073
Depreciation on Sales	(1)	0	(500)	0	0	0	(501)
Gross Depreciation at 31/3/2009	2,945	1,850	5,750	3	0	46	10,594
Net Book Value at 31/3/2008	145,397	13,460	3,036	6,440	1	5,944	174,278
Net Book Value at 31/3/2009	140,206	13,720	3,211	6,212	1	5,100	168,450

2. Fixed Asset Valuation

The General Fund assets within the Authority's property portfolio have been valued as at 1st April 2004 by an external independent valuer – P. Wilkinson, MRICS, District Valuer – on the under mentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors (RICS), except that not all the properties were inspected. This was neither practicable nor considered by the Valuer to be necessary for the purpose of the valuation.

Properties regarded by the Authority as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Properties regarded by the Authority as non-operational have been valued on the basis of open market value. The Housing assets within the Authority's property portfolio have been valued as at 1st April 2008 by external qualified valuer, E Josephs, MRICS, District Valuer in accordance with the regulatory framework for the valuation of local authority housing stocks provided by the guidance on stock valuation issued by the Government and by the RICS Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. The guidance stipulates that the operational housing properties of the local authority should be valued on the basis of Existing Use Value for Social Housing. However, where the guidance recommends a discount factor of 35% in respect of Right to buy sales, the value in the Accounts uses a discount factor of 49% which is the current vacant possession factor for the North East.

The District Valuer also carried out an impairment review as at 31 March 2009 of the value at which all categories of assets are included in the Balance Sheet. This resulted in a downward revaluation in respect of Council Dwellings of £10,910,000, in respect of Investments £428,000 and in respect of Surplus Land and Property, £829,000.

3. Information On Assets Held

Fixed assets owned by the Council include the following:-

	31st March 2008	31st March 2009
Council Dwellings	4,301	4,277
Garage Blocks	765	748
Garage Sites	230	230
Operational Buildings		
Civic Centre	1	1
Other Offices	6	6
Leisure Centres and Pools	4	4
Community Centres/Community Rooms	20	20
Public Conveniences	7	7
Depots and Stores	1	1
Car Parks	18	18
Markets	2	2
Bus Station	1	1
Non Operational Property		
Business Centres	2	2
Council Owned Shops	7	7
Royal Corner Shop Units	4	4
Royal Corner Office Units	2	2
Industrial Units - 50% owned by Durham County Council	8	8
Miscellaneous Leased Properties	22	22
Leased Agricultural Land	60 acres	60 acres
Items of Surplus Property and Land	31	31
Retail Property Investments	3	3
Community Assets		
Allotments	33	33
Cemeteries	19	19
Parks and Open Spaces	200 hectares	200 hectares

4. Summary of Capital Expenditure and Sources of Finance

	2007/08 £000s	2008/09 £000s
<i>Capital Investment</i>		
Fixed Assets	8,998	11,173
Revenue Expenditure Funded from Capital under Statute	4,769	5,612
	13,767	16,785
<i>Sources of finance</i>		
Government grants and other contributions	2,952	1,251
Use of Capital Receipts	2,325	5,965
Major Repairs Allowance	991	2,619
Supported Borrowing - increase in Capital Financing Requirement	6,800	6,800
Use of Earmarked Reserves	139	0
Revenue Contributions to Capital	560	150
	13,767	16,785

5. Commitments under Capital Contracts

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

	Purpose	Approximate Value £000s	Period of Investment
Decent Homes Programme	Improvement of Council Housing	20,700	2009 to 2012
Total Capital Commitments		20,700	

6. Financial Instrument Adjustment Account

	2007/08 £000s	2008/09 £000s
Balance brought forward	53	29
Net Discounts/Premia credited to General Fund	(6)	(6)
Net Discounts/Premia credited to Housing Revenue Account	(36)	(32)
Net Discounts during the year	122	0
	133	(9)
Lender Option/Borrower Option Loans (LOBOs)		
Adjustment to opening balance of outstanding debt	(92)	0
Adjustment of outstanding debt in year	(12)	(1)
Balance carried forward	29	(10)

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

The reconciliation between amounts shown in respect of discounts received and amounts credited to the General Fund / Housing Revenue Account above and amounts included in the Income and Expenditure Account / Statement of Movement on the General Fund Balance / Housing Revenue Account / Statement of Movement on the Housing Revenue Account Balance within the accounts is shown below:

	General Fund £000s	Housing Revenue Account £000s	Total £000s
Discounts received during the year	0	0	0
Statutory exclusions to determine the movement on General Fund Balance	0	0	0
Statutory inclusions to determine the movement on General Fund Balance	(6)	(32)	(38)
Net premia credited to the General Fund / Housing Revenue Account	(6)	(32)	(38)

The gains and losses in the Income and Expenditure Account in relation to financial instruments are as follows:

	2007/08 £000s	2008/09 £000s
Financial Liabilities		
Interest expense	2,339	2,588
Interest payable and similar charges	2,339	2,588
Financial Assets		
Interest income	(1,882)	(1,667)
Interest and investment income	(1,882)	(1,667)

7. Revaluation Reserve

	2007/08	2008/09
	£000s	£000s
Balance brought forward	0	7,600
Adjustment on over depreciated assets	(278)	0
Transfer of Fixed Asset disposals included in reserve	(1,343)	(51)
Gains (Deficits) arising on revaluation this year	9,221	(4,145)
Balance carried forward	7,600	3,404

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

8. Capital Adjustment Account

	2007/08	2008/09
	£000s	£000s
Balance brought forward	15,284	112,413
Capital Receipts set aside	13	21
Capital Financing		
Transfer from Fixed Asset Restatement Reserve as at 1st April 2007	105,370	0
Disposal of Fixed Assets	(3,752)	(761)
Transfer from Revaluation Reserve relating to disposed Fixed Assets	1,343	51
Capital Receipts	2,325	5,966
Year end adjustment	14	2
Government Grants Deferred applied to Income and Expenditure Account	148	171
Earmarked reserves applied to Capital	139	0
Revenue Contribution to capital	560	149
Major Repairs Reserve Allocation	991	2,619
MRP less depreciation provision and deferred charges	(10,707)	(15,912)
Less repayment of long term debtors	685	(21)
Balance carried forward	112,413	104,698

This account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

9. Major Repairs Reserve

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

	2007/08	2008/09
	£000s	£000s
Balance brought forward	4	1,661
Allowance received in the year	2,648	2,846
Expenditure applied in the year	(991)	(2,619)
Balance carried forward	1,661	1,888

10. Long Term Debtors

	2007/08	2008/09
	£000s	£000s
Housing Associations	648	666
Sale of Council Houses	8	6
Accrued Interest	38	0
	694	672

11. Stocks And Work In Progress

	2007/08	2008/09
	£000s	£000s
Stocks		
Housing General Stores	46	0
Miscellaneous	50	8
Total Stocks	96	8

12. Trusts

Spectrum Leisure Complex

The Council is the Corporate Trustee of the Spectrum Leisure Centre, which is a separate legal body

J. Peases Miners Trust

The Authority is Trustee for J. Peases Miners Trust. The following movement within the Trust Fund took place during 2008/09:

	£000s
Balance brought forward	19
Receipts in year	1
Payments in year	0
Balance carried forward	20

13. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Such charges are amortised to revenue in the year of account unless benefit is received over a longer period, in which case it would be deferred.

	As at 1st April		Grants & Other Contributions	Consolidated Revenue Appropriation
Deferred Charges	2008	Expenditure		
	£000s	£000s	£000s	£000s
General Fund	0	5,390	(1,216)	4,174
Housing Revenue Account	0	366	(144)	222
Total Deferred Charges	0	5,756	(1,360)	4,396

Expenditure within the General Fund represented £882,000 on private sector housing schemes, £3,074,000 on capital improvements to buildings not owned by the Council, and £218,000 on environmental improvements in the district.

14. Debtors

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

	2007/08	2008/09
	£000s	£000s
Amounts falling due in one year:		
Government Departments	1,864	1,473
Other Local Authorities	1,894	366
Non-Domestic Ratepayers	40	101
Council Taxpayers	595	650
Housing Rents & Private Works	737	758
Sundry Debtors	2,089	1,276
	7,219	4,624
Less - Bad Debts Provision:		
General Fund	(426)	(502)
Non-Domestic Ratepayers	(28)	(47)
Council Taxpayers	(158)	(172)
Housing Revenue	(549)	(469)
Total Debtors	6,058	3,434

15. Temporary Investments

	2007/08	2008/09
	£000s	£000s
Banks and Building Societies	24,000	22,000
Accrued Interest	427	376
	24,427	22,376

16. Creditors

	2007/08	2008/09
	£000s	£000s
Government Departments	3,080	3,024
Other Local Authorities	1,828	1,797
Housing Rents	153	183
Sundry Creditors	6,859	3,655
Section 106 Agreements	888	1,102
Council Tax	348	425
Non-Domestic Rates	134	99
Total Creditors	13,290	10,285

17. Borrowing

	As at 31 March 2008 £000s	As at 31 March 2009 £000s
<i>Analysis of loans by type</i>		
Public Works Loan Board	33,491	38,391
Instalment Loans	11,603	13,604
Other Loans	1	1
Accrued Interest	595	649
Total Outstanding	45,690	52,645

The aggregate total above is made up of long term borrowing £47,127,000 (£43,995,000 as at 31 March 2008) and short term borrowing £5,518,000 (£1,695,000 as at 31 March 2008) as shown in the Balance Sheet.

18. Financial Instruments

The SORP couples the requirement to account for financial instruments with a need to disclose relevant information that is pertinent to the scope, significance and risk of those financial instruments. There is some discretion in meeting these requirements depending on the materiality and the use and risk of financial instruments in the Balance Sheet.

The Balance Sheet is required to have a minimum of four balances relating to financial instruments, namely, Long term investments, Current assets – investments, Current Liabilities – borrowings payable on demand in or in less than 12 months and Borrowing repayable within a period in excess of 12 months.

19. Financial Instruments Balances

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

	<u>Long Term</u>		<u>Current</u>	
	31 March 2008 £000s	31 March 2009 £000s	31 March 2008 £000s	31 March 2009 £000s
Borrowings	43,995	47,127	1,100	4,869
Trade Creditors	0	0	3,887	1,258
Financial Liabilities - accrued interest	0	0	595	649
Total borrowings (at amortised cost)	43,995	47,127	5,582	6,776
Short Term Investments	0	0	24,000	22,000
Trust Fund Investments	2	2	0	0
Housing Association Loans/Other Loans	694	672	50	13
Loans and Receivables - accrued interest	0	0	427	376
Trade Debtors	0	0	762	743
Total investments (at amortised cost)	696	674	25,239	23,132

20. Financial Instruments Gains and Losses

There were no gains or losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments during 2007/08 or 2008/09.

21. Fair Value of Assets and Liabilities of Amortised Cost

- a. The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

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

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

The calculations are made with the following assumptions:

- For PWLB debt and other market loans payable, premature repayment dates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31-Mar-08		31-Mar-09	
	Carrying amount	Restated Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
PWLB debt	33,491	40,184	38,391	41,204
Non-PWLB debt	11,604	12,778	13,605	14,323
Accrued Interest	595	0	649	0
Total debt	45,690	52,962	52,645	55,527
Trade creditors	3,887	3,887	1,258	1,258
Total Financial liabilities	49,577	56,849	53,903	56,785
Money market loans < 1 yr	24,000	24,000	22,000	22,000
Money market loans > 1 yr	0	0		
Accrued interest	427	427	376	376
Long term loans < 1yr	50	50	13	13
Long term loans > 1 yr	696	696	674	674
Trade debtors	762	762	743	743
Total Loans and receivables	25,935	25,935	23,806	23,806

- b. The fair value of financial liabilities is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for

similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

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

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

Key Risks

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

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

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum for exposures, the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at least annually to Members.

a. Credit Risk

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

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

	Amount at 31st March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2009	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
	(a)	(b)	(c)	(a) x (c)
Deposits with banks and financial institutions				
AA rated counterparties	7,600	0.06	0.06	5
A rated counterparties	14,776	0.65	0.65	96
Long Term Loans	687	0.00	0.00	0
Customers	743	5.00	5.00	37
	23,806			138

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

Debtors

The Council does not generally allow credit for customers, such that £685,000 of the £743,000 balance is past its due date for payment. The past due amount can be analysed by age as follows:

	Amount at 31st March 2008	Amount at 31st March 2009
	£000s	£000s
Less than three months	602	202
Three to six months	30	221
Six months to one year	30	132
More than one year	31	130
	693	685

b. Liquidity Risk

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

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

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

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

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

The maturity analysis of financial liabilities is as follows:

	Amount at 31st March 2008	Amount at 31st March 2009
	£000s	£000s
Loans Outstanding		
Public Works Loan Board	33,491	38,391
LOBOs	11,603	13,604
Other loans	1	1
Accrued Interest	595	649
Total	45,690	52,645
Less than one year	1,695	5,518
Between one and two years	869	2,715
Between two and five years	1,682	1,179
Between five and ten years	627	490
More than ten years	40,817	42,743
	45,690	52,645

In the more than ten years category, there are £11.5m of LOBOs which have a call date in the next 12 months and LOBOs of £2m which have a call date in the next 18 months.

The maturity of Financial Assets is as follows:

	Amount at 31st March 2008	Amount at 31st March 2009
	£000s	£000s
Less than one year	24,050	22,013
Between one and two years	13	13
Between two and five years	52	52
Between five and ten years	65	65
More than ten years	566	544
	24,746	22,687

All trade debtors are due to be paid in less than one year. Trade debtors of £743,000 and accrued interest of £376,000 are not included in the above table.

c. Market Risk

Interest rate risk

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

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

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

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

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

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

	2007/08	2008/09
	£000s	£000s
Increase in interest payable on variable rate borrowings	92	509
Increase in interest receivable on variable rate investments	(310)	(265)
Increase in government grant receivable for financing costs	(68)	(382)
Impact on Income and Expenditure Account	(286)	(138)
Share of overall impact credited to the HRA	(3)	(8)

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

Price risk

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

Foreign exchange risk

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

23. Capital Receipts Unapplied

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

	2007/08	2008/09
	£000s	£000s
Balance brought forward	13,089	13,462
Capital receipts in year from sales of assets	4,733	1,575
Less:		
Capital receipts applied to finance capital expenditure	(2,325)	(5,965)
Capital receipts provided for credit liabilities	(13)	(21)
Payment to Central Government	(2,022)	(443)
Balance carried forward	13,462	8,608

24. Government Grants Deferred

The balance on this account represents the amounts received in respect of grants applied in the financing of capital expenditure not yet used to reduce the depreciation charge in respect of those assets.

	2007/08	2008/09
	£000s	£000s
Balance brought forward	3,059	3,693
Grants received in Year	782	35
Amounts released to reduce depreciation charges	(148)	(171)
Balance brought forward	3,693	3,557

25. Deferred Capital Receipts

This account represents future capital receipts receivable in respect of council house mortgages.

	2007/08	2008/09
	£000s	£000s
Balance brought forward	720	8
Repayments of Long term Debtors	(2)	(2)
Transfer re Housing Association Debtors	(710)	0
Balance brought forward	8	6

26. Provisions And Funds

	Balance as at 31st March 2008	Receipts in Year	Payments in Year/Transfers	Balance as at 31st March 2009
	£000s	£000s	£000s	£000s
Outstanding excess insurance claims (1)	146	0	(5)	141
Repayment of External Funding (2)	40	0	0	40
Equal Pay Provision (3)	92	0	(92)	0
	278	0	(97)	181

- 1) This provision relates to outstanding excess insurance claims in respect of the council's insurance policies.
- 2) This provision relates to the potential liability to repay external funding relating to Regeneration schemes.

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

	Balance as at 31st March 2008 £000s	Receipts in Year £000s	Payments in Year £000s	Balance as at 31st March 2009 £000s
Cemetery Perpetuity	4	0	0	4
North Bedburn Social Centre	12	1	0	13
Joseph Pease Miners Trust Fund	19	1	0	20
Leisure Facilities - Asset Replacement	9	0	0	9
	44	2	0	46

27. Contingent Liabilities

The Council is currently subject to two claims from a contractor whom previously undertook work within the Capital Programme. One claim relates to a dispute over the replacement of defective doors and the amount of the claim in arbitration is £254,618. The second claim relates to compensation claimed in respect of office overheads relating to a contract extension. The claim is currently being investigated and the potential liability at this stage is unknown.

28. Financial Reserves

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

	Balance as at 31st March 2008 £000s	Receipts in Year £000s	Payments in Year £000s	Balance as at 31st March 2009 £000s
Asset Management Reserve	141	0	0	141
DSO Relocation	50	0	0	50
Insurance Fund	196	94	0	290
E Government/IT	272	0	(85)	187
Disability Discrimination Act	124	0	0	124
In-house Training	120	0	0	120
Risk Management	40	0	0	40
Economic Development Fund	154	0	0	154
Youth Fund	48	0	0	48
Service Improvement Fund	83	0	0	83
Community Fund	44	0	0	44
Lifelong Learning	31	0	0	31
Neighbourhood Fund	60	0	0	60
Crime & Disorder Fund	20	0	0	20
Health Initiatives	27	0	0	27
Bishop Auckland Renaissance Project	250	94	0	344
SHIP Monies	100	0	0	100
Best Value	10	0	0	10
Budget Support Fund	1,323	0	0	1,323
General Taxation	60	0	0	60
Sports Halls	21	0	0	21
Twin Bin Implementation	10	0	0	10
Area Based Grant	0	997	0	997
Legacy Gym Fund	0	60	0	60
	3,184	1,245	(85)	4,344

29. Retirement Benefits

In accordance with the requirements of Financial Reporting Standard No. 17 – Retirement Benefits (FRS17), Wear Valley District Council has to disclose its share of assets and liabilities related to pension schemes for its employees. As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme for employees, administered by Durham County Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension’s liabilities with investment assets. The last full actuarial valuation undertaken upon which figures in the Accounts are based was 31 March 2007.

In addition, the authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

The underlying assets and liabilities attributable to the authority as at 31st March 2009 as stated in the Balance Sheet are as follows:-

	2006/07	2007/08	2008/09
	£000s	£000s	£000s
Local Government Pension Scheme			
Estimated share in present value of liabilities in funded scheme	(65,970)	(56,810)	(59,220)
Estimated share in fair value of assets in funded scheme	46,160	40,890	33,580
Net funded pension asset / (liability)	(19,810)	(15,920)	(25,640)
Estimated share in present value of liabilities in unfunded scheme	(2,430)	(2,290)	(2,450)
Net asset/(liability)	(22,240)	(18,210)	(28,090)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £28m has an impact on the net worth of the Authority as recorded in the balance sheet, showing a reduction. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. Liabilities have been assessed on an actuarial basis, using the projected unit method, an estimate of the pensions that will be payable in future years, dependent upon assumptions about mortality rates, salary levels, etc. The figures below have been provided by the actuaries to the Durham County Council Pension Scheme using information provided to them and assumptions determined by the Council in conjunction with the Actuary.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values. The main assumptions used in their calculations for both funded and unfunded schemes have been:

Principal financial assumptions:

	2007/08	2008/09
	%	%
Local Government Pension Scheme		
Rate of inflation	3.7	3.4
Rate of increase in Salaries	5.2	4.9
Rate of increase in Pensions	3.7	3.4
Rate of discount for pension cost over year	6.8	6.7
Rate of increase in deferred pensions	3.7	3.4

Principal demographic assumptions:

Post retirement mortality	31st March 2009	31st March 2008
Males		
Base table (in 2007)	PNMA00 with allowance for MC improvement factors to 2007	
Scaling to above base table rates	125%	125%
Cohort improvement factors (from 2007)	80% of LC	100% of LC
Minimum underpin to improvement factors	1.25%	1.00%
Full lifetime from age 65 (currently aged 65)	21.1	20.3
Full lifetime from age 65 (currently aged 45)	23.4	22.2
Females		
Base table (in 2007)	PNMA00 with allowance for MC improvement factors to 2007	
Scaling to above base table rates	125%	125%
Cohort improvement factors (from 2007)	60% of LC	100% of LC
Minimum underpin to improvement factors	1.25%	0.50%
Full lifetime from age 65 (currently aged 65)	23.2	22.4
Full lifetime from age 65 (currently aged 45)	25.3	23.6

The Wear Valley District Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2009 i.e.

	31st March 2008	31st March 2009	Long Term Return
	%	%	%
Equity Investments	47	45	7.0
Bonds	38	41	4.9
Other Assets	10	10	1.6
Property	5	4	6.0
	100	100	

The revised FRS 17 requires a separate disclosure for liabilities and assets, funded and unfunded liabilities to be disclosed separately and that the fair value of assets should be the bid value for quoted assets rather than the mid market value. These changes have resulted in a difference of £90,000 in the opening balances. This is not considered material and has been adjusted in the 2008-09 accounting entries by adjustment to the charge for actuarial gains or losses.

The changes to the present value of liabilities during the accounting period were:

	Period Ending 31st March 2008 (£000)			Period Ending 31st March 2009 (£000)		
	Funded	Unfunded	Total	Funded	Unfunded	Total
	Opening present value of liabilities	(65,970)	(2,430)	(68,400)	(56,810)	(2,290)
Current service cost	(1,480)	0	(1,480)	(950)	0	(950)
Interest cost	(3,470)	(120)	(3,590)	(3,830)	(150)	(3,980)
Contributions by participants	(460)	210	(250)	(460)	210	(250)
Actuarial gains / (losses) on liabilities	9,340	50	9,390	560	(220)	340
Net benefits paid out	2,940	0	2,940	2,710	0	2,710
Past service cost	(420)	0	(420)	(440)	0	(440)
Curtailments	0	0	0	0	0	0
Settlements	2,710	0	2,710	0	0	0
Closing present value of liabilities	<u>(56,810)</u>	<u>(2,290)</u>	<u>(59,100)</u>	<u>(59,220)</u>	<u>(2,450)</u>	<u>(61,670)</u>

The changes to the fair value of assets during the accounting period were:

	Period Ending (£000)	
	31st March 08	31st March 09
Opening fair value of assets	46,160	40,890
Expected return on assets	3,330	2,590
Actuarial gains / (losses) on assets	(5,020)	(9,180)
Contributions by the employer	1,580	1,530
Contributions by the participants	460	460
Net benefits paid out	(2,940)	(2,710)
Settlements	(2,680)	0
Closing fair value of assets	<u>40,890</u>	<u>33,580</u>

The amended FRS 17 also requires the following additional disclosures to be made which are as under:

Analysis of charge to Income and Expenditure:

	Period Ending 31st March 2008 (£000)			Period Ending 31st March 2009 (£000)		
	Funded	Unfunded	Total	Funded	Unfunded	Total
	Current service cost	1,480	0	1,480	950	0
Past service cost	420	0	420	440	0	440
Interest cost	3,470	120	3,590	3,830	150	3,980
Expected return on assets	(3,330)	0	(3,330)	(2,590)	0	(2,590)
Curtailments	0	0	0	0	0	0
Settlements	(30)	0	(30)	0	0	0
Expense recognised	<u>2,010</u>	<u>120</u>	<u>2,130</u>	<u>2,630</u>	<u>150</u>	<u>2,780</u>

Actual return on assets:

	Period Ending (£000)	
	31st March 08	31st March 09
Expected return on assets	3,330	2,590
Actuarial gain / (loss) on assets	(5,020)	(9,180)
Actual return on assets	(1,690)	(6,590)

Amount recognised in Statement of Total Recognised Gains and Losses:

	Period Ending 31st March 2008 (£000)			Period Ending 31st March 2009 (£000)		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Total actuarial gain / (loss)	4,320	50	4,370	(8,620)	(220)	(8,840)
Total gain / (loss) in STRGL	4,320	50	4,370	(8,620)	(220)	(8,840)

History of asset values, present value of liabilities and surplus / deficit:

	2004/05 £000s	2005/06 £000s	2006/07 £000s	2007/08 £000s	2008/09 £000s
Local Government Pension Scheme					
Estimated share in present value of liabilities in funded scheme	(61,100)	(68,070)	(65,970)	(56,810)	(59,220)
Estimated share in fair value of assets in funded scheme	36,180	44,920	46,160	40,890	33,580
Net funded pension asset / (liability)	(24,920)	(23,150)	(19,810)	(15,920)	(25,640)
Estimated share in present value of liabilities in unfunded scheme	*	*	(2,430)	(2,290)	(2,450)
Surplus / (deficit)	(24,920)	(23,150)	(22,240)	(18,210)	(28,090)

History of Experience gains and losses:

	Period ending (£m)									
	2004-05	%	2005-06	%	2006-07	%	2007-08	%	2008-09	%
Experience gains / (losses) on (funded) assets	1.51	4.2%	7.05	15.7%	0.36	0.8%	(4.98)	-12.2%	(9.09)	-27.1%
Experience gains / (losses) on funded liabilities	1.52	-2.5%	0.04	-0.1%	(0.19)	0.3%	0.75	-1.3%	(0.31)	0.5%
Experience gains / (losses) on unfunded liabilities	*		*		*		(0.02)	0.9%	(0.21)	8.6%

*In accordance with paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. The history of assets / liabilities and gain / (loss) on liabilities shown has therefore not been re-stated for periods prior to 2007-08 and hence the unfunded portion is included in the funded.

30. County Durham E-Government Partnership

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

The aim of the partnership is to promote the use of technology to offer all local taxpayers the freedom to access services provided by the member authorities in different ways. The funds, which are included in Creditors in the Balance Sheet, amount to £306,337 and can only be spent with the approval of the Partnership Board. In 2008/09 the Council made a contribution of £44,075 to the partnership. The contribution in 2007/08 was £59,826.

The transactions of the Partnership are shown below:

	2007/08	2008/09
	£000s	£000s
Balance brought forward	834	663
Councils' Contributions	675	424
Interest Earned	32	20
Expenditure in Year	(878)	(800)
Balance carried forward	663	307

31. Coalfields Housing Renewals Partnership

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

In 2008/09 Wear Valley District Council made a contribution of £11,187 to the partnership.

32. Summary to Detail of Movements on Reserves

Reserve	Balance 1st April 2008	Transfers to	Transfers from	Balance 31st March 2009	Purpose of Reserve	Further Detail of Movements
	£000s	£000s	£000s	£000s		
Capital Adjustment Account	112,413	8,979	(16,694)	104,698	This comprises the balance brought forward on the Fixed Asset Restatement Account and the Capital Financing Account. It represents a store of capital resources set aside to meet past expenditure.	Note 8 to the Balance Sheet
Usable Capital Receipts Reserve	13,462	1,575	(6,429)	8,608	Proceeds of fixed asset sales available to meet future capital investment	Note 23 to the Balance Sheet
Deferred Capital Receipts	8	0	(2)	6	Store of capital receipts arising from mortgages on sale of council houses	
Financial Instruments Adjustment Account	29	0	(39)	(10)	This is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	Note 6 to the Balance Sheet
Revaluation Reserve	7,600	0	(4,196)	3,404	This account stores gains on revaluation of fixed assets not yet realised through sales	Note 7 to the Balance Sheet
Pensions Reserve	(18,210)	0	(9,880)	(28,090)	Balancing account to allow inclusion of pension liability in the Balance Sheet	Note 29 to the Balance Sheet
Major Repairs Reserve	1,661	2,845	(2,619)	1,887	Resources available to meet capital investment in council housing	Note 9 to the Balance Sheet
Funds	44	0	2	46	Resources held by the Council as trustee for other bodies	Note 26 to the Balance Sheet
Earmarked Reserves	3,184	1,245	(85)	4,344	These are amounts set aside for specific purposes	Note 28 to the Balance Sheet
General Fund balance	3,163	13,020	(13,671)	2,512	Resources available to meet future running costs for non - housing services	Statement of Movement on the General Fund
Housing Revenue Account	2,865	7,681	(7,390)	3,156	Resources available to meet future running costs for council houses	HRA Statements
Collection Fund balance	135	5,999	(6,032)	102	Resources available to transfer into the General Fund	Supplementary notes
Total	126,354	41,344	(67,035)	100,663		

33. Events after the Balance Sheet Date

Events after the Balance Sheet date are reflected up to the date the Statement of Accounts are authorised for issue being the date they are certified by the responsible finance officer as “presents fairly” and made them available to members for approval.

Non-adjusting events

The introduction of Local Government White Paper – Strong and Prosperous Communities – in October 2006 enabled Durham County Council to prepare a successful bid submission to propose a Unitary Authority for County Durham.

On 25 February 2008 it was agreed by Parliament that a single unitary council for County Durham would replace the existing County and District Councils in County Durham with effect from 1 April 2009. All rights and obligations of the existing council will vest in the new council.

On 1 May 2008 elections were held to elect new Members to the County Council and these Members formed the new Unitary County Council and the District authorities within County Durham.

The LGR Programme in 2008/09 was to amalgamate the individual service functions to become Durham County Council Unitary authority through a series of business critical projects by 1 April 2009. This has required incurring initial (transition) costs, which were to be met from reserves. The bid submission anticipated that savings should be realised over the next three years that would repay sums used from reserves.

NOTES TO THE CASH FLOW STATEMENT

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

	Restated	
	2007/08	2008/09
	£000s	£000s
Income & Expenditure Account (Surplus) / Deficit for the year	5,453	12,674
Movement in Stock	(25)	(88)
Movement in Creditors	1,045	4,322
Movement in Debtors	1,448	(2,920)
Other Adjustments	(4,985)	(8,713)
Net Cash (Inflow) / Outflow From Revenue Activities	2,936	5,275

2. Reconciliation of Net Cash Flow to Movement in Net Debt

	2007/08	2008/09
	£000s	£000s
Increase (decrease) in cash in the period	2,701	(1,482)
Cash used for financing	(6,970)	(6,900)
Cash used to increase liquid resources	870	(2,000)
Change in net debt	(3,399)	(10,382)
Net debt at 1 April 2007	(15,735)	(19,134)
Net funds at 31 March 2008	(19,134)	(29,516)

3. Analysis of Changes in Net Debt

	At 1 April 2008	Cash Flows	At 31 March 2009
	£000s	£000s	£000s
Cash in Hand	2,233	338	2,571
Bank Overdraft	(272)	(1,820)	(2,092)
		(1,482)	
Debt due within 1 year	(1,100)	(3,769)	(4,869)
Debt due after 1 year	(43,995)	(3,132)	(47,127)
Current asset investments	24,000	(2,000)	22,000
TOTAL	(19,134)	(10,383)	(29,517)

4. Reconciliation of Cash Flow Financing to Opening and Closing Items in the Balance Sheet

	2007/08	2008/09
	£000s	£000s
Borrowing Repayable within 12 months	(1,133)	(1,695)
Long Term Loans	(36,992)	(43,995)
Total Loans Outstanding at 31 March 2008	(38,125)	(45,690)
Transactions in 2008-09:		
New Loans Raised	(9,000)	(10,000)
Repayments of amounts Borrowed	2,030	3,100
Net Change in Interest Accrued to March 2009	(595)	(55)
Total Loans Outstanding at 31 March 2009	(45,690)	(52,645)
Analysis of Loans Outstanding at 31 March 2009		
Borrowing Repayable within 12 months	(1,695)	(5,518)
Long term Loans	(43,995)	(47,127)
Total Loans Outstanding at 31 March 2009	(45,690)	(52,645)

5. Analysis of Grants Received

	2007/08	2008/09
	£000s	£000s
Other Government Revenue Grants		
Housing Benefit Administration Subsidy	934	785
Council Tax Benefit	6,450	6,369
Housing Subsidy	(3,441)	(2,580)
Rent Rebates	8,190	8,612
ERDF	0	35
Neighbourhood Renewal Grant	651	0
Planning Delivery Grant	227	219
Lottery Grants	100	13
Supporting People Grant	161	153
Mobile Wellness Centre	22	98
Communities for Health Fund	19	120
Northern Arts	21	21
Sport England	133	77
ODPM Homelessness Scheme	28	51
One North East Single Programme	181	383
Concessionary Travel	56	199
LABGI Grant	64	361
LEGI Grant	0	293
Disabled Facility Grants	0	244
Area based grant	0	2,600
Local Area Agreement	0	82
Other	310	365
	14,106	18,499
Capital Grants		
One North East Single Programme	824	0
Natural England - Weardale Environmental Educational Programme	8	19
Disabled Facility Grants	198	0
Major Repairs Allowance	2,648	2,845
Other Local Authority Grants	5	0
Neighbourhood Renewal Grant	406	0
Other	247	83
	4,336	2,947

HOUSING REVENUE ACCOUNT FOR 2008/09

2007/08		2008/09
£000s		Note £000s
	Income	
(11,540)	Dwelling rents (gross)	(11,665)
(215)	Non-dwelling rents (gross)	(218)
(3,281)	Charges for services and facilities	3 (712)
(186)	HRA subsidy receivable (including the MRA element)	11 (64)
(15,222)	Total Income	(12,659)
	Expenditure	
5,948	Repairs and maintenance	3,931
3,440	Supervision and management	3,288
7,747	Depreciation and impairment of fixed assets	7/12 10,603
295	Revenue expenditure funded from capital under statute	13 222
55	Debt Management Costs	53
52	Increase in bad debt provision	2 42
17,537	Total Expenditure	18,139
	Net Cost of HRA Services as included in the whole authority	
2,315	Income and Expenditure Account	5,480
231	HRA services share of Corporate and Democratic Core	270
	HRA share of other amounts included in the whole authority Net	
(131)	Cost of services but not allocated to specific services	75
2,415	Net Cost of HRA Services	5,825
(967)	(Gain) or loss on sale of HRA fixed assets	(773)
1,848	Interest payable and similar charges	2,045
(83)	Amortisation of premiums and discounts	0
(88)	Interest and investment income	(149)
3,125	(Surplus) or deficit for the year on HRA services	6,948

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2007/08		2007/08
£000s		£000s
3,125	(Surplus) or deficit for year on the HRA Income and Expenditure Account	6,948
(4,380)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year (see below)	(7,238)
(1,255)	(Increase) or decrease in the Housing Revenue Account Balance	(290)
(1,611)	Housing Revenue Account Balance brought forward	(2,866)
(2,866)	Housing Revenue Account Balance carried forward	(3,156)

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

2007/08		2008/09
£000s		£000s
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
(5,099)	Excess of Depreciation and Impairment charges to the HRA over the Major Repairs Allowance element of Housing Subsidy	(7,757)
47	Difference between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined in accordance with statute	0
967	Gain or loss on sale of HRA fixed assets	773
0	Capital Grants Received	0
(295)	Revenue expenditure funded from capital under statute	(222)
0	Transfer of Pension Liability	0
(4,380)		(7,206)
Items not included in the HRA Income and Expenditure Account but included from the movement on HRA Balance for the year		
0	Difference between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined in accordance with statute	(32)
0		(32)
(4,380)	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(7,238)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

The Council owned 4,277 dwellings at 31st March 2009 (4,301 as at 31st March 2008) of which 3,994 (4,012 as at 31st March 2008) were houses and bungalows, and 283 (289 as at 31st March 2008) were flats.

The Housing assets within the Authority's property portfolio have been valued as at 1st April 2008 by external qualified valuer, E Josephs, MRICS, District Valuer in accordance with the regulatory framework for the valuation of local authority housing stocks provided by the guidance on stock valuation issued by the Government and by the RICS Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. The guidance stipulates that the operational housing properties of the local authority should be valued on the basis of Existing Use Value for Social Housing. However, where the guidance recommends a discount factor of 35% in respect of Right to buy sales, the value in the Accounts uses a discount factor of 49% which is the current vacant possession factor for the North East.

The valuer also carried out an impairment review as at 31 March 2009 of the value at which each category of assets is included in the Balance Sheet. This resulted in a downward revaluation in respect of Council Dwellings of £10,910,000 and in respect of Other Assets held within the HRA, £829,000.

2. Provision for Bad Debts

Net rent arrears at 31st March 2009 amounted to £327,612 (£350,299 in 2007/08). A provision for non-collection amounting to £308,149 was set aside as at 31st March 2009 (£318,871 as at 31st March 2008). This is an increase of £41,861 (£51,853 in 2007/08) after charging £52,583 (£78,299 in 2007/08) for debts written off.

3. Charges for Services and Facilities

The Council formed Dale and Valley Homes (D&VH) on 1st April 2006, an arms length management organisation, to manage and maintain the Council's housing stock. D&VH has contracted with the Council for the provision of a Gas maintenance service and tenancy enforcement function. The income received by the Council of £0.7m for the provision of these services in 2008/09 (£3.3m in 2007/08) is based upon an agreed fee. On 30th March 2008 the contract to provide the responsive repairs and maintenance service expired and D&VH appointed an external contractor for this service. On 1st April 2009 the Tenancy enforcement function was transferred from the Council to D&VH. From 1st April 2009 the Council provides D&VH with a gas servicing function.

4. Pension Settlement

On 31st March 2008 a number of staff transferred from Wear Valley District Council to an external contractor when the housing repairs contract was externalised. Based on provisional information the gain on this curtailment has been estimated by the actuary at 30k. An adjustment will be made in 2009-10 when further information is available on the transfer.

5. Housing Revenue Account Fixed Assets

Details of the numbers and types of properties are set out in Note 1 to the Housing Revenue Account. In addition the total balance sheet value of the land, houses and other property within the authority's HRA at 1st April 2008 and closing balance sheet value at 31st March 2009, together with the separate values as at 1st April 2008 and 31st March 2009 of the various categories of assets are as follows

	As at 31st March 2008	As at 31st March 2009
	£000s	£000s
Operational Assets		
Dwellings	143,734	138,577
Other land and Buildings (including garages)	1,663	1,629
Non - operational assets	2,577	1,741
Total Balance Sheet Values	147,974	141,947

The vacant possession value of dwellings within the Council's HRA at 1st April 2009 was £271,720,000 and the Gross Balance Sheet value at the same point in time was £138,577,000. The main difference between these figures represents the discount that is allowed to council tenants when they choose to purchase their homes under the "Right to Buy" scheme.

6. Major Repairs Reserve

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

2007/08 £000s		2008/09 £000s
4	Balance as at 1st April 2008	1,661
2,827	Add: Depreciation on HRA Assets	3,010
(991)	Less: Financing of HRA Capital Expenditure	(2,619)
(179)	Less: Amount transferred to HRA - HRA Appropriations	(164)
1,661	Balance at 31st March 2009	1,888

7. Depreciation Charge

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

2007/08 £000s		2008/09 £000s
2,649	Dwellings	2,845
40	Garages	40
138	Shops etc	125
2,827	Total Depreciation Charge	3,010

8. HRA Capital Financing

The figures below relate to expenditure solely upon the Council's own housing stock.

2007/08 £000s		2008/09 £000s
7,259	Improvements to Council Housing	9,363
7,259	Total HRA Capital Expenditure	9,363
	Financed by:	
991	Major Repairs Reserve	2,619
5,800	Supported Borrowing	6,744
308	Capital Receipts	0
160	Grants	0
7,259	Total	9,363

9. HRA Capital Receipts

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

2007/08		2008/09
£000s		£000s
2,894	Council House Sales	619
14	Mortgages - principal repayments	21
1,783	Land and Property	915
4,691	Total	1,555

10. Analysis of Net Assets Employed

	31st March 2008	31st March 2009
	£000s	£000s
General Fund	(7,964)	(22,336)
Housing Revenue Account	134,318	122,002
Total Net Assets	126,354	99,666

11. Housing Subsidy

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

2007/08		2008/09
£000s		£000s
6,268	Management and Maintenance	6,569
2,648	Major Repairs Allowance	2,845
1,944	Capital Charges	2,111
(11,251)	Rent	(11,624)
(1)	Interest on Receipts	(1)
578	Other Adjustments	164
186	Total Housing Subsidy	64

12. Impairment Charges

The charges arising in 2008/09 in respect of impairment of HRA assets are £7,593,041.

13. Revenue Expenditure funded from Capital under Statute

	As at 1st April 2008	Expenditure	Grants & Other Contributions	HRA Charge 2008/09
	£000s	£000s	£000s	£000s
Council House Estate Improvements	0	366	(144)	222
Total	0	366	(144)	222

14. Pensions

Due to its statutory nature, the Housing Revenue Account for 2008/09 has not been prepared in accordance with FRS17 “Retirement Benefits”. On this basis, all FRS17 adjustments have therefore been excluded from the Housing Revenue Account. Preparation of the accounts in accordance with FRS17 would have resulted in a decreased charge to the HRA in 2008/09 of £35,000.

15. Debt Set-Aside

The Local Government Act 2003 removed the obligation to set aside a portion of receipts received from Right to Buy sales. The Government now requires the Council to pay over a proportion of these receipts adjusted for the cost of administering Right to Buy Sales and the value of improvements made to these properties in the three years prior to their sale. The financial impact upon the HRA in 2008/09 is broadly neutral.

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

FOR 2008/09

2007/08 £000s		2008/09 £000s	Note
	Income		
22,074	Income from Council Tax	23,023	3
6,245	Council Tax Benefits	6,556	
9,684	Income Collectable from Business Ratepayers	10,414	
38,003	Total Income	39,993	
	Expenditure		
	Precepts and Demands		
19,504	Durham County Council	20,517	
4,145	Wear Valley District Council	4,294	
2,659	Durham Police Authority	2,853	
1,573	County Durham and Darlington Fire and Rescue Authority	1,655	
	Business Rates		2
9,594	Payment to National Pool	10,323	
90	Cost of Collection	91	
	Bad and Doubtful Debts/Appeals		
(7)	Write Offs - Council Tax	56	
2	Changes in Provision	14	
	Distribution of Previous Year's Estimated Surplus		
60	Wear Valley District Council	60	
288	Durham County Council	282	
30	Durham Police Authority	38	
23	County Durham and Darlington Fire and Rescue Authority	23	
37,961	Total Expenditure	40,206	
(42)	Movement on Fund Balance	213	
(866)	Surplus on Fund Brought Forward	(908)	
(908)	Fund Balance Carried Forward	(695)	1

NOTES TO THE COLLECTION FUND ACCOUNT

1. General

The surplus on the Collection Fund as at 31 March 2009 is £694,308, relating to Council Tax. The estimated surplus for 2008/09 will be distributed in subsequent financial years to Durham County Council, Durham Police Authority and Durham and Darlington Fire and Rescue Authority in proportion to their precepts and demands made on the Collection Fund. This surplus will also be used to reduce Council Tax.

The council accounted for the Collection Fund balance in its 2008/09 Statement of Accounts as follows:

- In the Balance Sheet at 31 March 2009, the Council included the following creditors and a £101,687 surplus alongside the General Fund balance for Wear Valley District Council:
£485,866 Durham County Council
£67,562 Durham Police Authority
£39,192 Durham and Darlington Fire and Rescue Authority
- In the Statement of Total recognised Gains and Losses, the Council inserted a new line for attributable movement on the Collection Fund balance to record a £33,000 deficit.

2. Income from Business Rates

Non-Domestic Rates are determined on a national basis by Central Government, which sets an annual non-domestic rating multiplier amounting to 46.2p in 2008/09 (44.4p in 2007/08). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a national non-domestic rate pool administered by the Government.

The total non-domestic rateable value at 31st March 2009 was £26,608,022 (£26,492,247 at 31st March 2008).

3. Council Tax

The tax base is used to calculate the charge for each Band of property. In 2008/09 the amount of precepts levied by Durham County Council, Durham Police Authority, Durham and Darlington Fire and Rescue Authority and Wear Valley District Council (excluding parishes) was £29,066,296.95. This amount divided by the tax base of £20,028.18 gives a Band 'D' tax of £1,451.27. The calculation of the tax base is shown below:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Dwellings	17,883	3,655	3,626	2,721	1,183	319	138	34	29,559
Exemptions	(326)	(84)	(60)	(39)	(21)	(8)	(11)	(3)	(551)
Disabled Relief	(39)	23	(21)	(10)	(12)	3	5	(14)	(65)
Discounts	(2,091)	(269)	(208)	(113)	(42)	(10)	(5)	(0)	(2,738)
Total Equivalent Dwellings	15,427	3,326	3,337	2,560	1,108	304	127	17	26,206
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	10,285	2,587	2,966	2,560	1,354	440	211	35	20,437

TAX BASE CALCULATIONS	
Total Band "D" Equivalent	20,436.92
Bad Debt Provision (2%)	408.74
Tax Base	20,028.18

GROUP INCOME AND EXPENDITURE

ACCOUNT FOR 2008/09

2007/08 Net Expenditure £000s		Gross Expenditure £000s	2008/09 Gross Income £000s	Net Expenditure £000s
479	Central services to the public	8,368	(7,890)	478
8,381	Cultural, environmental & planning services	17,296	(3,256)	14,040
734	Highways, roads and transport services	1,432	(656)	776
2,060	Housing services - General Fund	21,410	(20,040)	1,370
1,481	Housing services - Housing Revenue Account	18,418	(12,532)	5,886
2,163	Corporate and democratic core	2,233	(373)	1,860
(267)	Non distributed costs	466	0	466
15,031	Net Cost of Services from continuing operations	69,623	(44,747)	24,876
(967)	Gain or Loss on the disposal of fixed assets			(793)
192	Parish council precepts			253
428	(Surpluses)/deficits on trading undertakings not included in Net Cost of Services			65
2,339	Interest payable and similar charges			2,588
(1,902)	Interest and investment income (note 3)			(1,691)
92	Unapportionable deferred charges			0
(122)	Discounts received on early resettlement of debt			0
260	Pensions interest cost and expected return on pensions assets			1,440
5	Taxation on Surplus from Ordinary Activities			5
2,022	Contribution of housing capital receipts to Government Pool			443
17,378	Net Operating Expenditure			27,186
(4,205)	Demand on the Collection Fund			(4,354)
(1,069)	General Government Grants			(923)
(6,372)	Non-domestic rates redistribution			(6,631)
(598)	Local Authority Business Growth Incentive Grants			(95)
0	Area Based Grant			(2,600)
5,134	Net (Surplus)/Deficit			12,583

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

2007/08 £000's		2008/09 £000s
5,453	(Surplus) / deficit on the Authority Income and Expenditure Account	12,674
0	Adjustments for transactions with other group entities	0
5,453	(Surplus) / deficit on the Group Income and Expenditure Account attributable to the authority	12,674
	(Surplus) / deficit attributable to group entities:	
(319)	Subsidiaries	(91)
5,134	(Surplus) / deficit for the year on the Group Income and Expenditure Account	12,583

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR 2008/09

2007/08 £000s		2008/09 £000s
5,134	Net (Surplus) or deficit for the year	12,583
(8,944)	(Surplus) or deficit arising on revaluation of fixed assets	4,145
(4,680)	Actuarial gains and losses on pension fund assets and liabilities	9,701
(8,490)		26,429
(8,446)	(Increase) / Decrease in Net Worth	26,460
(51)	Adjusted opening balance on financial instruments adjustment account	0
6	Movement on undistributed Collection Fund Surplus	(33)
1	Movement on funds	2
(8,490)	Total recognised gains and losses for the year	26,429

GROUP BALANCE SHEET AS AT 31ST MARCH 2009

2007/08 £000s		2008/09		
		£000s	£000s	Notes
	Fixed Assets			
	Tangible Fixed Assets			
	Operational Assets:			
145,397	Council Dwellings	140,206		
13,460	Other Land and Buildings	13,730		
3,036	Vehicles, Plant, Furniture and Equipment	3,247		
1	Community Assets	1		
	Non-Operational Assets:			
6,440	Investment Properties	6,212		
5,943	Surplus Property and Land	5,100		
174,277	Total Fixed Assets		168,496	
2	Long-term Investments		2	
0	Deferred premiums on early repayment of debt		0	
694	Long-term Debtors		672	
174,973	Total Long-term Assets		169,170	
	Current Assets			
96	Stocks and Work in Progress	8		
6,058	Debtors	3,519		
24,427	Investments	22,376		
2,721	Cash and Bank	3,027		
			28,930	
208,275	Total Assets		198,100	
	Current Liabilities			
(1,695)	Short-term Borrowing	(5,518)		
(13,307)	Creditors	(10,290)		2
(272)	Cash Overdrawn	(2,092)		
			(17,900)	
193,001	Total Assets Less Current Liabilities		180,200	
(43,995)	Long Term Borrowing		(47,127)	
(18,690)	Pensions Liability		(29,450)	3
(3,693)	Government Grants Deferred		(3,557)	
0	Deferred discounts on early repayment of debt		0	
(278)	Provisions		(181)	
126,345	Total Assets Less Liabilities		99,885	
	Financed by:			
112,413	Capital Adjustment Account		104,698	
29	Financial Instruments Adjustment Account		(10)	
7,600	Revaluation Reserve		3,404	
13,462	Usable Capital Receipts Reserve		8,608	
8	Deferred Capital Receipts		6	
(18,690)	Pensions Reserve		(29,450)	3
1,661	Major Repairs Reserve		1,887	
44	Funds		46	
3,184	Earmarked Reserves		4,344	
3,163	General Fund balance		2,512	
2,865	Housing Revenue Account balance		3,156	
135	Collection Fund balance		102	
471	Dale and Valley Homes (excluding pensions reserve)		582	
126,345	Total Net Worth		99,885	

GROUP CASH FLOW STATEMENT

Restated 2007/08 £000s	2008/09 £000s
REVENUE ACTIVITIES	
Cash Outflows	
16,416 Cash paid to and on behalf of employees	16,340
28,104 Other operating cash payments	33,163
8,736 Housing Benefit paid out	10,017
10,019 National non-domestic rate payments to national pool	10,201
24,270 Precepts paid	25,621
2,089 Payments to the Capital Receipts Pool	900
89,634	96,242
Cash Inflows	
(4,482) Rents (after rebates)	(4,739)
(22,093) Council Tax receipts	(23,057)
(6,372) National non-domestic rate receipts from national pool	(6,631)
(9,618) Non-domestic rate receipts	(10,364)
(1,069) Revenue Support Grant	(923)
(9,155) DWP grants for benefits	(9,638)
(14,106) Other government grants	(18,499)
(20,148) Cash received for goods and services	(17,084)
(87,043)	(90,935)
2,591 Revenue Activities Net Cashflow	5,307
Returns on Investments & Servicing of Finance	
2,249 Cash Outflow - Interest Paid	2,533
(1,805) Cash Inflow - Interest Received	(1,826)
444 Returns on Investments & Servicing of Finance Net Cashflow	707
CAPITAL ACTIVITIES	
Cash Outflows	
8,790 Purchase of Fixed Assets	10,679
8,790	10,679
Cash Inflows	
(3,742) Sale of Fixed Assets	(2,539)
(4,336) Capital grants received	(2,947)
(694) Other capital cash receipts	(793)
(8,772)	(6,279)
18 Capital Activities Net Cashflow	4,400
3,053 Net Cash (Inflow) / Outflow before Financing	10,414
870 Management of Liquid Resources (Note 1)	(2,000)
FINANCING	
2,030 Cash Outflow - Repayments of amounts borrowed	3,100
(9,000) Cash Inflow - New Loans Raised	(10,000)
(6,970) Financing Net Cashflow	(6,900)
(3,047) Net (Increase) / Decrease in Cash (Note 2)	1,514

NOTES TO THE GROUP INCOME AND EXPENDITURE ACCOUNT

1. General

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

2. Superannuation

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

The Group participates in the Local Government Pension Scheme for civilian employees, administered by Durham County Council. This is a funded Scheme, meaning that the Authority and employees pay contributions into the fund, calculated at a level intended to balance the Pensions liabilities with investment assets.

The Group recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. For the authority's accounts the charge the charge to be made against the council tax is based on the cash payable in the year so the real cost of retirement benefits is reversed out to prevent a notional a notional charge being charged to the taxpayers.

However for company accounts the notional charge is a correct charge and is reflected in the bottom line profit or loss in the Income and Expenditure Account.

Wear Valley District Council has given an indemnity that if Dale and Valley Homes Ltd were to cease trading their FRS 17 liabilities would be taken over by the Council.

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

	Period Ending 31st March 2008 (£000)						Period Ending 31st March 2009 (£000)						Total 2009	
	Funded			Unfunded			Total 2008	Funded			Unfunded			
	Wear Valley	D&V Homes	Total Funded	Wear Valley	D&V Homes	Total Unfunded		Wear Valley	D&V Homes	Total Funded	Wear Valley	D&V Homes		Total Unfunded
Current service cost	(1,480)	(190)	(1,670)	0	0	0	(1,670)	(950)	(140)	(1,090)	0	0	0	(1,090)
Past service cost	(420)	(40)	(460)	0	0	0	(460)	(440)	0	(440)	0	0	0	(440)
Interest cost	(3,470)	(140)	(3,610)	(120)	0	(120)	(3,730)	(3,830)	(200)	(4,030)	(150)	0	(150)	(4,180)
Expected return on assets	3,330	140	3,470	0	0	0	3,470	2,590	150	2,740	0	0	0	2,740
Curtailments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Settlements	30	0	30	0	0	0	30	0	0	0	0	0	0	0
Expense recognised	(2,010)	(230)	(2,240)	(120)	0	(120)	(2,360)	(2,630)	(190)	(2,820)	(150)	0	(150)	(2,970)

3. Interest and Investment Income

Interest receivable by Dale and Valley Homes Ltd was £24,492 (£20,000 in 2007/08), the remainder was in respect of Wear Valley District Council.

4. External Audit Fees

Fees payable by Wear Valley District Council to the Audit Commission for external audit in the year were £130,000 (£124,000 in 2007/08). There were fees of £22,000 payable by Wear Valley District Council to the Audit Commission for statutory inspections in 2008/09 (£18,000 in 2007/08). Fees payable by Wear Valley District Council in respect of certification of grant claims in the year were £39,000 (£33,000 in 2007/08).

No fees have been paid in the last two years by Dale and Valley Homes Ltd to the Audit Commission. £10,000 is payable by Dale and Valley Homes to their external auditor, Baker Tilly for a variety of audit services in the year, (£16,000 in 2007/08).

5. Accounts of Dale and Valley Homes

Further information on the accounts of Dale and Valley Homes is available from their Director of Resources, David Sanders, 27 Longfield Road, South Church Enterprise Park, Bishop Auckland, County Durham, DL14 6XB.

NOTES TO GROUP BALANCE SHEET AS AT 31ST MARCH 2009

1. General

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

2. Creditors

	2008/09		
	Wear Valley District Council	Dale and Valley Homes	Total
	£000s	£000s	£000s
Government Departments	3,024	5	3,029
Other Local Authorities	1,797	0	1,797
Housing Rents	183	0	183
Sundry Creditors	3,655	0	3,655
Section 106 Agreements	1,102	0	1,102
Council Tax	425	0	425
Non-Domestic Rates	99	0	99
Total Creditors	10,285	5	10,290

3. Pensions Liability/ Reserve

In accordance with the requirements of Financial Reporting Standard No. 17 – Retirement Benefits (FRS17), the Group has to disclose its share of assets and liabilities related to pension schemes for its employees. As part of the terms and conditions of employment of its officers and other employees, both Wear Valley District Council and Dale and Valley Homes offer retirement benefits. Although these benefits will not actually be payable until employees retire, both organisations have a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Group participates in the Local Government Pension Scheme for employees, administered by Durham County Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

In addition, the Group has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

The underlying assets and liabilities attributable to the authority as at 31st March 2009 as stated in the Balance Sheet are as follows:-

	2006/07 (£'000)			2007/08 (£'000)			2008/09 (£'000)		
	Dale and Valley Homes	Total	Wear Valley District Council	Dale and Valley Homes	Total	Wear Valley District Council	Dale and Valley Homes	Total	
Local Government Pension Scheme									
Estimated share in present value of liabilities in funded scheme	(65,970)	(2,470)	(68,440)	(56,810)	(2,720)	(59,530)	(59,220)	(3,640)	(62,860)
Estimated share in fair value of assets in funded scheme	46,160	1,700	47,860	40,890	2,240	43,130	33,580	2,280	35,860
Net funded pension asset / (liability)	(19,810)	(770)	(20,580)	(15,920)	(480)	(16,400)	(25,640)	(1,360)	(27,000)
Estimated share in present value of liabilities in unfunded scheme	(2,430)	0	(2,430)	(2,290)	0	(2,290)	(2,450)	0	(2,450)
Net asset/(liability)	(22,240)	(770)	(23,010)	(18,210)	(480)	(18,690)	(28,090)	(1,360)	(29,450)

The liabilities show the underlying commitments that the Group has in the long run to pay retirement benefits. The total liability of £29.45m has an impact on the net worth of the Group as recorded in the balance sheet, showing a reduction. However, statutory arrangements for funding the deficit mean that the financial position of the Group remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. Liabilities have been assessed on an actuarial basis, using the projected unit method, an estimate of the pensions that will be payable in future years, dependent upon assumptions about mortality rates, salary levels, etc. These assumptions are detailed in notes to accounts for Wear Valley District Council.

The revised FRS 17 requires a separate disclosure for liabilities and assets, funded and unfunded liabilities to be disclosed separately and that the fair value of assets should be the bid value for quoted assets rather than the mid market value. These changes have resulted in a difference of £90,000 in the opening balances. This is not considered material and has been adjusted in the 2008-09 accounting entries by adjustment to the charge for actuarial gains or losses.

An analysis of the movement in pension liabilities and assets during the year is shown below.

Changes to the present value of liabilities during the accounting period:

	Period Ending 31st March 2008 (£000)						Period Ending 31st March 2009 (£000)							
	Funded		Total Funded	Unfunded		Total 2008	Funded		Total Funded	Unfunded		Total 2009		
Wear Valley	D&V Homes	Wear Valley		D&V Homes	Wear Valley		D&V Homes	Wear Valley		D&V Homes	Wear Valley		D&V Homes	
Opening present value of liabilities	(65,970)	(2,470)	(68,440)	(2,430)	0	(2,430)	(70,870)	(56,810)	(2,710)	(59,520)	(2,290)	0	(2,290)	(61,810)
Current service cost	(1,480)	(190)	(1,670)	0	0	0	(1,670)	(950)	(140)	(1,090)	0	0	0	(1,090)
Interest cost	(3,470)	(140)	(3,610)	(120)	0	(120)	(3,730)	(3,830)	(200)	(4,030)	(150)	0	(150)	(4,180)
Contributions by participants	(460)	(60)	(520)	210	0	210	(310)	(460)	(80)	(540)	210	0	210	(330)
Actuarial gains / (losses) on liabilities	9,340	410	9,750	50	0	50	9,800	560	(400)	160	(220)	0	(220)	(60)
Net benefits paid out	2,940	(230)	2,710	0	0	0	2,710	2,710	(110)	2,600	0	0	0	2,600
Past service cost	(420)	(40)	(460)	0	0	0	(460)	(440)	0	(440)	0	0	0	(440)
Curtailments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Settlements	2,710	0	2,710	0	0	0	2,710	0	0	0	0	0	0	0
Closing present value of liabilities	(56,810)	(2,720)	(59,530)	(2,290)	0	(2,290)	(61,820)	(59,220)	(3,640)	(62,860)	(2,450)	0	(2,450)	(65,310)

Changes to the fair value of assets during the accounting period:

	Period Ending (£000)					
	31st March 08			31st March 09		
	Wear Valley	Dale & Valley Homes	Total	Wear Valley	Dale & Valley Homes	Total
Opening fair value of assets	46,160	1,700	47,860	40,890	2,230	43,120
Expected return on assets	3,330	140	3,470	2,590	150	2,740
Actuarial gains / (losses) on assets	(5,020)	(100)	(5,120)	(9,180)	(460)	(9,640)
Contributions by the employer	1,580	200	1,780	1,530	170	1,700
Contributions by the participants	460	60	520	460	80	540
Net benefits paid out	(2,940)	230	(2,710)	(2,710)	110	(2,600)
Settlements	(2,680)	0	(2,680)	0	0	0
Closing fair value of assets	40,890	2,230	43,120	33,580	2,280	35,860

The actual return on assets during the year was:

	Period Ending (£000)					
	31st March 08			31st March 09		
	Wear Valley	D&V Homes	Total	Wear Valley	D&V Homes	Total
Expected return on assets	3,330	140	3,470	2,590	150	2,740
Actuarial gain / (loss) on assets	(5,020)	(100)	(5,120)	(9,180)	(460)	(9,640)
Actual return on assets (funded)	(1,690)	40	(1,650)	(6,590)	(310)	(6,900)

The analysis of amount recognised in STRGL is as under:

	Period Ending 31st March 2008 (£000)						Total 2008	Period Ending 31st March 2009 (£000)						Total 2009
	Funded			Unfunded				Funded			Unfunded			
	Wear Valley	D&V Homes	Total Funded	Wear Valley	D&V Homes	Total Unfunded		Wear Valley	D&V Homes	Total Funded	Wear Valley	D&V Homes	Total Unfunded	
Total actuarial gain / (loss) on assets	4,320	310	4,630	50	0	50	4,680	(8,620)	(860)	(9,480)	(220)	0	(220)	(9,700)
Total gain / (loss) in STRGL	4,320	310	4,630	50	0	50	4,680	(8,620)	(860)	(9,480)	(220)	0	(220)	(9,700)

NOTES TO THE GROUP CASH FLOW STATEMENT

1. Reconciliation of Net Cash Flow to Movement in Net Debt

	£000s	£000s
Decrease in cash in the period	(1,514)	
Cash used for financing	(6,900)	
Cash received from decrease in liquid resources	(2,000)	
Change in net debt		(10,414)
Net debt at 1 April 2008		(18,646)
Net funds at 31 March 2009		(29,060)

2. Analysis of Changes in Net Debt

	At 1 April 2008 £000s	Cash Flows £000s	At 31 March 2009 £000s
Cash in Hand	2,721	306	3,027
Bank Overdraft	(272)	(1,820)	(2,092)
		(1,514)	
Debt due within 1 year	(1,100)	(3,769)	(4,869)
Debt due after 1 year	(43,995)	(3,132)	(47,127)
Current asset investments	24,000	(2,000)	22,000
TOTAL	(18,646)	(10,415)	(29,061)

ANNUAL GOVERNANCE STATEMENT - 2008/09

1. SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, Wear Valley District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Council's functions and which includes arrangements for the management of risk.

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

Durham County Council
Civic Centre
North Terrace
Crook
Co. Durham
DL15 9ES

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

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at Wear Valley District Council for the year ended 31st March 2009 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the District Council's governance arrangements are as follows:

- The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.
- The Council has established its principal organisational objectives. These are documented within the Council Plan that also sets out the Council's priorities and improvement measures for the period 2006-2009. This has been supplemented by a transitional plan to cover the period to local government reorganisation.
- Departmental service plans are derived from the Council Plan and budgets aligned with corporate objectives.
- A corporate management team (CMT) consisting of the senior officer from each Department meets weekly under the chairmanship of the Chief Executive. The Council's communication strategy ensures that there are documented meetings across all Departments.
- Governance documents such as schemes of delegation, standing orders and financial regulations are reviewed annually and updated and agreed by Council.
- The Council has introduced and implemented a performance management framework that is driven by the Council Plan and focuses attention on corporate priorities.
- The Council has robust systems for identifying and evaluating all significant risks. The Acting Chief Executive has the role of "risk management" champion. A cross-departmental risk management group is established that identifies key operational risks including those related to new legislation. A risk register is in place and appropriate staff trained in the assessment, management and monitoring of risks.
- Members approved an update to the risk management strategy in 2006 that ensures a systematic process for dealing with risks. Members receive regular updates on compliance with the strategy and an updated strategic risk register. Service plans also include a section on key risks with planned actions to be undertaken by nominated officers to manage these risks
- The financial management of the Council is conducted in accordance with its Financial Regulations. The Council has designated the Accountancy Manager as Chief Finance Officer in accordance with section 151 of the Local Government Act 1972. The Council has in place a Medium Term Financial Strategy to support the aims of the Council Plan.
- Robust budget monitoring by the monthly distribution of monitoring reports to budget holders, monthly reporting of volatile budgets to CMT and quarterly summary reports to Members
- Allocation of resources to introduce effective business continuity and disaster recovery arrangements.
- The retention and recruitment of suitably qualified and skilled staff by the provision of training linked to individual personal development plans with objectives cascaded from the Council Plan through departmental service plans.
- There is a significant amount of training available to Members throughout their term of office. As well as an initial induction programme, training in other areas will continue throughout their tenure.
- The operation of a standards committee to promote and maintain high standards of conduct amongst members
- The Council maintains an internal audit function that operates to the standards set out in the Code of Practice for Internal Audit in Local Government.
- An agreed protocol for partnership working was agreed

- The operation of the Overview and Scrutiny committee in its capacity as the Council's audit committee
- There is a formal management agreement and delivery plan with Dale and Valley Homes that sets out the responsibilities, monitoring and reporting mechanisms for the services which have been delegated to them.
- The Council sends out a quarterly newsletter (Wear Valley Matters) to all residents.
- Residents can communicate with the Council by post, telephone, e-mail, or visiting the Civic Centre First Stop Shop.
- Committee meetings are open to the public except where confidential or personal matters are being discussed.
- The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint against the service received from the Council. Complaints can be made in writing or on-line and the Council has set targets for responding to all complaints received, ensuring accountability to its Stakeholders.

4. REVIEW OF EFFECTIVENESS

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

- The Council Plan is reviewed on a regular basis to ensure it remains relevant to organisational objectives.
- Annual review of service planning process
- Regular risk management update provided to members
- Annual review and update of control documents such as financial regulations, standing orders, anti-fraud and corruption strategy and whistle blowing policies. These are agreed by Council.
- Robust performance management framework as evaluated by the Audit Commission. This includes monitoring of key performance indicators.
- Performance Indicators for the Authority are reviewed quarterly by senior officers as part of the Performance Management framework and six monthly by members
- Production and review of policies on health and safety and emergency planning.
- Directors certify annually and produce evidence to support effectiveness of the internal control arrangements within their Department.
- The Internal Audit Manager reports annually to the Council's Overview and Scrutiny Committee on the internal control environment based upon the work carried out in the year
- Structured training given to senior staff on financial management, standing orders and officer codes of conduct


- Monitoring of the operation of the Constitution by the Council's "Monitoring Officer"
- The capability of the Overview and Scrutiny Committee (O&S) as the Council's "audit committee" to review Council policy and decisions and require attendance by members and officers at sittings of the Committee to answer questions
- Overview and Scrutiny Committee in its capacity as an audit committee reviewing the performance of the internal audit function.
- Overview and Scrutiny Committee (Internal and External) carrying out the reviews of the authority's work.
- Overview and Scrutiny Committee (Internal) hold a number of performance clinics to assess service performance.
- The submission of reports to senior officers on system audits that evaluate levels of internal control. These reports include agreed actions to be undertaken by designated officers within specific time-scales. Follow up audits are undertaken to ensure that recommendations have been implemented
- The terms of reference of the Internal Audit function include the ability to refer areas of concern for review by the Overview and Scrutiny Committee
- The Internal Audit function is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section.
- Internal and External Audit work together to review and provide opinions of the control framework, governance arrangements and validity of the final accounts.
- Performance Improvement Teams are established to investigate services that appear to be failing according to national performance figures.
- Compliance with report writing protocol requiring consultation with relevant officers prior to submission of reports to Committee
- Allocating responsibility through CMT to dedicated officers to deal with new legislation e.g. Freedom of Information Act, Disability Discrimination Act etc.
- Formal governance arrangements in place for significant partnerships e.g. Dale and Valley Homes
- Formal liaison meetings take place on a regular basis between the Council and Dale and Valley Homes
- All Officers employed by the Council receive an annual PRADS (Performance Review and Development Scheme) at which performance can be measured against set objectives. Training needs are also identified as part of this process and addressed via the Human Resources service and/or individual service as appropriate.
- Regular review of member training is undertaken to feedback into training programme.
- The Council issues satisfaction surveys to customers to receive their feedback.
- An annual review of complaints and response times is reported to Committee.

5. SIGNIFICANT GOVERNANCE ISSUES

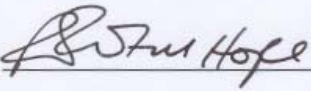
The following significant governance issues have been identified:

No.	Issue	Action
1	Preparation for the formation of a new unitary authority covering County Durham involves significant staff resource and affects the Council's ability to recruit and retain staff. This may have adverse consequences for maintaining existing systems of internal control.	Staff vacancies have been filled by temporary agency staff and secondment from other authorities. Audit resource will focus upon key areas such as maintenance of asset register and systems of data transfer during the transition to the new authority.
2	The Authority's annual accounts for 2007/08 may not be finished by 31 st March 2009 because of material errors identified by the Audit Commission	Officers are working with the Audit Commission to correct these errors and complete the accounts and their audit by 31 st March 2009.

We propose to work with the new authority and the Audit Commission to address the above matters. We are satisfied that this step will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of preparing the governance statement for the new authority for the following year.

Signed  _____
Leader of the Council

Dated 30TH MARCH 2009.

Signed  _____
Chief Executive

Dated 30th March 2009.

Statement of Responsibilities for the Statement of Accounts

The Local Government (Structural Changes) (Further Transitional and Supplementary Provision and Miscellaneous Amendments) Regulations 2009 makes Durham County Council responsible for the preparation and publication of the final accounts of Wear Valley District Council.

Durham County Council's Responsibilities

The County Council is required to:-

- make arrangements for the proper administration of its financial affairs and secure that one of its officers has the responsibility for the administration of those affairs. In the County Council, that officer is the Corporate Director - Resources.
- approve the Statement of Accounts.

The Corporate Director Resources' Responsibilities

The Corporate Director - Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this Statement of Accounts the Corporate Director - Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

In respect of the points below, reliance has been placed on the governance statement certified by Wear Valley District Council.

- keeping proper accounting records which were up to date;
- taking reasonable steps for the prevention and detection of fraud and other irregularities;

Certificate of Corporate Director - Resources

I certify that the Statement of Accounts presents fairly the financial position of the Wear Valley District Council as at 31st March 2009 and their income and expenditure for the year ended 31st March 2009.

S. D. Crowe C.P.F.A.
Corporate Director - Resources
30th September 2009

Certificate of Chairman

In accordance with Regulation 10 (3) (b) of the Accounts and Audit Regulations 2003, I certify that these Accounts were approved by the County Council at the meeting held on 30th September 2009

B. Myers MBE JP
Chairman of the County Council
Chair of the meeting approving the accounts

AUDITOR'S REPORT TO THE COUNCIL

Independent auditor's report to Members of Durham County Council as successor to Wear Valley District Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Wear Valley District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Housing Revenue Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund, the Group Accounts and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Durham County Council as successor to Wear Valley District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Corporate Director Resources and auditor

The Corporate Director Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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 accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls. Neither am I 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 accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting 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 Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, 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 Authority and Group accounting statements and related notes 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 Authority and Group accounting statements and related notes.

Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Group as at 31 March 2009 and its income and expenditure for the year then ended.

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 regularly to review the adequacy and effectiveness of these arrangements.

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 which 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.

Qualified Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing I identified the following:

- the Authority did not have arrangements in place to monitor the quality of its published performance information.

Having regard to relevant criteria specified by the Audit Commission for principal local authorities, published by in December 2006, and the supporting guidance, I am satisfied that, in all significant respects, Wear Valley District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009 except that it did not put in place adequate arrangements to monitor the quality of its published performance information, and to report the results to members.

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.

Cameron Waddell,
Officer of the Audit Commission,
Nickalls House,
Gateshead,
NE11 9NH

9 December 2009

GLOSSARY OF TERMS USED IN THE ACCOUNTS

Accruals

A sum included in the Final Accounts in respect of income or expenditure relating to goods or services provided or received which are attributable to the accounting period, but for which payment has not been received/made by the end of the period.

Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Budget

The Council's plans and policies for the period concerned expressed in financial terms.

Capital Expenditure

Expenditure on acquisition of assets which have a long-term use e.g. land and buildings. 'Other long-term outlay' is used to describe those items such as roads which do not have a realisable value.

Capital Receipts

Proceeds from the sale of capital assets.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with Local Government finance.

Collection Fund

Fund into which is paid income from Council Tax and Non-Domestic Rates and from which are met the demands or precepts of both the Billing Authorities and Non-Billing Authorities.

Community Assets

Assets which it is intended to hold in perpetuity, that have no determinable useful life, and which may have restrictions on their disposal.

Contingent Liabilities

Liabilities, the amounts of which depend on some future occurrence.

Creditors

Persons or bodies to whom sums are owed by the Council.

DCLG (The Department for Communities and Local Government)

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

Debtors

Persons or bodies who owe sums to the Council.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, affluxion of time or obsolescence through technical or other changes.

Earmarked Reserves

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

Financial Reporting Standards (FRS's)

Statements issued by the Accounting Standards Board laying down common standards of accounting practice and superseding previously issued SSAPs.

Fixed Assets

Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

Government Grants

Grants by Government towards revenue and capital costs of Local Authority services.

Housing Subsidy

A grant from or payment to Central Government in connection with the operation of the Housing Revenue Account.

Long Term Investments

Amounts invested by the Council for a period of more than a year.

Local Authority Business Growth Incentive Grants

Grants received from the Government as an incentive to maximise local economic growth.

Major Repairs Reserve

This amount represents the amount payable to local authorities to help tackle the backlog of repairs in council housing.

Minimum Revenue Provision

The minimum amount which must be charged to revenue in the year for the repayment of debt (credit liabilities and credit arrangements). An Authority may voluntarily set aside amounts in excess of the minimum required.

National Non-Domestic Rates (NNDR)

Also known as business rates, this is the means by which local businesses contribute to the cost of the 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.

Precept

Demand from Non-Billing Authorities to be met from the Collection Fund.

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 the dates on which they will arise.

Public Works Loans Board (PWLB)

A central government agency which lends money to local authorities at rates lower than those generally available in the market.

Reserves

Sums set aside for purposes falling outside the definition of a 'provision'.

Revaluation Reserve

The Revaluation Reserve includes cumulative unrealised revaluation gains and losses (since 1 April 2007) arising from holding fixed assets.

Revenue Balance

Accumulated net revenue surplus.

Revenue Expenditure and Income

Expenditure and income arising from the day to day operation of the Council's services.

Revenue Support Grant

General Grant given by the Government to Local Authorities to assist in financing the overall net cost of services.

Running Expenses

All expenses other than those relating to employees and the financing costs of capital expenditure (debt charges and revenue contributions). Running expenses include expenditure on maintenance of building, consumable supplies, transport etc.

Specific Grant

Government Grant towards net expenditure of particular services or projects.

Statements of Recommended Accounting Practice (SORP)

Statements issued by the Accounting Standards Board laying down common standards of accounting practice.

Trust Funds

Funds established from donations or bequests.

Work in Progress

The value of rechargeable work which had not been recharged at the end of the financial year.